

Strategic Plan for Genesi

Egypt

Narrative

As Egypt's second largest mobile telecommunications firm, Vodafone is consistently searching for opportunities to overtake its competitor, Mobinil. Vodafone Egypt is a mobile carrier that offers the latest technological gadgets such as cellphones, smartphones, and netbook computers, but not at prices affordable to the average Egyptian. The firm is looking for ways to expand into new markets and attract customers who do not typically have access to modern technology. Moreover, the firm recognizes emerging trends in Egypt's economy that point towards steady GDP growth and industry growth in the coming years; perhaps even more important, Vodafone is looking to capitalize on the recent political revolution, which saw the rise of a young, modern generation that greatly desires access to new technology and connection to the rest of the world.

The firm sees great potential in a start-up company based in the United States: Genesi USA, Inc. Genesi's current and upcoming product lines and its company-wide vision represent a perfect fit for the needs of Vodafone. Adding a low-cost leader to Vodafone's already impressive array of product offerings is the ideal scenario to attract Egypt's growing middle class as well as its lower class. Specifically, Vodafone is most intrigued by Genesi's upcoming tablet computer: Vodafone currently does not sport a tablet computer in its product line, and Genesi's model certainly has the capability to not only gain the loyalty of upper and middle class consumers who do not have access to an Apple iPad or other high-end Android tablet, but it is also a financially feasible option for low income families.

Vodafone is also intrigued by Genesi's offer to sell its products to the firm at cost. While Genesi is certainly taking a large risk by not selling to Vodafone at a price above its production cost, Genesi's offer shows that it has faith in the Egyptian market. Current signs all indicate that the telecom market is about to explode, so Vodafone finds that paying only a 10% commission for each resale of Genesi products is more than fair.

In summary, Vodafone has found that Genesi has much to offer and an alliance with it will add value to Vodafone's Egyptian operations. First, an alliance with Genesi will allow Vodafone to market a low-cost, yet technologically impressive device to low and middle class consumers. The Egyptian technological infrastructure is capable of supporting up-to-date communications devices, but the issue of product affordability has been the primary roadblock to overall acceptance of such devices. Second, Vodafone has found that an alliance with Genesi offers the greatest possible chance of gaining market share over its rival, Mobinil. The addition of a low-cost product will certainly boost Vodafone's sales, thus giving it a larger share of the telecom market. Finally, Vodafone admires Genesi's goal to have a computer in the hands of every person around the globe. Vodafone believes that providing affordable telecommunications devices at prices every consumer can afford is an achievable goal and finds that partnering with Genesi could help turn this dream into a reality.

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II. Executive Summary

Genesi is looking to expand its operations into Egypt; a central element to achieving this is to examine the purposed plan as a whole. Genesi believes that setting up a strategic alliance with Vodafone Egypt is the best way to expand its Egyptian operations. Genesi knows that approaching Vodafone Egypt provides more opportunities than if they approached one of the other major telecommunication providers. Such opportunities could come about through Telecom Egypt the country's largest and solo provider of hard-line telecommunication, since Telecom Egypt owns 45% of Vodafone Egypt, this could help facilitate a partnership with Telecom Egypt to use Genesi's products to use as a cable box, and provide steaming video over the internet. Genesi already has sold its Smarttop computer to be used as a means of providing cable TV to individuals; this is a way to increase that momentum. The main reason for choosing Vodafone Egypt is that it could help facilitate a larger deal with the Vodafone Group. If a deal is made with Vodafone Egypt, it could help facilitate a deal with 23 other Vodafone subsidiaries. In a sense, it could help achieve a huge multi-million dollar deal.

Egypt has the potential to provide Genesi with huge success. Egypt is a developing country that has just undergone a revolution. The government has been disassembled and the representing officials have been dissolved. A completely new government is going to be established in September when elections will be held. This is a superb opportunity to get involved in Egypt since the country already has 66 million cell phone subscribers, but only 770,000 3G users because Smartphone are relatively too expensive for the average Egyptian and government restrictions discourage Smartphone purchases; such restrictions that the former government enacted were that no Smartphone could have GPS. This is expected to change with the new government. They are anticipating a large increase in Internet users this year with the government being overthrown. The government tried to control the countries communications and even shut off the Internet for a while, this discouraged some internet users. Catching the Egyptian movement at the right time could provide tremendous rewards to both Genesi and Vodafone.

Focusing on forming a strategic alliance with Vodafone Egypt is the first and most important move. The entire business plan is centered on forming this alliance. Genesi will promote its product line to Vodafone by marketing them as "do-it-all" devices that Egyptians can use for web-browsing, media playback, data processing, and chatting. Genesi will be using its upcoming tablet computer as the forefront of its product line: we see the tablet computer as the future of telecommunication devices, and as such we want to make this form of technology available to Egyptians of all income brackets.

Several reasons support this alliance, such as the fact that Vodafone Egypt does not currently offer a tablet, but they are looking for different tablets to carry and offer in their stores. Genesi's tablet is about to be unveiled, and Genesi should use Android in its tablet to cut down the time necessary for the product to be moved to market. Vodafone Egypt is currently looking for tablets to carry in its stores and this is a perfect opportunity for Genesi to provide a low cost tablet to the Egyptian market.

Egypt is the perfect place for Genesi to market its products. The median age is 24, they have a very small upper class, and with the government in political turmoil there is an opportunity. Companies are staying out of Egypt due to fear and uncertainty; we say this is the time to go in. Competition is at its lowest, freedom for businesses is at its highest, and the people are ready for this technology.

A strategic alliance with Vodafone will be successful for four main reasons. First, entry into the Egyptian telecommunications market is essentially impossible without the aid of one of the two main firms in the industry, Vodafone and Mobinil. Although Mobinil boasts a slight advantage in terms of market share, Vodafone's reputation worldwide and its ability to cater to Egyptian youth will provide for the best possible alliance scenario. Second, the Egyptian market, both country-wide and industry-specific, is growing. The government has vastly increased spending in the telecommunications and IT sector and industry growth is expected to be 12.75% in the next five years. Third, low-income Egyptian consumers do not currently have a viable option for either a smartphone or a computer. The price of technology in Egypt far exceeds that of the average Egyptian's disposable income: therefore, Genesi will hold a valuable competitive advantage by being the first true low-cost leader in Egypt. Finally, a young, tech-hungry generation evolved from Egypt's recent political revolution: Egypt's powerful tech-generation is demanding immediate access to the newest forms of western technology, and we firmly believe that Genesi has the ability to meet this demand by providing efficient and affordable technology to the masses.

III. Vision & Mission

Egypt presents an intriguing business opportunity for Genesi. Although the recent political unrest may first appear to be unappealing to most foreign businesses, the current political and economic situation presents a unique blend both of excitement and opportunity that is unrivaled in Africa. Egypt is the fastest growing Arab nation in the world (CIA World Factbook) and, as a result, is an emerging market with ample opportunities for business growth. The average age in Egypt is 24 years old, with 63% of the population between the ages of 15 and 64; consequently, the vast majority of the population is aware of current technological trends. This youthful generation is sweeping the nation with a strong desire to acquire the newest forms of technology. With that said, Genesi is presented with the opportunity to market Western technology at affordable prices to lower-income Egyptian consumers.

Although Genesi will market its products business-to-business, its second hand customers are primarily young, tech-savvy, lower income consumers that have a strong desire to access new technology and become connected to the rest of the world. Genesi is fulfilling its need to supply low-price computers to millions of people across the world that normally would not have access to such technology, while simultaneously satisfying these low-income consumers' desire to be connected to the internet and the world around them.

Genesi will be able to add value to Vodafone's business by providing it with devices that are not currently in its product line (a tablet computer) and also by providing it with products that are affordable to young consumers and low income families. Moreover, Vodafone, by adopting Genesi's product line, will be able to add value to consumers by connecting them to the rest of the world (via the Internet) and by increasing work productivity (via word processing applications) and general computer skills.

Vision Statement: To provide excellence and innovation to the world by investing in technology and people.

Mission Statement: Our mission is to be a dominate player in the global telecommunications market through the ingenuity and high quality work of our associates. We strive to achieve greatness by providing the world with new technological innovations and by seeking out new frontiers.

IV. External Analysis

GENERAL ENVIRONMENT ANALYSIS

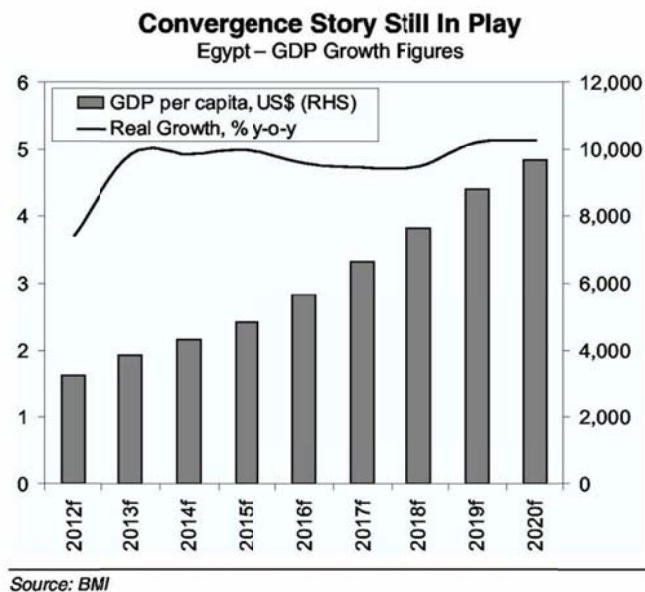
Demographic

According to the CIA World Factbook, Egypt's population is the fastest growing among all Arab nations. Its population is about 82 million, which ranks as the fifteenth largest in the world. Moreover, about 63% of its population is between 15-64 years old and about 33% is less than 15 years old, with the median age being 24 years old. Additionally, about 43% of all Egyptians live in urban areas, which will further aid marketing efforts in this region. In terms of Egypt's income distribution, the CIA World Factbook lists that the average income is about \$6,200. A strong middle class is expected to emerge in the coming years.

Economic

From a general standpoint, Egypt is a very promising market to enter. It looks to provide a significant amount of growth, as the BMI report says "We think Egypt is one of the most promising emerging market stories around, with a strong domestic demand component of GDP." Egypt is a growing economy that offers a lot of opportunities.

This graph from the BMI report illustrates that projected GDP per capita and Real Growth over the next 10 years is growing, and with an increasing GDP per capita, this helps give rise to a middle class, which is necessary for maintain a healthy economy.



Approximately 38% of the Egyptian workforce is in industry, with another 48.6% in the services sector. Although Egypt's economy is expected to growing at a rapid speed in the coming years, the vast majority of the population is still suffers from poor living conditions. According to the

CIA World Factbook, 9.7% of Egypt's population is currently unemployed, while 20% lives under the poverty line.

Political/Legal

It may be important to note that Egypt's presidency is currently vacant after the forced resignation of Mohamed Hosni Mubarak in February 2011. The country is currently lead by Defense Minister Muhammad Hussein Tantawi. As per ABC news, Mubarak resigned after more than two weeks of protests and demonstrations by the Egyptian people; while the institution of a new government may further political and social liberties for Egyptians, such political turmoil may create a variety of issues concerning the marketing of Genesi's products and services and its ability to succeed in the region.

Although the country is currently trying to reorganize its government, past actions by the government indicate that Egypt is becoming more accepting towards foreign investment. According to the Telecom Industry Report by the Economist Intelligence Unit (EIU), Egypt is currently set to spend \$2.2 in 2011 on information technology, with that number expected to increase to \$3 billion by 2014. The Egyptian government is increasing IT spending in order to increase foreign investments and attract more businesses to the region. The EIU also notes that the IT sector in Egypt is expected to continually grow in the coming years.

Socio-cultural

Women's status in Egypt has skyrocketed over the last ten years. Only recently did Egypt uplift all of the discriminating laws against women. Currently, 64 seats of the People's Assembly are occupied by women. Similar to the U.S., the statistics show that every year more and more women are joining the workforce. This is a huge accomplishment for the sociocultural segment of the environment. The socio-cultural segment of Egypt does not bear much importance to the telecommunications industry.

Technological

Egypt currently ranks 19th in the world in terms of mobile device usage. The country maintains three mobile-network carriers to support its 57.7 million cellular phone users: "a consortium consisting of Orange, Motorola, Orascom Telecom Holding of Egypt, and other local partners bought by the state-owned GSM monopoly" (EIU Telecom Industry Report); Vodafone Egypt, which has 24.7 million subscribers; and Mobinil, which accounts for 26.1 million subscribers.

The internet sector in Egypt is not as dense, however. Since 2007, Egypt's internet using population has doubled from nearly 12 million to 24 million people, a 23.7% penetration rate. Only 3 millions Egyptians actually subscribe to the internet. However, the EIU reports that internet demand in Egypt is expected to rise in the coming years, due in part to the average age of the population being around 26 years old. This generation has grown up surrounded by technology, and as such is demanding access to the newest wave of telecommunications devices. In 2009, only 12 in 100 Egyptians owned a personal computer (EIU Telecom Industry Report); the EIU Telecom Industry report lists that the average PC in Egypt costs about \$1,500, which is

far too expensive considering the average Egyptian's personal disposable income is about \$1,600.

Appendix 3 is a graph from the BMI report which illustrates Egypt's telecommunications industry and the number of mobile subscribers, and the projected increase in both internet and mobile phone subscribers.

Global

Globally, the computer business has exploded, almost to the point where only the strong will survive. There are so many companies out there from a hundred countries that are producing computers. The companies that can set themselves apart from the rest are the ones that will succeed. With China and India's cheap labor and advanced technology, American companies are going to face challenges on a global scale and even in America itself.

Physical

More and more companies are switching to an environmentally cautious strategy. Televisions, computers, and cars are all using significantly less energy than they did 10 years ago. With the advances in technology and renewable resources, the physical environment will be safe and sufficient for several years to come.

INDUSTRY ENVIRONMENT ANALYSIS

Five Forces Model of Competition Model

Threat of new entrants

Without the support of Vodafone, Genesi will face incredibly high barriers to entry in the Egyptian market. The telecom industry is currently controlled by two main players, Telecom Egypt/Vodafone and Orascom Telecom/Mobinil. Therefore, it is essential for Genesi to partner with Vodafone in order for its products to be successful in this region. Along those lines, although Genesi does not currently have the capacity to establish economies of scale, working with a reputable firm such as Vodafone, which has developed economies of scale in Egypt, will secure its position amongst potential new entrants.

Moreover, Genesi's products have the benefit of being inherently differentiated from current competitors, such as smartphones and netbook computers: the Smartbook, Smarttop, and tablet devices can be used as both a computer and a communication tool. We anticipate that consumers will highly value the overall usability of Genesi's products and thus will develop a loyalty towards our brand. Our goal is to use customer loyalty as a means of deterring potential new entrants to the Egyptian market.

Capital requirements do not appear to be an issue in Egypt's telecommunications industry. As mentioned previously, successful integration into this industry requires an alliance with one of the power players in Egypt's telecom landscape; an alliance with one of these firms will

essentially provide a partnering firm with almost unlimited access to capital requirements. Significant capital may need to be expended on establishing local manufacturing facilities, however.

On the other hand, switching costs could potentially raise issues for entering firms. Market research has shown that the vast majority of Egyptians prefer pre-paid mobile subscription plans, and as a result, most consumers consistently shop around for the lowest possible mobile rates and regularly switch providers according to price. Therefore, many consumers are not necessarily tied or loyal to any particular mobile provider. Genesi must take the risk that Vodafone will consistently be able to out-price its competitors, specifically Mobinil, in order for its products to be successful in Egypt.

Perhaps the largest potential barrier to entry in Egypt is the current political unrest in the country. Although the pre-revolution government increased country-wide telecommunications expenditures and stressed the importance of an up-to-date IT infrastructure, these government sponsored programs could potentially be placed on halt as the country attempts to reorganize itself. Specifically, the government placed a ban on using smartphones with GPS capabilities; if this ban is held in place and is applied to computers and tablets as well, Genesi and its competitors may be at a loss in Egypt.

As a final note, it is important to mention that the retaliation from firms currently in the industry is expected to be low. The CIA World Factbook explains that computers tend to be viewed as “quasi-luxuries” in Egypt, mainly due to their high prices. Consequently, firms in Egypt have mainly marketed their products to the upper class; it is unlikely that firms will retaliate against a low cost competitor. As Genesi enters the market, however, and a low-cost computer is established, we do anticipate several companies to follow into the market. At this point, it is possible for retaliation in the form of pricing wars to take place.

Bargaining power of suppliers

Suppliers in the computer manufacturing business have very little bargaining power. Access to ARM chips, the model currently used in Genesi’s products, is not hard to obtain, nor is it non-substitutable; ARM chips can be manufactured by any firm that obtains a license to do so, and research has shown that at least twenty companies currently have a license to produce these chips. Therefore, neither Genesi nor its competitors are limited to purchasing computer chips from only one manufacturer.

The only potential bargaining tool suppliers can utilize is the threat of forward integration. For instance, if an ARM manufacturer decided to produce its own computer using its own chip, many computer manufacturers, such as Genesi, would be forced to purchase its chips elsewhere, as well as face competition from yet another computer model.

Bargaining power of buyers

The computer manufacturing and telecommunications industry in Egypt is primarily conducted via business-to-business. Therefore, hardware manufacturers such as Genesi will be forced to

deal directly with the large telecom firms in Egypt. Because the telecom market is controlled almost completely by only two firms, Mobinil and Vodafone, the bargaining power of buyers is high compared to other industries. In a market of 57.7 million total mobile subscribers, Mobinil currently possess 27.1 million consumers, while Vodafone sports 24.7 million subscribers. In light of these figures, a hardware manufacturer desiring to enter Egypt will have no option but to sell directly to one of these two large telecom firms.

Threat of substitute products

While Vodafone and other mobile carriers do carry high-end smartphones such as the Apple iPhone 4, Blackberry, and Windows Phone 7, as well as netbook computers, there are currently no low-cost, energy-efficient alternatives to the above products list. Furthermore, smartphones such as the Apple iPhone are currently priced at amounts much higher than the average Egyptian consumer would be willing to spend on a mobile device. For instance, Vodafone's website lists the selling price of an iPhone 4 as 5,000 Egyptian pounds, or \$833, which does not include the cost of a 3G data plan. As mentioned in Business Monitor International's "Egypt's Business Forecast Report", one major obstacle in Egypt is the lack of smartphones at affordable prices.

Although the demand for technology is increasing at a rapid pace in Egypt, consumers have been unable to access this technology due to excessive pricing. As such, the market for low-cost, yet efficient and comparable is large and as of today, untouched. Genesi is not likely to face a high threat of substitutable products because the only available substitutes are financially unfeasible for the average Egyptian consumer.

Intensity of rivalry among competitors

Extensive market research has shown that rivalry is not an issue amongst computer and smartphone manufacturers in Egypt. On the other hand, however, rivalry is intensely fierce between the two major telecommunications firms in Egypt, Vodafone and Mobinil. As mentioned previously, mobile subscriptions in Egypt are based heavily upon pre-paid plans, which consequently produce consistent pricing battles between mobile carriers to establish the lowest priced subscription plans.

Moreover, the industry is growing at a steady pace: according to Business Monitor International's "Egypt's Business Forecast Report", average annual growth is expected to be 12.75% for the next five years. Rivalry amongst competitors tends to increase as industry growth levels off and takes a downward trend. Also adding to the lack of intense rivalry in Egypt is the notion that consumers do not have the disposable income to purchase mobile devices based on differentiated features. As a result, many Egyptians have not developed the brand loyalty that is apparent for consumers residing in developed nation

Competitor analysis

See appendix 4 on page for Genesi's competitor analysis.

V. Internal Analysis

Resources

Tangible

Genesi has several strengths in its tangible resources. First of all, it has a substantial financial investor that is willing to invest the amount of cash needed for the company to become a successful global competitor. Genesi currently has an employee living in Cairo that is familiar with the Egyptian culture and is knowledgeable in the Arabic language. This will be an important organizational strength when Genesi moves into Egypt and establishes a team to begin negotiations with Vodafone. The company has a physical resource already set up in China that can begin the preliminary production for at least the first four years of production. Lastly, Genesi's technological resource is a major strength. The company has developed a technology that is not being used by many others because it is specifically made for low energy, moderate performance.

While Genesi does possess certain strengths that will make the expansion into Egypt possible, it also is weakened by certain aspects of the company. Genesi is going to have to develop several teams in order to manage the relationship with Vodafone and the customer service that needs to be provided. There will need to be a team of at least four members positioned in Egypt for the first year to ensure negotiations run smoothly with Vodafone. Genesi will also have to set up a team of people fluent in the Arabic language for the 24/7 technical support center. This is needed because the 71% of the population in Egypt that do know English are the more educated, middle to upper class. This is not the target market for Genesi products. The people that would be purchasing the hardware from Vodafone will most likely not be fluent in English, and therefore will need technical support in the Arabic language. Another potential weakness for Genesi could be its current manufacturing facilities in Egypt if they are not ready to handle the new demand that will be created with the deal through Vodafone. Before the deal is made with Vodafone, Genesi will need to be sure that the manufactures have the capacity to make our projected sales.

Intangible

Genesi also has a substantial amount of intangible resources. Its strength in human resources will give it a great competitive advantage. Genesi employs a very technological savvy team that is capable of producing endless advancements and enhancements to the products. Because of Genesi's small size and unique set of core values, there is also a strong trust within the company. Each person hired onto the team has a similar interest to the company, which is to provide technology to the masses. Genesi also can gain leverage in innovation. It gets an extensive amount of ideas from the members of team that keep Genesi in line with today's trend of rapidly changing technology.

The weaknesses of Genesi in its intangible resources start with the particular set of skills of the employees. The majority has a technology/engineering mindset, and the company is lacking a team with a pure business mindset. With a global undertaking, Genesi will need extra people

with an expertise in business to accomplish this expansion. These employees will enhance the wealth of knowledge of Genesi and will be an extra asset to the technological oriented employees currently employed. In addition, Genesi has thus far had the mindset of just getting its product to anyone interested. Now that there is an opportunity for expansion, there needs to be a routine in place. Each person needs a specific role within the company and guidelines will need to be put into place for certain business transactions. This will lend similarity throughout the company and will add to the professionalism that companies like Vodafone will be interested in. Furthermore, Genesi has relatively little brand recognition and/or few loyal customers because it is still fairly new in comparison to competitors. It will not be able to rely on word of mouth to get the products to the masses. Genesi will have to work with Vodafone to advertise the products and services in order to get people interested.

Capabilities

Genesi has developed a number of capabilities that will be strengths when it is ready to expand. To begin, Genesi has developed a state of the art SMT line that can manufacture its products at a very low cost while creating jobs within a country. This will be useful when Vodafone is ready to lower costs by cutting out shipping and producing the products within Egypt. Genesi's human capabilities will also lend an advantage. Its functioning technical team is highly capable of the innovations Genesi is known for. It also has two very passionate founders who are dedicated to pursuing the company's mission. Genesi will be successful in retaining its employees due to the pleasant, laid back nature of the company. The company is also well prepared in research and development. It is ready and able to devote the time and money into coming up with technology to meet increasing needs.

One of Genesi's biggest weaknesses lies within its marketing. Only a small number of people in the world even know that the company and its products exist. If Genesi wishes to bring its products across the globe, it will need to undertake a sizeable advertising campaign. This will bring significant leverage to the company through brand recognition. Genesi also needs to be concerned with its potential weakness in distribution. If it desires to be successful in expansion, it is going to have to either employ a team of people or outsource to another firm that will be able to manage the logistics. In the past, Genesi has only had small deals with individuals and/or companies in which logistics were not of concern, but the demand created through this potential alliance will create a need for this new focus. This factor will need to be dealt with before a deal with Vodafone can be finalized.

Core Competencies

Genesi will be able to add the most value to its customers through its low cost strategy. This is a very valuable competency because the countries that Genesi is seeking to enter are relatively poor developing countries. A low cost product will give Genesi a much larger market to sell to. A low cost strategy is also fairly rare in the computer industry. There are very few to zero companies that are trying to develop products at the lowest possible cost for consumers. Instead, most are driven by making large profits and therefore are not interested in targeting the less fortunate people within a country. While the hardware would not be costly to imitate, it would be costly for any of Genesi's competitors to change their profit strategy into one that closely

resembles Genesi's. Very few companies would be willing to put in the money to produce a low cost computer that does not have large immediate returns. Currently, there are no other companies in Egypt that can compete with the low cost of Genesi's hardware which lends even further advantages.

The company's energy efficient technology is another strong core competency for Genesi. This creates value in the developing nations Genesi is targeting that do not have reliable power sources and/or the people that cannot afford them. The Genesi products can run on extremely low power and even on solar panels, so they are meeting a very important need. Additionally, there is only a handful or less of companies in the world that are producing computers that require such low energy. The majority of companies are focused on high performance hardware that have to run on much higher power supplies and are not ideal for these types of developing nations. Again, it would be costly for another company to come up with such an energy efficient computer and still remain at the revenue levels it is accustomed to. Similar to the low cost competency, a company would need to change up its entire strategy. While FIC has come up with a similar product that is very energy efficient, it still does not match the Genesi computer because it is made with more bells and whistles.

Partnering With Vodafone

Our plan entails forming an alliance with an extremely large, well developed company in a foreign nation. While this will give a competitive advantage to Genesi because Vodafone is such a well established company in Egypt, there are many things Genesi should be concerned with. The team in Egypt will have to maintain strong relationships with Vodafone in order to keep the alliance intact. They will have to be trained well in order to successfully maintain the quality management and customer service that encompasses Genesi. Once the contract is in place and flowing smoothly, Genesi will have to deal with the logistics of delivering products to Vodafone stores as well as providing a reliable service to customers. Not only will there be numerous location advantages in partnering with Vodafone, Genesi will also gain a huge cost advantage in not having to sell directly to customers in a country it is not familiar with.

Value Chain Analysis

Primary

Inbound Logistics: Genesi cuts down on time to market with the use of Android on the tablet, thus the project moves faster from R&D to production so that it could supply the necessary orders received from Vodafone. Eventually setting up primary inbound logistics in Egypt is the goal to reduce costs necessary to manufacture and ship.

Operations: Genesi is currently using a Chinese manufacture but looking to set up manufacturing in Egypt, if this is accomplished it could provide value to Genesi since many of its competitors manufacture outside of Egypt.

Outbound Logistics: Genesi uses transportation companies to ship all of its goods.

Marketing and Sales: This is where Genesi is striving to set itself apart, by marketing itself to Vodafone as the low cost provider that could produce large amounts of sales. Genesi is trying to accomplish its mission of providing technology for the world by marketing itself in untouched frontiers that most companies don't see as a viable option.

Service: Genesi offers tech support through online e-mail and pending a deal with Vodafone, it will offer support through a call center. Genesi will have a very small tech support team set up in Egypt during the beginning stages of the product release. It will educate Vodafone's support group on its hardware so the team can phase out over time. One thing that will provide value is the ongoing relationship with Vodafone, making sure they remain in good standings with each other so that they could help facilitate future deals with other subsidiaries.

Support

Procurement: Genesi buys its component parts from several different suppliers, and has them shipped to its manufacturer.

Technological Development: This is Genesi's bread and butter. Genesi's leading the way in low cost, low energy, ARM and Power PC innovations. Its non-profit organization, power2people, is specifically designed to help increase the total knowledge of this type of technological development. Very few companies specialize in building a low cost, low energy, technologically advanced piece of equipment. This helps provide a lot of value to Genesi through its R&D and product innovations.

Human Resource Management: Genesi hires more staff when developing new products or innovations and thus is a reason why their products provide the designed functions. Genesi has a support team designed to help maintain product excellence.

Firm Infrastructure: Genesi has positioned itself to be in a great position strategically. It is looking to expand its operation in several different countries and markets.

VI. Business-Level Strategy

We will be using a business-to-business marketing plan that includes targeting established mobile telecommunications carriers in Egypt. Our goal is to create a business relationship in which we sell our products to a third party retailer, which will then resell those products to individual consumers. Genesi currently does not have the resources to establish its own network of sales in Egypt, so we believe the most effective business plan in this region will be to market our products to recognizable, highly reputable mobile (i.e. cell phone) providers. Simply put, our goal is to have our products sold in one of these mobile carriers' own stores, which will potentially keep our costs low and will only require maintaining a business-to-business relationship.

In brief, our primary customer is Vodafone Egypt. The mobile network competitive landscape in Egypt currently consists of two main players: Mobinil, which has partnered with Orascom Telecom, and Vodafone Egypt, of which 45% is owned by Telecom Egypt, the largest fixed-line telecommunications firm in the country. Although Mobinil boasts a larger percent share of mobile subscribers in Egypt (about 26.1 million out of 57.7 total subscribers), Vodafone comes in a close second place at 24.7 million subscribers: we believe that the advantages of pursuing a deal with Vodafone Egypt enormously outweigh those of pursuing an agreement with Mobinil. We do not view market share as the primary criterion for selecting a carrier to advertise our products to consumers; rather, we believe that targeting Vodafone will help establish future Genesi – Vodafone relations in other parts of the world, since Vodafone holds a prestigious reputation worldwide.

Although we are primarily concerned with maintaining the business-to-business relationship with Vodafone, we do have a vision of our ideal individual consumer: this consumer is young (between the late-teens and early 30s), somewhat tech-savvy, lives in an urban area, and comes from a lower-income background. With that said, we will be taking a cost leadership strategy. Our goal is to continually keep production costs as low, if not lower, than they currently are, and to simultaneously deliver products with acceptable performance standards. The release of our highly anticipated tablet computer will help further growth opportunities, as it will offer a much cheaper alternative to competing products such as the Apple iPad and other Android tablets. Moreover, our research has shown that the average PC in Egypt costs around \$1,500, compared to consumers' average disposable income of \$1,600. Since the target individual consumer is of a low economic class, offering our hardware at extremely low prices (\$217 for the Smartbook, \$141 for the Smarttop, and \$217 for the tablet) presents a potentially huge opportunity. Genesi's goal to have a computer in the hands of every human being is certainly obtainable, especially in Egypt, using this cost leadership strategy.

We will be selling the hardware (i.e. Efika MX Smarttop, Efika MX Smartbook, tablet, and future Genesi products) to Vodafone Egypt. As mentioned previously, our goal is to have each of these products offered in Vodafone's free-standing stores, similar to how Verizon sells communications devices in its own free-standing stores. Since our products run on open-source Linux, additional software will not need to be sold.

How we will manufacture and distribute our products in Egypt is of particular concern to our team. Since Genesi does not currently have any operations in place in Egypt, a manufacturing and distribution scheme will essentially need to be created from scratch. Our solution to this problem is to initially maintain Genesi's established manufacturing and production facilities in the U.S. and China, and to export the finished goods to an Egyptian distribution facility, which will be operated by Vodafone. Our long-term goal, however, is to establish our own manufacturing facilities in Egypt so as to further reduce production and transportation costs.

In 2004, foreign trade tariffs were reduced from 14.6% to 14.1% and the federal government also eliminated import fees and surcharges in order to stimulate the Egyptian economy. With the recent political revolution in mind, we forecast that these trade tariffs will be reduced even more so in the coming years.

In order for Genesi to be successful in Egypt it must be sensitive to the socio-economical needs of consumers in the region. While Genesi's products are priced rather low relative to U.S. standards, our research has shown that the average disposable income in Egypt is a mere \$1,600. As such, although \$200 for a computer does not seem like much by American standards, Egyptians may not be willing or able to spend that much on an item that is not deemed a necessity. Therefore, it is of utmost importance that Genesi continually strive to keep its costs, and in turn its prices, low, especially relative to Egyptian standards.

Genesi will sell these products at cost plus transport to Vodafone Egypt. Genesi will profit from sales to Vodafone by taking a 10% royalty from each subsequent Vodafone resale. The Smartbook and tablet computers will come pre-packaged with all necessary hardware and components, and will be ready for immediate resale by Vodafone. The Smarttop, however, will not be sold to Vodafone with additional needed parts, such as a keyboard, mouse, or monitor.

Finally, although business-to-customer sales will be handled by Vodafone, Genesi will strongly advocate flexible payment plans for customers purchasing our products. Since many Egyptians are accustomed to a pre-paid (otherwise known as "pay-as-you-go") method, we find that allowing for monthly payments will give our low-income demographic the most economically feasible opportunity to purchase our products. Using this payment type, an individual consumer will be able to make monthly installments to lease the equipment, along with regular monthly payments for a 3G data plan.

Since Genesi will be taking a business-to-business approach in Egypt, the primary relationship it needs to uphold is with Vodafone Egypt. This relationship is especially important to maintain in good condition because the competitive landscape in terms of telecommunications is extremely limited, considering that two firms (Mobinil and Vodafone) basically control the entire market. Therefore, a falling-out with Vodafone could potentially hinder any growth opportunities for Genesi in Egypt.

Because we are placing such a heavy emphasis on maintaining a solid relationship with Vodafone, we will be applying the principles of Customer Relationship Management (CRM) to our Egyptian operations. We will establish a local team in Egypt that will directly manage the relationship with Vodafone, which will then report back to U.S. headquarters. Local

responsiveness is of particular importance because we want to be able to handle any issues as quickly as possible. Genesi will need immediate access to information concerning the changing needs of both Vodafone and individual consumers, and the most effective means of handling that is to place a team directly in Egypt that can respond to those changing needs and report back to corporate headquarters.

Moreover, Genesi will also use this local Egyptian team to aid Vodafone in the transition process of acquiring and reselling our products. We will offer technical training to Vodafone sales representatives in order for its employees to gain knowledge of our products and to be able to properly address customers' questions or concerns.

We are promoting our products to Vodafone as low cost, low price alternatives to common, popularized technological devices. Our primary emphasis will be that our products are essentially "do-it-all" devices, in that a consumer can access the Internet, use it as a media player, place and receive phone and video calls (via Skype), and perform data processing, all at a cost much lower than competing devices. Additionally, we will heavily emphasize our upcoming tablet computer as a capable and affordable alternative to such high-end devices as the Apple iPad. Preliminary market research has shown that smartphones, our leading competitor, are not widely in use in Egypt, mainly due to their high prices. In essence, Genesi's products are a perfect solution to Egyptian consumers' price concerns, and as such Vodafone will be more than willing to market these devices.

Egypt's recent political revolution has proven that a new, young, tech savvy generation is sweeping the country, and as such, we anticipate that demand for western-hemisphere technology will rise. Genesi will generate interest in its products by stressing that it offers the newest forms of technology at prices that are affordable to this tech-hungry generation.

Beyond promoting the basic technological benefits of our products, we will promote via traditional business-to-business venues. Our staff will place sales calls to Vodafone, as well as invite high-level Vodafone executives to business meetings and dinners. Genesi will place a heavy emphasis on establishing a loyal business relationship with Vodafone.

VII. Competitive Dynamics

There are three separate competitive dynamics to consider in our plan. First, the dynamics between the three major telecommunications companies in Egypt. Secondly, the competition between Genesi and the manufacturers of the netbooks currently available in Vodafone stores in Egypt. Third, the race between Genesi and other tablet PCs manufacturers to Vodafone Egypt.

Competitor Analysis and Rivalry

Vodafone primarily competes against only one company in the Egyptian market, Mobinil. Mobinil is the most likely to follow Vodafone's lead on offering Genesi's tablet PC and netbook. In March of 2011, Mobinil copied Vodafone by enabling FaceTime to their iPhone 4 units. This competitive response suggests that Vodafone is the first mover in Egypt's telecommunications industry. Genesi's netbook would enter the Vodafone product line as the lowest priced by 656 Egyptian Pounds or almost 110 U.S. Dollars. On Vodafone Egypt's website, there is a tab for "Smartphones & tablet PCs", but there is currently only smartphones and not any tablet PCs. This shows that Vodafone is extremely close to adding a tablet PC product line, so this would be the perfect time for Genesi to introduce its tablet to Vodafone. Genesi would be better spending its time working with Vodafone, a proven telecommunications company that strives to be the leader in innovation. Both Mobinil and Etisalat currently don't offer laptops, netbooks, or tablet PCs. However, if Vodafone is highly successful with Genesi's products, then it is very likely that Mobinil will search for a partner to help capture some of the attention. Etisalat seems to be highly concentrated on the smartphone market in Egypt. With its limited market share and product line, Etisalat is a company Genesi should consider only as a third option.

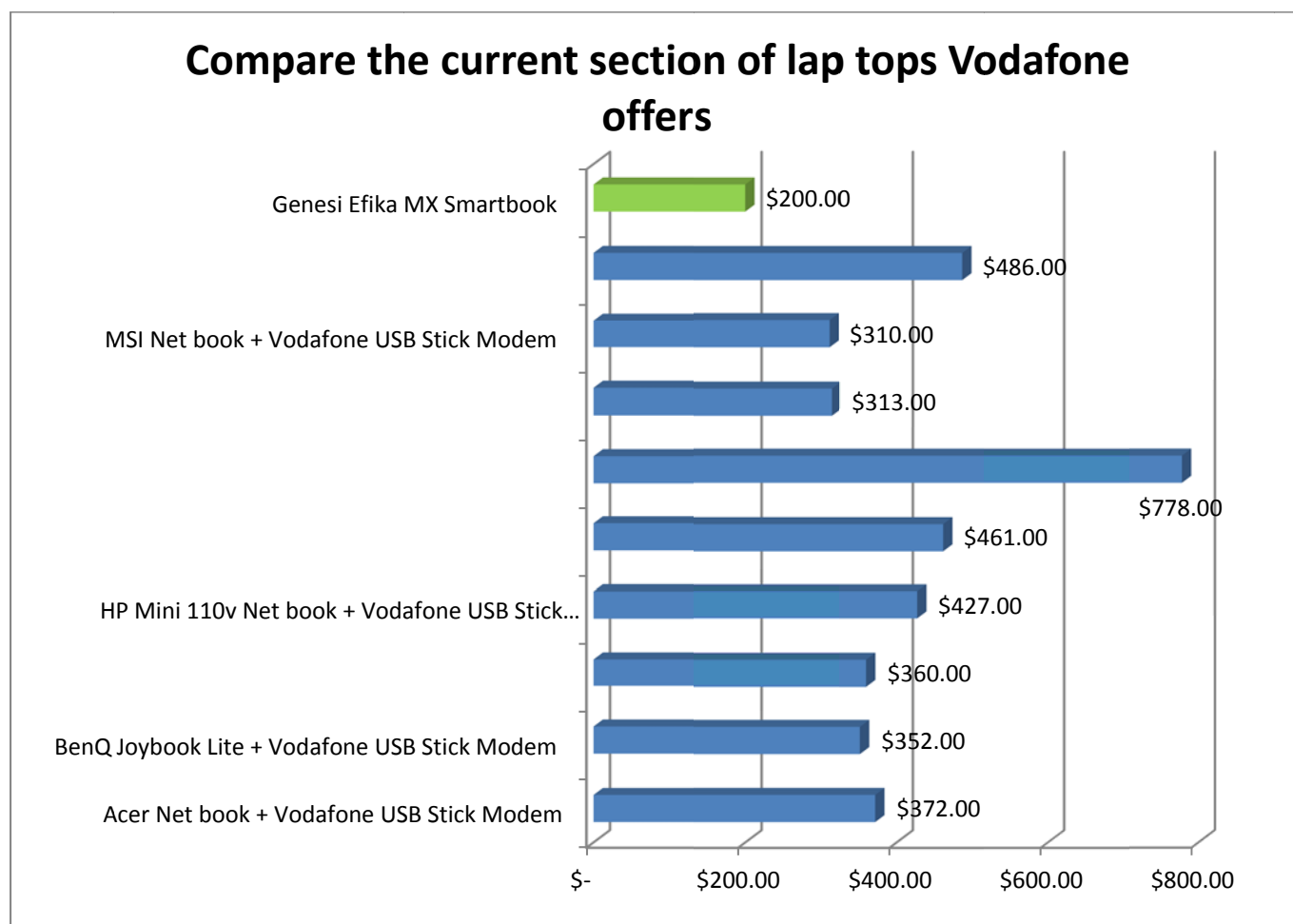
Mobinil introduced cell phones to Egypt in 1998. Now, they have a 44.3% market share in the industry, 3,000 employees, and \$316.7 million in annual sales. Vodafone also brought its cell phones to Egypt in 1998 but slightly later than Mobinil. Since 1998, Vodafone has grown into 6,000 employees, 31.8 million customers, and just over a billion in annual sales overall as a company. Mobinil has set its focus to USB modems, routers, and handsets (Apple, Nokia, Samsung, Motorola, Sony, HTC, and I-Mate). Vodafone offers all the same services and products as Mobinil except for Sony and I-Mate phones. However, Vodafone exclusively offers Alcatel and its own Vodafone phones in Egypt. The resource similarity is very high, similar to the Verizon and AT&T battle in the United States. However, because Mobinil only operates in Egypt and Vodafone operates in over 30 countries, the market commonality is low and restricted to the Egyptian market.

Mobinil and Vodafone are in a heated rivalry for Egypt which is likely to continue for many years without a clear winner. That is because whatever one firm does the other firm has to do as well. With this evidence, it is clear that Mobinil will look to compete against Vodafone's Genesi products with netbooks and tablets of their own. This is why it may prove valuable to Genesi to stay out of an exclusivity deal with Vodafone. That will allow Genesi and Mobinil to consider a relationship that will continue to grow Genesi and help Mobinil catch back up to Vodafone.

Genesi does have competition of its own when it comes to the netbook and tablet. Currently, Vodafone is the only telecom company in Egypt that sells netbooks. They sell nine different

models of netbooks that are manufactured by Acer, BenQ, Dell, HP, Samsung, MSI, and Toshiba. Most of which are well-respected, major corporations that could see Genesi as a threat. Of all the current netbooks on the market, MSI's is the lowest price at 1,850 Egyptian Pounds or \$309.82. If Genesi can enter that product line at \$200 and enthusiastic support from the sales staff, then it's safe to say that sales will be massive.

Genesi's Netbook Competition:



As of today, no telecommunications retailer in Egypt sells tablets. But, this is something that can change any day now. This makes it crucial for Genesi to jump on the idea of selling its tablets through Vodafone immediately. Genesi isn't the only company building cheap tablets right now, so there is going to be competition to enter the Egypt market.

Below is a list of some other low-priced tablets that are currently available in the United States. All of the following companies are capable of competing with Genesi in Egypt.

Tablet PC Competition:

- Coby Electronics MID70054G 7-Inch Kyros Internet Touchscr. Tablet - **\$150**
- Zenithink 10in Touchscreen Android 2.1 Tablet (ePad) - **\$155**
- SYNX2850669 - Archos 7 V2 7" Tablet Computer - ARM9 - **\$162**
- Cruz T103 7" Tablet Computer 800 x 480 WVGA Display - 512 MB RAM - **\$200**
- Creative Labs ZiiO 7" Color Touchscreen Tablet PC - **\$228**
- Google Android 2.2 Os Epad 10.2 Inch Tablet Pc Wifi With Keyboard Case - **\$230**

Likelihood of Attack/Response

Genesi is likely to not face much opposition in the early stages of this proposed plan. Our initial movement of operations into Egypt is classified as a strategic action, since it involves a significant commitment of resources; as evidenced from market research, strategic actions rarely elicit competitive responses from competitors since few entities are willing to invest such large amounts of capital into an unproven project. Therefore, it is likely that Genesi's competitors that are not currently in Egypt, such as First International Computer, Inc., will wait to see Genesi's results before implementing their own products into the region.

As mentioned previously, however, it is likely that Genesi's competitors within Egypt, and even within Vodafone, will respond to its presence. Tactical actions and responses, such as pricing wars, are likely to break out amongst netbook and tablet providers. As such, Genesi will need to stay vigilant in pricing its products.

The entrance of Genesi is not likely to cause panic amongst competing telecom device manufacturers in Egypt, especially since Genesi does not possess a high reputation. Moreover, competitors such as Apple, Blackberry, Windows, and various netbook manufacturers have had little success marketing in Egypt. As mentioned previously, only 12% of all Egyptians own a personal computer and only 2.5% of all mobile users subscribed to 3G coverage, which suggests that a mere 2.5% of the nation uses a smartphone. Therefore, global smartphone and computer manufacturers are hardly dependent on the Egyptian market, and in turn, will not move quickly to impair Genesi's ability to succeed.

Speed of the Market

The telecommunications sector is a fast-cycle market. It relies heavily upon technological innovations and as such, competitive advantages are rarely sustainable. Consequently, in order for Genesi to maintain its presence in Egypt it is imperative that it implement the Android technology in its upcoming tablet computer. In order for this business plan to reach its maximum potential, it is imperative that Genesi release its tablet as soon as it enters Egypt; to develop its own interface using Linux would simply take far too long, and Genesi cannot afford to lose these sales.

VIII. Corporate- Level Strategy

The current debate for Genesi is whether or not it should chase several smaller deals, such as the 10,000-20,000 unit deals, or if it should they try for a Hail Mary deal worth millions. We find that Genesi should try for the Hail Mary, because if that fails it can always go back to trying to put together several smaller deals. One of the reasons we have decided to try and push for a partnership with Vodafone Egypt is to increase the chances of a possible deal with the Vodafone Group that would include 23 countries: in essence, this would be the “Hail Mary” deal. If Genesi already has a deal in place with Vodafone Egypt that would greatly increase its chances of securing a deal with other Vodafone subsidiaries.

We believe that approaching Vodafone Egypt with the idea that it could carry Genesi’s tablet and offer it in their stores is the major element in this possible partnership. This is a big factor in the fact that Vodafone Egypt currently doesn’t offer a tablet in any of their stores and this could be the first tablet it carries. Especially since Egypt is an up-and-coming market for 3G mobile users. The country already has approximately 66 million mobile phone subscribers, but only 770,000 Smartphone users because of the high costs; so this leaves huge room for growth. They already have a 3G system in place, and marketing a low cost tablet in Egypt is perfect to appeal to Egyptians because of price and the younger revolution mindset individual that wants to maintain their status with the trending technology.

From a corporate standpoint, we believe the Genesi Group should maintain a low level of diversification, at least in the short run. We do not see a need for Genesi to diversify as a corporation into other industries since it is heavily vertically integrated: Genesi, Genesi Americas, Genesi Europe, Red Efika, Power2people, and bPlan are Genesi Group’s current subsidiaries. We think they could look into horizontally integrating their bPlan sector by forming a strategic alliance with First International Computer Inc. (FIC) to help supply new innovation to the development and design of new ARM and Power PC computers for Genesi. Innovation is key to a corporation’s survival, especially in technology development. FIC is very similar to Genesi/bPlan in that they try to be a one-stop partner in the design of electronic devices of all kinds. We believe it could be possible set up some type of strategic alliance to help them bring innovation and core competencies in design and development to future Genesi products, products that specialize in ARM and Power Architecture technology.

Strategic alliances have become quite popular and they can help facilitate the development of new core competencies that contribute to the firm’s future. FIC is currently viewed as a competitor to Genesi, FIC produces very similar products such as the box PC and they have just come out with their first tablet that emphasizes low power use while using up to date processors. Forming a strategic alliance with them could help increase market power and increase diversification.

IX. International Considerations

Opportunity Incentives:

Technology surrounding mobile devices and internet connectivity has become increasingly important for growth and change within the global economy, especially for those emerging economies. Egypt's youth has already made it clear that they are focused on growth and change. This emergence can help be facilitated by Genesi's low cost range of products. Genesi's presence in Egypt will increase their international market size and provide numerous location advantages. Egypt is central in the eastern hemisphere and will also provide a good example when Genesi starts plans for entering other Middle Eastern and African emerging markets.

Liability of Foreignness & Entry Modes:

We have recommended that Genesi pursue a strategic alliance with Vodafone. Genesi will supply low cost technology to Vodafone who will in turn use their regional business expertise to sell Genesi's products. Using Vodafone's relationship and knowledge of Egypt will help minimize the liability of foreignness that is inherent whenever a firm participates outside its boundaries in the global economy. Vodafone and Genesi together have a greater ability to predict and deal with Egypt's operating environment than Genesi would alone. Genesi will focus on the product supply chain and technical maintenance and training for Vodafone, who will in turn, market and sell Genesi's products in the Egyptian market. Once Genesi has obtained a greater understanding of Egypt's environment, Genesi will have an opportunity to engage in a greater range of business activities in Egypt. Additionally, production of Genesi's products should eventually move into Egypt, assuming logistics costs are dramatically reduced after products are produced domestically in Egypt.

Competitive Outcomes:

Implementing a global strategy will result in international diversification and returns for Genesi. These returns will stem from the increased experience in emerging markets, location advantages, increased market size, and the opportunity to stabilize returns. Genesi may also reap the benefit of innovation influenced by Egyptian culture and business. Despite the many advantages that result from Genesi entering the Egyptian market, there is legitimate concern surrounding the amount of time and resources necessary to manage all of Genesi's multinational presences.

Risks:

The Egyptian government remains insolvent and weak, but is making strides towards stability. Despite the risks or worries that surround the Egyptian government, increasing foreign investment remains a priority. Once Egypt's government settles into place, Genesi may want to pursue a secondary strategic alliance to align Genesi's vision and core competencies with Egypt's socio-economic goals. Once institutional instability has been mitigated in Egypt, Genesi will be able to realize greater benefits through additional strategic alliances. From an economic

point of view, Egypt doesn't pose too high of a risk. The nature of Genesi's products (open source, Lenox) removes the risk associated with intellectual property rights and issues. Also, there are little to no currency risks surrounding the pound-dollar exchange rates. Exchange rates are subject to change, so this risk will have to be managed throughout Genesi's alliance with Vodafone Egypt.

X. Project Wrap

Simple Financial Plan

See Appendix 2 for the financial statements.

Risks and Mitigation

1. Vodafone does not accept our offer
 - a. This plan could be hindered from the start if Vodafone is not intrigued by our business proposition
 - b. However, we plan to market these products to Vodafone as devices that are accessible to all Egyptians, no matter what income level of the consumer
 - c. With the increasing emergence of a global economy, we will stress the importance of consumer connectivity to the internet to Vodafone
 - d. Moreover, we will emphasize that only 12% of Egyptians own a computer and only 23.7% have access to the internet (CIA World Factbook) – our devices will turn computers into an everyday device as opposed to the “quasi-luxury” that they are viewed as presently
2. Genesi’s products will not appeal to Egyptian consumers
 - a. It is also possible that Vodafone will be unable to market our products to Egyptian consumers
 - b. Since only 12% of Egyptians own a computer, it is possible that such devices are not viewed as necessities like they are in western cultures.
 - c. Recent trends show that demand for technology is increasing in Egypt, so it is likely that the lack of widespread computer usage is linked primarily to the cost of such devices
 - i. For instance, Vodafone Egypt’s website lists that an iPhone 4 costs about \$830, which does not include the cost of a monthly data plan
 - ii. As such, Genesi will be able to avoid the risk of failure by keeping its costs low so Vodafone can in turn market these products at extremely low costs compared to competing devices
 - d. Finally, Genesi and Vodafone can mitigate this risk by marketing these products as multi-purpose (i.e. internet, phone calls, media)
 - i. Consumers will find Genesi’s products to be a cost-effective solution to accessing the rest of the world
3. Political unrest in Egypt disrupts foreign commerce
 - a. Since the revolution in Egypt only occurred a few months ago, it is still hard to foresee what direction the new government will take in terms of foreign commerce
 - b. It may be too soon to enter Egypt, as the government is in chaos and crime is rampant
 - c. The upside to this potential risk factor is that it is nearly impossible to predict Egypt’s future

- i. Trends before the January 2011 revolution indicated that the government was increasing spending in order to make Egypt more appealing to foreign investors
 - ii. The pre-revolution government also recognized the growing need for a solid telecommunications infrastructure, so there are few reasons to suggest that the new government will abandon this cause
- 4. Competitors enter the Egyptian market and undercut Genesi
 - a. First International Computer, Inc. is the closest related competitor to Genesi
 - b. It is possible that FIC will witness Genesi's success in Egypt and decide to enter the market as well
 - i. FIC is fully capable of introducing low-cost, efficient computers that can compete with Genesi's product line
 - ii. FIC is also an established company with greater resources than Genesi
 - c. An emergence of new competition is a sign that Genesi has improved the general condition of the industry in Egypt
 - i. New competition in Egypt could potentially bolster Genesi's sales, as increased competition usually leads to new technology and innovation
 - d. The best mitigation plan for this risk is for Genesi to improve its product quality, gain the loyalty of its customers, and strive for continual innovation
- 5. The government's ban on GPS-enabled devices extends to laptops and tablets
 - a. The pre-revolution government enacted a law that forbade GPS systems on smartphones
 - i. It is unclear whether this ban extends to laptops and tablet computers as well
 - b. Genesi can mitigate this risk by customizing its products to be free of any GPS capabilities
 - i. While production costs may be incurred in order to customize the devices for Egypt, these products' GPS capabilities are not the most valuable feature
 - ii. Genesi's products will still meet the needs of the consumer and as such, sales are likely to not be affected
- 6. Demand for Genesi products exceeds that of which it is capable of supplying
 - a. It is also possible that Genesi's products will become vastly popular, and as such it will not be able to meet consumers' demands
 - b. If such a scenario does arise, we will respond to it by immediately establishing a manufacturing and distribution facility in Egypt
 - i. Although this resolution will be costly in the short-term, such high demand for a products is an indicator of future successes
 - ii. Any cost for a local manufacturing plant will be covered by the additional sales Genesi will be able to generate by producing the devices in Egypt
- 7. The strategic alliance with Vodafone is a failure
 - a. Genesi and Vodafone run the risk of the two corporate cultures clashing, which could potentially result in the failure of the alliance
 - b. Genesi can mitigate this risk by willingly accepting a lower status in the partnership and conforming to Vodafone's culture in Egypt

Measurement of Success

1. Consumer value has been created – Genesi can consider its operation to be successful if there is a strong desire to purchase the company's products based on their low cost and energy efficiency. This provides a value to the Egyptian people because without this technology and strategy from Genesi, they would not be able to afford a computer system or be able to access the internet.
2. The industry is more competitive – Even though at first Genesi will be a tiny speck in the eyes of companies like Apple and Google, if demand becomes high for Genesi's products in other parts of the world, there will be a definite increase in competition. These other companies will be forced to lower their prices and become more energy efficient once the trend to break into developing countries takes hold.
3. Social objectives were met – Genesi will be able to see success in the expansion into Egypt when the literacy rate rises significantly and there is steady growth in the amount of people owning computers. The company is very passionate about bring technology to the masses, so more than profit they would like to see everyone in the world possess some sort of computer technology. Even a steady rise in these areas would give Genesi the necessary motivation to penetrate into other developing nations.
4. Human potential and development objectives were met – Although the expansion into Egypt primarily focuses on individual customer transactions through Vodafone in the beginning, an important measurement of success will be to see how they take hold in the business world further down the line. If Genesi could figure out a way to boost the practicality for businesses but keep a low cost and low energy design, the products could do an immense amount of good in developing small businesses in Egypt. It would increase their economy as business owners gained outside knowledge, as well as a larger customer base.
5. Sales volume – The point at which Genesi could be happy with sales numbers is when they eventually break even. After this point, a strong increase in sales as people become more aware of the product would show that their plan is still a success. In the long run a steady and hopefully increasing level of sales will give Genesi the proof that expanding to Egypt was a smart business move.

XI. Appendices

Appendix 1 Works Cited

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Appendix 3

Egypt's Telecom Industry

TABLE: TELECOMS SECTOR KEY INDICATORS

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Number of Main Telephone Lines in Service ('000) [1]	11,706	10,313	9,438	8,784	8,290	7,883	7,575	7,275
Number of Main Telephone Lines in Service, % change y-o-y [1]	4.2	-11.9	-8.5	-6.9	-5.6	-4.9	-3.9	-4.0
Number of Main Telephone Lines/100 Inhabitants [1]	14.4	12.4	11.2	10.2	9.5	8.9	8.4	7.9
Number of Cellular Mobile Phone Subscribers ('000) [1]	41,838	55,352	66,430	76,395	84,798	90,734	95,271	98,129
Number of Cellular Mobile Phone Subscribers, % change y-o-y [1]	34.7	32.3	20.0	15.0	11.0	7.0	5.0	3.0
Number of Mobile Phone Subscribers/100 Inhabitants [1]	51.3	66.7	78.6	88.9	97.0	102.1	105.5	107.0
Number of Mobile Phone Subscribers/100 Inhabitants [1]	51.3	66.7	78.6	88.9	97.0	102.1	105.5	107.0
Number of Mobile Phone Subscribers/100 Inhabitants, % change y-o-y [1]	32.3	29.9	17.9	13.0	9.1	5.2	3.3	1.4
Number of Internet Users ('000) [1]	12,570	16,636	20,402	24,168	27,634	30,800	33,966	37,023
Number of Internet Users, % change y-o-y [1]	45.8	32.4	22.6	18.5	14.3	11.5	10.3	9.0
Number of Internet Users/100 Inhabitants [1]	15.4	20.0	24.1	28.1	31.6	34.6	37.6	40.4
Number of Internet Users/100 Inhabitants, % change y-o-y [1]	43.2	30.0	20.5	16.4	12.4	9.6	8.5	7.3
Number of Broadband Internet Subscribers ('000) [1]	1,059	1,765	2,720	3,595	4,796	6,310	8,810	12,510
Number of Broadband Internet Subscribers, % change y-o-y [1]	115.2	66.7	54.1	32.2	33.4	31.6	39.6	42.0

Notes: e BML estimates. f BML forecasts. Sources: 1 World Bank/International Telecommunications Union-ITU, operators, BML, NTPA.

Appendix 2

Genesi Income Statement									
Year 1					Year 2				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales Volume									
Smartbook	18,000	18,900	19,845	20,837	21,879	22,973	24,122	25,328	
Smarttop	7,000	7,350	7,718	8,103	8,509	8,934	9,381	9,850	
Tablet	14,000	14,700	15,435	16,207	17,017	17,868	18,761	19,699	
Year End Total				168,095				204,320	
Revenue (Vodafone)	\$7,310,000	\$9,502,500	\$9,977,625	\$10,476,506	\$11,000,332	\$11,550,348	\$12,127,866	\$12,734,259	
Vodafone Year End Total				\$37,266,631				\$47,412,804	
Revenue from sale to Vodafone									
Smartbook	\$2,700,000	\$2,835,000	\$2,976,750	\$3,125,588	\$3,281,867	\$3,445,960	\$3,618,258	\$3,799,171	
Smarttop	\$735,000	\$771,750	\$810,338	\$850,854	\$893,397	\$938,067	\$984,970	\$1,034,219	
Tablet	\$2,100,000	\$2,205,000	\$2,315,250	\$2,431,013	\$2,552,563	\$2,680,191	\$2,814,201	\$2,954,911	
Total	\$5,535,000	\$5,811,750	\$6,102,338	\$6,407,454	\$6,727,827	\$7,064,218	\$7,417,429	\$7,788,301	
Genesi Year End Total				\$23,856,542				\$28,997,776	
Cost of Goods Sold									
Smartbook	\$2,700,000	\$2,835,000	\$2,976,750	\$3,125,588	\$3,281,867	\$3,445,960	\$3,618,258	\$3,799,171	
Smarttop	\$735,000	\$771,750	\$810,338	\$850,854	\$893,397	\$938,067	\$984,970	\$1,034,219	
Tablet	\$2,100,000	\$2,205,000	\$2,315,250	\$2,431,013	\$2,552,563	\$2,680,191	\$2,814,201	\$2,954,911	
Total	\$5,535,000	\$5,811,750	\$6,102,338	\$6,407,454	\$6,727,827	\$7,064,218	\$7,417,429	\$7,788,301	
Year End Total				\$23,856,542				\$28,997,776	
Gross Margin				\$0				\$0	
Fixed Expenses									
Rent	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Misc.	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	
Total	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	
Year End Fixed Expenses				\$112,000				\$112,000	
Variable Expenses									
Direct Tech Team wages	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	
24/7 Tech Support Team	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	
Legal Fees	\$ 50,000.00	\$ 50,000.00	\$ 40,000.00	\$ 25,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	
Misc.	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	
Total	\$ 140,000.00	\$ 140,000.00	\$ 130,000.00	\$ 115,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	
Year End Variable Exp				\$ 525,000.00				\$ 640,000.00	
Operating Income	(\$168,000.00)	(\$168,000.00)	(\$158,000.00)	(\$143,000.00)	(\$108,000.00)	(\$108,000.00)	(\$108,000.00)	(\$108,000.00)	
Year End Operating Income				(\$637,000.00)				(\$752,000.00)	
Plus: Genesi 10% Rev Share	\$731,000	\$950,250	\$997,763	\$1,047,651	\$1,100,033	\$1,155,035	\$1,212,787	\$1,273,426	
Genesi Year End Total				\$3,726,663				\$4,741,280	
Net Operating Income by Quarter	\$563,000	\$782,250	\$839,763	\$904,651	\$992,033	\$1,047,035	\$1,104,787	\$1,165,426	
Year End Net Operating Income				\$3,089,663				\$3,989,280	
Income Before Tax	\$563,000	\$782,250	\$839,763	\$904,651	\$992,033	\$1,047,035	\$1,104,787	\$1,165,426	
Tax Rate 20%	\$112,600	\$156,450	\$167,953	\$180,930	\$198,407	\$209,407	\$220,957	\$233,085	
Income After Tax	\$450,400	\$625,800	\$671,810	\$723,721	\$793,627	\$837,628	\$883,829	\$932,341	
Net Income				\$2,471,731				\$3,447,424	

Sales Price:

	Smartbook	Smart Top	Tablet
Base	\$ 150.00	\$ 105.00	\$ 150.00
Import tax (14.1%)	\$ 21.15	\$ 14.81	\$ 21.15
Shipping	\$ 28.85	\$ 10.19	\$ 28.85
Total	\$ 200.00	\$ 130.00	\$ 200.00

BEP (Year 1)	Number of units
Smartbook	16,000
Smarttop	6,589
Tablet	12,445

ROI =	23.59%
Gains-Investment Cost / Investment Cost	\$471,731
Gains	\$2,471,731

Assumptions

Consistant import tax of 14.1%
Quarterly sales volume growth of 5%
Direct Tech Team: 4 members year 1 (75K annual salary), 1 member team post year 1 (100K annual salary)
Legal Fees: innitially high and will decreas after year 1
Corporate Tax: remains at 20% years 1-4 (Source: www.worldwide-tax.com)
Shipping: based on size and weight. (\$33 Smartbook and Tablet, \$11 Smart Top)
initial investment of \$2,000,000 in conjunction with setting up a deal with Vodafone

Appendix 4

Competitor Analysis Components

Future Objectives

- *Our goal is to strategically expand into developing markets in order to get our computers to as many people as possible while keeping a low cost strategy and differentiated technology.
- *Emphasis in the future will be placed on going further than customer transactions through Vodafone but also having an impact on literacy rates and business growth.
- *As the company grows it will be able to take on more risk in order to advance itself across the globe.

Current Strategy

- *Genesi is currently competing through a low cost and highly differentiated product strategy.
- *The competition will eventually have to change to closer align itself with our strategy as opposed to vice versa, if it intends to compete in the same developing markets that we are aiming for.

Capabilities

- *Strengths:
 - Substantial Investor
 - Strong Innovation
 - Employees with similar motivation and interest in company values
 - Human Resources
- *Weaknesses
 - Lack of business/managerial teams
 - Lack of organizational routine
 - Lack of brand recognition/customer loyalty

Assumptions

- *The future will be increasingly volatile if companies try to imitate our strategy.
- *Our competitors assume that they can keep producing their products at a premium price and at current standard specifications because there is currently no other substitution that would make them have to change.

Response

- *Our competitors will likely try to come up with a technology similar to ours in order to compete with our low prices and differentiation.
- *Our advantage is that we are a small company that is flexible to make decisions based on the changing environment easily. We also have a significant cost strategy that separates us from our competitors as well as being highly differentiated.
- *Our relationship will change with our competitors once we get large enough to be seen as a potential threat. They will have to change their strategies to be able to deal with the changes we are bringing to the industry.

Your Store Locator

Search by City:

All

Search by District:

All

Store Type:

☐

Dealers and Distributors

☐

Fawry outlets

☒

Vodafo

I Want:

☐

Bill Payment, and recharge

☐

Converting to Vodafone without changing the mobile number

☐

Prepaid

☐

Technical support

☐

USB and ADSL

☐

Sim Sw

Search



Egypt

Telecoms and technology report

(Forecast closing date: July 23rd 2010)

Total IT spend, international comparison

(US\$ bn)

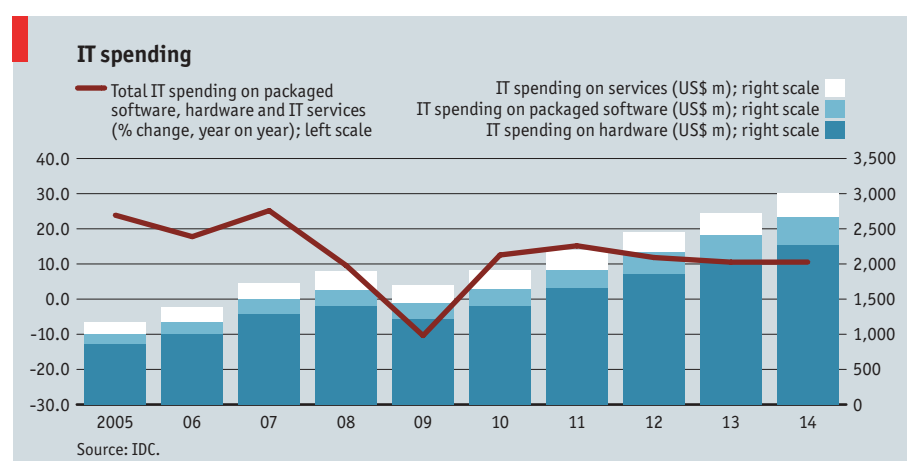
	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
Egypt	1.2	1.4	1.7	1.9	1.7	1.9	2.2	2.5	2.7	3.0
US	429.6	464.1	506.1	521.8	503.2	529.2	558.0	590.1	621.4	654.4
Japan	111.9	115.7	118.4	133.5	131.1	132.0	134.8	138.9	142.2	145.6
China	39.6	48.7	60.6	68.5	77.3	89.2	105.5	122.3	141.7	164.1
Germany	71.3	74.7	84.7	92.2	81.2	79.1	83.2	87.5	91.9	96.5

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Sources: IDC; Economist Intelligence Unit.

Overview

Egypt's information and communications technology (ICT) industry is expected to grow strongly in the forecast period following impressive advances in recent years. The government has recognised that a properly functioning telecommunications and IT infrastructure is essential for attracting foreign investment and enabling the private sector and government to function more efficiently. Its ambitions extend as far as making the country an ICT hub and providing ICT-enabled services to foreign companies, including IT outsourcing (ITO) and business processes outsourcing (BPO). Liberalisation of the sector, which has enabled it to harness private-sector know-how and financing, has been largely responsible for the advances. The government has allowed private companies to operate in all areas except fixed-line telephony, but there are plans to auction a second fixed-line licence in order to increase competition in that area.



Egypt's ICT sector is one of the largest in the Middle East and Africa. Total spending on ICT—packed software, hardware and ICT services—was an estimated US\$1.7bn in 2009, slightly lower than in the previous year, but more than double the figure in 2002. As a proportion of GDP, the country's ICT expenditure was 5.7% in 2008, in line with the regional average, according to

data from the World Bank. However, Egypt's larger size makes the absolute value of spending much higher than many of its neighbours. Egypt came 57th out of the 70 countries surveyed by the Economist Intelligence Unit in 2010 for its digital economy rankings (formerly e-readiness). The country received a score of 4.21 out of 10, and was one place above India, but a few places behind some of its regional peers: Saudi Arabia (51), Jordan (50), Turkey (43) and the United Arab Emirates (32). The score includes a range of measurable items related to connectivity and subjective assessments of the business and market environment.



Economic growth strengthened markedly between 2004 and mid-2008 on the back of a strong increase in consumer and business confidence as a result of the government's economic reforms and strong external demand. In mid-2004 the president, Hosni Mubarak, appointed a new government. Economic growth has subsequently strengthened markedly—GDP per head (at purchasing power parity) rose to an estimated US\$5,653 in fiscal year 2008/09 (July 1st-June 30th), and domestic demand has recovered, helping lift demand for ICT goods and services. Although the economy has slowed over the past 18 months, it is noticeable that the ICT sector has continued to grow—albeit at a slower pace—with the latest numbers from the Ministry of Communications and Information Technology (MCIT) showing year-on-year growth of 12.7% in the second quarter of 2009/10 (October-December 2009), compared with average annual growth of 14.3% in the previous two financial years. The private sector accounts for about 60% of ICT spending according to the ministry.

In October 1999 the MCIT was formed with a mandate to develop a significant ICT export industry. A number of initiatives were launched by the new ministry at the turn of the century. One of the most ambitious projects was the creation of Smart Village, a fully integrated technology and business park in the western suburbs of the capital, Cairo. Smart Village is overseen by the Smart Villages Company, set up on a public-private partnership model with the private sector owning 80% and the MCIT holding the remaining 20%. Smart Village is a tailor-made ICT hub within a 600-acre park that also hosts the MCIT and the relevant public regulators and other official bodies. This set up facilitates communication and the exchange of information with private-sector companies, and has gradually evolved into an ICT cluster comprising

multinational and local companies. The site also includes a back-up bourse for the Egyptian Exchange, Telecom Egypt's call centre (the largest in the region), a hotel and an exhibition and conference centre. The aim is that Smart Village will generate synergies that will foster research and development. It has already attracted several big international players, including Microsoft, Motorola, IBM, Intel, Cisco and HP of the US, Siemens of Germany, Nokia of Finland, Vodafone of the UK and Alcatel-Lucent of France, in addition to several Egyptian start-ups and ICT services providers. In late 2007 it was announced that the government would set up new Smart Villages in other parts of Egypt, including in the comparatively underdeveloped Upper Egypt (the southern provinces). The next outsourcing centre is under construction in Maadi, a wealthy suburb of Cairo, and is scheduled to be fully operational in 2012.

The MCIT has also created throughout Egypt several "IT Clubs" where IT skills can be developed; there were 1,892 such clubs at end-June 2009, up from 1,747 a year earlier, and just 970 in 2005. The clubs make personal computers (PCs) and other facilities available to the general public. In addition, there are staff on hand to train the public in computer literacy. Most of the IT Clubs also offer Internet access, in some cases free of charge, or for small nominal fees. The MCIT aims to open around 100-150 new clubs, all around Egypt, every year. Other initiatives by the authorities include encouraging foreign companies to sponsor training facilities, for instance in schools. (Microsoft is sponsoring several programmes, for example.) The government also launched free Internet services in January 2002, and late that year set up a programme to enable the purchase of computers for schools and the general public, which is still ongoing.

In 2007 the government also launched a new ICT strategy, which runs until 2010. It is based on three pillars. The first is to continue to liberalise the sector, including by either auctioning or putting out to tender a second fixed-line licence—although this is likely to be postponed until the world economy recovers—and the divestment of the post office. The second pillar entails increasing the use of ICT as a means of stimulating economic development. This will be done by extending the broadband network to remoter areas and making greater use of Wi-Fi; setting a target to have a computer for every student and every teacher; increasing the number of IT Clubs, including in Upper Egypt; and generally expanding computer use through government-sponsored training schemes. The government intends to increase the use of ICT in both the health and the education sectors, and also for cultural purposes, by, for instance, digitalising information to make it available to the wider public. Such a programme is currently under way at the Biblioteca Alexandrina (the new library) in Alexandria. The third pillar focuses on innovation and further development of the domestic ICT industry.

Income and demographics

	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
Nominal GDP (US\$ bn)	93.2	107.9	129.8	159.4	189.1	224.7	261.3	301.9	346.7	398.8
Population (m)	77.2	78.6	80.1	81.5 ^a	83.1	84.7	86.3	87.9	89.6	91.3
GDP per head (US\$ at PPP)	4,321	4,679	5,060	5,438	5,653	5,907	6,192	6,521	6,952	7,428
Private consumption per head (US\$)	864	969	1,142	1,388	1,584	1,792	2,006	2,243	2,502	2,808
No. of households ('000)	15,956 ^b	16,398 ^b	16,855 ^b	17,320	17,795	18,283	20,062	20,930	21,327	21,733

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Source: Economist Intelligence Unit.

Demographic trends will continue to underpin ICT demand in Egypt. Although the population growth rate has eased to just under 2% from around 2.5% in the early 1980s, in absolute terms the rise has been sharp. The population has risen by some 30m people since 1980, to 83m in 2009, and at current growth rates will reach about 91m in 2014. Adult literacy rates are around 70% of the population, which is above the rates for most of Sub-Saharan Africa and compares well with other Middle Eastern countries.

Telecoms

Egypt's fixed-line penetration rate (the number of lines per 100 people) was 14.8 at end-2008, ahead of Algeria (9.1) and Morocco (9.5), but behind Kuwait (18.6), according to the International Telecommunication Union (ITU; a UN body). In terms of mobile-phone penetration, according to ITU data, which allows for cross-country comparisons, Egypt had around 50 subscribers per 100 people at end-2008, a steep increase from 2007, when the rate was around 37 per 100, but well behind Morocco (72.2), Algeria (81.4) and Kuwait (97.3). Egypt started later than many other countries in the region with regard to launching mobile-phone services. Moreover, with just two operators in the market until the arrival of Etisalat, a UAE company, in 2007, competition was insufficient to significantly drive down prices for services. This has significantly improved, and penetration rates are expected to rise rapidly over the forecast period.

Telecoms penetration

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
Telephone main lines ('000)	10,702	11,144	11,575	12,049	10,632	10,818	10,906	10,986	11,017	11,038
Telephone main lines (per 100 people)	13.9	14.2	14.5	14.8	12.8	12.8	12.6	12.5	12.3	12.1
Mobile subscriptions ('000)	12,585	17,716	29,184	40,361	54,135	62,888	70,492	76,860	82,236	87,149
Mobile subscriptions (per 100 people)	16.3	22.5	36.5	49.5	65.2	74.3	81.7	87.4	91.8	95.5

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Sources: Pyramid Research; Economist Intelligence Unit.

According to the latest data available from the National Telecommunication Regulatory Authority (NTRA), fixed-line provision had risen to 14.4m lines by end-March 2010—from 10.4m lines in November 2005 and just 3.7m lines in 1997 (with a population exceeding 70m). However, the number of actual fixed-line subscribers declined by 1.4m to 10.4m between March 2009 and March 2010. It remains to be seen whether this is part of a wider trend, reflecting a general move away from using landlines, or a reflection of local conditions, such as students moving out and cancelling subscriptions after the end of the academic year. A considerable proportion of the pent-up demand for phone lines, which has been a perennial problem in Egypt, has been met by the rapid

rollout of mobile services. The NTRA reports that by end-March 2010 there were 57.7m mobile-phone subscribers in Egypt, representing a penetration rate of 74.5%, up from 40m at end-2008. Competition from mobile providers has spurred the state-owned fixed-line telecoms monopoly, Telecom Egypt (TE), into a faster rollout of its services. With such a large proportion of the population still not connected to a landline, and in view of the fact that a second fixed-line operator is expected to obtain a licence during the forecast period, we still project that the number of landlines in Egypt will continue to rise over the next five years.

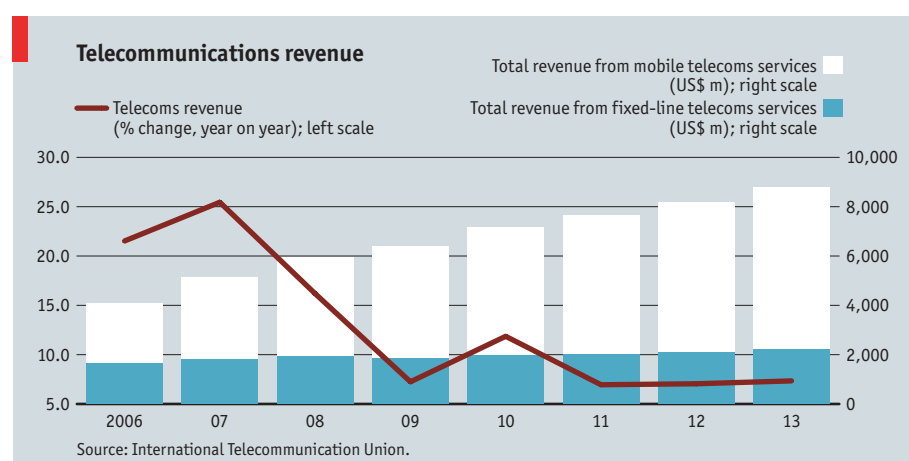
Telecoms expenditure

	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
Telecoms investment (% of GDP)	1.1	1.5	1.8	1.7	1.5	1.4	1.3	1.2	1.1	1.0
Mobile telecoms investment (US\$ m)	442.1	1,189.5	2,108.5	–	–	–	–	–	–	–
Mobile telecoms investment (% of GDP)	0.5	1.1	1.6	–	–	–	–	–	–	–
Fixed telecoms revenue (US\$ m)	1,479.5	1,660.0	1,791.7	1,911.7	1,844.3	1,961.3	2,050.9	2,154.0	2,264.8	2,404.6
Mobile telecoms revenue (US\$ m)	1,884.4	2,427.7	3,336.5	4,034.0	4,542.5	5,111.9	5,726.9	6,277.3	6,759.5	7,249.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Sources: ITU; OECD; Economist Intelligence Unit.

Demand. The arrival of Etisalat has spurred competition and boosted growth in mobile services. Etisalat announced in 2006 that its goal for Egypt was a total mobile-phone penetration rate of 50% within five years, a goal that was in fact achieved in September 2008, and the rate has since increased to 75%. Although rates of growth may slow, future demand is assured given the prospect of continued relatively strong population growth (in absolute terms), robust economic growth and rapid economic diversification. Increased competition is expected to enhance the services offered to Egyptian consumers (who at the moment do not benefit from many of the services offered in western Europe by mobile operators, such as a free phone for those who take out a monthly contract). Another likely outcome of the increased competition in the mobile-phone market is a migration from prepay to contracts. However, monthly contracts remain expensive for the majority of users.



Supply. Egyptian telecoms provision has developed significantly over the past decade. Until the mid-1990s TE dominated all aspects of telecoms. Since then, the government has liberalised almost all aspects of the industry, in an

effort to attract private capital and expertise in order to speed up the rollout of new services.

Telecoms costs
(US\$)

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^a
Fixed-line call (peak)	0.10	0.14	0.14	0.12	0.10
Fixed-line rental (monthly)	6.2	5.9	6.0	3.1	3.0
Mobile call (peak)	0.16	0.16	–	–	–
Mobile call (off peak)	0.16	0.16	–	–	–
Mobile connection charge	26.0	17.4	4.0	–	–

^a Actual.

Source: Economist Intelligence Unit.

The government started a bidding process for a second fixed-line service in mid-2008, but the auction was called off and has been postponed indefinitely, awaiting the recovery of the global economy. It now looks unlikely to proceed until 2011. In early 2005, in a promising move to establish a level playing field and facilitate competition, the MCIT and the NTRA launched the Universal Service Fund, which removes from TE the responsibility for financing the expansion of unprofitable services into remote and sparsely populated areas and also for subsidising the provision of services in low-income areas. Instead, all telecoms companies will be obliged to contribute to efforts to promote access to telecoms services—fixed-line, payphone, Global System for Mobile Communications (GSM) and, possibly, Internet—either through direct donations to the fund or through some other means.

There are now three mobile-phone networks in Egypt, following the launch in May 2007 of a new operator. A consortium consisting of Orange (owned by France Telecom), Motorola, Orascom Telecom Holding of Egypt and other local partners bought the state-owned GSM monopoly—the network had been built by Alcatel—in May 1998 and named the company the Egyptian Company for Mobile Services (ECMS, which operates under the brand name Mobinil). For much of the past two years the company was mired in an increasingly bitter internal squabble between Orascom and France Telecom, related to the price the French company should pay for Orascom's 28.75% share in Mobinil (Motorola had long since left). After a series of court battles, the two sides finally agreed in April 2010 to resolve their differences and to maintain the existing share structure. The only significant difference was that Orascom's Internet arm, LINKdotNET, was integrated into ECMS.

The second mobile operator is Vodafone Egypt, which launched its service a few months after Mobinil. TE subsequently acquired a 45% stake in the venture. In May 2010 Vodafone announced that it wished to sell its shares. TE has held negotiations about buying part or all of Vodafone's stake, but as yet without any sign of an agreement. Naguib Sawiris, the chairman of Orascom Telecom, has also expressed interest, but the regulator has made clear that he would have to relinquish his interests in Mobinil in the event of any bid being successful. A third licence was sold to a consortium led by Etisalat in an auction in July 2006 for E£16.7bn (US\$2.9bn). The new licence includes a third-generation (3G) licence.

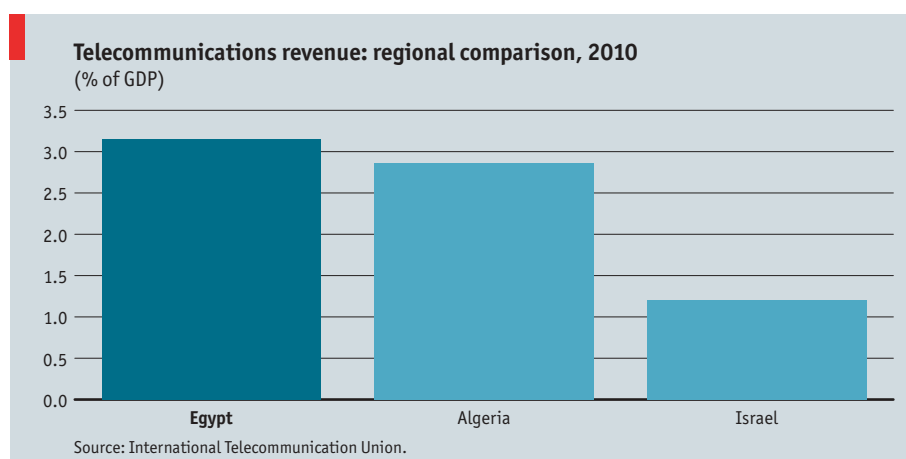
As a result of the increased competition in the market, Vodafone bought a 15-year 3G licence in 2007 for E£3.34bn and an additional 2.4% of its annual revenue. This was the price that the NTRA set for a second 3G licence following Etisalat's successful auction bid. Under the terms of the licence, Vodafone started offering 3G services in 2008. Vodafone should have a full coverage of 3G services in Egypt within five years, according to the licence conditions. In addition to acquiring a second 3G licence, Vodafone has bought an Egyptian Internet service provider (ISP), Raya Telecom. This venture—Vodafone Data—is one of three to be granted licences in July 2010 for Arabic domain name registration. The other licensees are In Touch (part of LINKdotNET) and TE Data. The government has registered ".dot masr" as an international top-level domain as part of a new multilingual address system that has been approved by the Internet Corporation for Assigned Names and Numbers.

Mobinil acquired a 15-year 3G licence in October 2007, on the same terms as Vodafone. The terms of the 3G licences for all three operators allow the use of UMTS (Universal Mobile Telecommunications System), EDGE (Enhanced Data rates for GSM Evolution), HSUPA (High-Speed Uplink Packet Access) and HSDPA (High-Speed Downlink Packet Access) technologies, and the provision of services such as visual communications, video-messaging, high-speed data transfer and Internet, MBMS (Multimedia Broadcast Multicast Service), mobile TV, push-to-view and GPRS (General Packet Radio Service), provided that Mobinil acquires the necessary permission for some of the services from the respective authorities. Mobinil launched its 3G service in September 2008. Etisalat subsequently applied to upgrade its licence to a 3.5G (enhanced third-generation) capacity, which was granted for a further E£3.34bn. Commercial 3G operations started in 2008 following the launch of Etisalat's service.

Etisalat Misr, which was launched in May 2007, had 2.84m subscribers by the end of September 2008, vastly exceeding expectations, and had reached 6.9m by end-March 2010, compared with 26.1m for Mobinil and 24.7m for Vodafone.

The data communication sector has been liberalised. Domestic fixed-line calls are extremely cheap. In the past the government has compensated for this policy by charging high rates for international calls, but in recent years it has lowered tariffs for calls abroad. Moreover, the government is in the process of liberalising fixed-line service provision, although, owing to deteriorating market conditions, the sale of a second fixed-line licence has been postponed. Nevertheless, the NTRA has awarded two licences for bundled Internet access and cable television services in closed compounds of between 50 and 5,000 units. The licences were granted in July 2010 to Link One (comprising Link Egypt, LINKdotNET and Mr Sawiris's Weather Investments) and to a consortium of TeleTech, Vodafone, Aviation Information Technology and Giza Systems.

A 20% stake in TE was sold through an initial public offering (IPO) in December 2005, five years after a planned IPO in the company was postponed as telecoms stocks went out of fashion worldwide, reducing the government's stake to 80%. The IPO raised E£5.1bn. The government appears determined to retain a majority stake in TE. The telecoms law passed in February 2002 stipulates that the state must retain more than 50% of the company.



Orascom Telecom Holding is one of the largest telecoms players in the region. It operates mobile networks in Algeria (Djezzy), Egypt, Pakistan (Mobilink), Bangladesh (Banglalink), Tunisia (Tunisiana), Sub-Saharan Africa (Telecel) and North Korea., and had a total of 96m subscribers at end-March 2010. The Egyptian Sawiris family owns 56.9% of the firm. Its shares are also traded on the London Stock Exchange in the form of global depository receipts. Orascom has faced problems in Algeria, which is its largest source of mobile-phone revenue, owing to the increasing hostility of the host government. This has manifested itself in large demands for back tax, which Orascom is contesting. Until the authorities are satisfied that Orascom has met all of its tax obligations, the company has been barred from repatriating dividends. The Algerian government has ruled out Orascom selling its stake to an outside party, after news surfaced in early 2010 of a possible bid from MTN of South Africa.

Ministry of Communications and Information Technology: www.mcit.gov.eg

NTRA: www.ntra.gov.eg

Internet According to the MCIT, the Internet penetration rate was 23.7% at end-2009, (up from 18% at the end of 2008). This corresponds to 16.6m users, according to the MCIT. The International Telecommunication Union (ITU) reported that the number of Internet users was 16.6 per 100 people at end-2008, compared with 10.34 for Algeria and 32.59 for Morocco. The number of users is far higher than the number of Internet subscribers, which stood at around 3m at end-2008, according to the ITU. The MCIT reported that there were just over 1m ADSL (asymmetric digital subscriber line) subscribers at end-2010, compared with 720,000 a year earlier. Further strong growth is likely, given both the minimal level of penetration thus far and the fact that two new licences to provide bundled Internet access have recently been awarded.

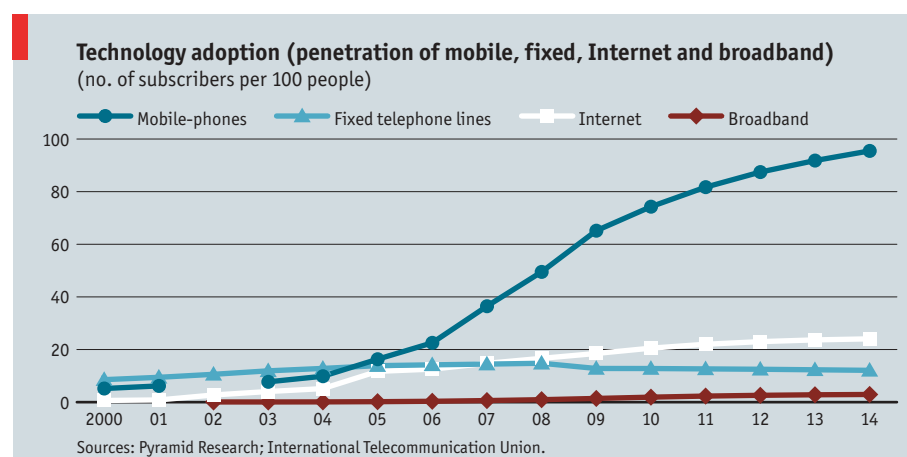
Internet penetration

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
Internet users ('000)	9,027	9,867	11,819	13,573	15,369	17,373	18,975	20,220	21,189	21,962
Internet penetration (per 100 people)	11.7	12.6	14.8	16.6	18.5	20.5	22.0	23.0	23.7	24.1
Broadband subscriptions ('000)	141	259	477	770	1,140	1,394	1,514	1,603	1,755	1,866
Broadband subscriptions (per 100 people)	0.2	0.3	0.6	0.9	1.4	1.6	1.8	1.8	2.0	2.0

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Sources: ITU; Economist Intelligence Unit.

Demand. Demand will prove strong for Internet and data services, both of which are growing rapidly, albeit from a low base, owing in part to the Free Internet Initiative, which was set up by the MCIT, but also to Egypt's demographics. Egypt has a very high proportion of young people (the median age of the population is 26) who have all grown up with modern technology, satellite television and expectations of being able to communicate using mobile phones and the Internet. The launch of free Internet services began in Cairo in January 2002. Users can log on to the Internet for the price of a local phone call without paying a subscription charge. Internet service providers (ISPs) lease access ports from Telecom Egypt (TE), the incumbent, and purchase a dial-up number that they then market to consumers. In return, TE pays the ISPs 70% of the revenue from connections made through their phone number. However, the measure has proven controversial with ISPs, which complain of high leasing rates and low profit margins. Many of the smaller ISPs among the 64 in operation when the new system was introduced have folded. As well as the obvious private-sector demand, Egypt's large government administration, which numbers some 5m employees, will offer a huge potential market in the future. The government administration has been slow in the adoption of computers. According to the latest official data, just 65% of government employees had access to a computer, and a similar proportion had ADSL access, in July 2008.



Moreover, the government's current three-year ICT strategy, which runs until end-2010, and its anticipated successor will also stimulate demand for Internet and data services with its multi-pronged programme to widen personal computer and Internet use both for private individuals and in the education and health services. For instance, the government is working to establish "e-

health" programmes to improve diagnostic and health services. The MCIT is working to facilitate the integration of ICT into Egypt's health services, such as for administration and clinical consultation, and is aiming in the longer run to be able to offer tele-diagnostics to more remote areas. Other initiatives include an ambulance call-centre project, which will enable ambulance services to register the need of the patient for preventive care; and a women's mobile health unit, which will be able to screen and then follow up women living in remoter areas. The government's strategy is founded on general capacity building, such as laying broadband in less-developed areas and pushing forward research and innovation. This will be done through intensive training programmes and development programmes offered by the Information Technology Industry Development Agency, under the supervision of the MCIT. With a low Internet penetration rate (estimated at around 17.7% at end-June 2009 by the MCIT), there is scope for strong and rapid development in the sector over the next five years.

Digital economy ranking

	2005	2006	2007	2008	2009
EIU digital economy rating (10=high)	3.90	4.14	4.26	4.33	4.21

Source: Economist Intelligence Unit.

E-commerce will advance steadily, but will remain restricted to only a small fraction of the population, given the huge wealth disparities that limit the overwhelming majority of Egyptians to the consumption of basic goods and continue to restrict the expansion of Internet use. We forecast that the number of Internet users will reach 21.9m in 2014, or nearly 25 per 100 people.

LINKdotNET, owned by Orascom Telecom Holding, is Egypt's largest ISP. Other major players include Internet Egypt, Soficom and Menanet.

Hardware Demand. Computer penetration—far higher among the business community than among the general population—will rise, in part as the government makes efforts to develop computer literacy in schools and higher education institutions, and supports campaigns that promote home ownership of computers. There is significant room for growth in the public sector, too, given the comparatively low levels of computerisation. However, computers will remain a quasi-luxury item throughout the forecast period, unaffordable for a large share of the population. We forecast that there will be about 22 PCs per 100 people in 2014, up from an estimated 12 PCs per 100 people in 2009.

Hardware expenditure

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
IT hardware spend (US\$ m)	859	998	1,291	1,403	1,219	1,397	1,651	1,862	2,056	2,271
IT hardware spend (££ m)	4,962	5,713	7,274	7,622	6,760	7,781	9,154	10,264	11,288	12,405
IT hardware spend (££; % growth) ^d	16.7	15.1	27.3	4.8	-11.3	15.1	17.6	12.1	10.0	9.9
IT hardware spend (% of GDP)	0.9	0.9	1.0	0.9	0.6	0.6	0.6	0.6	0.6	0.6

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d At current market exchange rates for forecast years using Economist Intelligence Unit exchange-rate forecasts.

Sources: IDC; Economist Intelligence Unit.

Hardware penetration

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
Stock of personal computers ('000)	1,900	2,750	5,204	7,546	9,928	12,212	14,227	15,962	18,401	20,009
Stock of PCs (per 100 people)	2.5	3.5	6.5	9.3	12.0	14.4	16.5	18.2	20.5	21.9
Stock of PCs (% growth)	33.2	42.1	85.8	42.4	29.1	20.7	14.3	10.1	13.1	6.7

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Sources: Pyramid Research; ITU; Economist Intelligence Unit.

Pricing. The average price of a typical personal computer, including monitor and keyboard, was US\$1,555 in Cairo in 2009. Personal disposable income (personal income after taxes and deductions divided by total population) was estimated to be US\$1,690 in Egypt in the same year.

Item	Price (US\$)	% of monthly personal disposable income	Affordability rank
Desktop PC, 1GB RAM (av)	1,555	1,103	50 out of 58

Note. Affordability rank: for each country the price of an item as a percentage of monthly personal disposable income is calculated. Countries are ranked according to these percentages. The most affordable country will have the lowest percentage and be ranked first.

Supply. To encourage the development of the ICT industry, the government has lowered import tariffs on computers, computer equipment and software to 5%. Domestic hardware-manufacturing capabilities are limited—hardware is imported either complete or in parts and then assembled in Egypt. In late 2002 the government launched "the affordable PC initiative", which aimed to raise the ownership of computers from 1.5m then (one-third of which were owned by businesses) to 6.5m within five years. The scheme, which initially targeted just households, was extended in 2004 to include small businesses, and 66,000 sales were made under the initiative in that year. In 2007 it was extended to include all students and professors, and the overall target was abandoned as PC ownership now exceeds the original target. The scheme allows buyers to pay in monthly instalments of as little as US\$9, over a period of up to three years at below-market interest rates. Under the initiative, 18 local companies assemble the computers using largely imported parts.

Egypt's first dedicated technology park, or Smart Village, was inaugurated in September 2003. The E£2bn project was established under the auspices of the MCIT, which has a 20% shareholding. Other shareholders include a mix of local public- and private-sector companies, including the Orascom Group, Raya Holding, EgyNet, Banque Misr, Suez Canal Insurance and The Arab Contractors. The aim was to provide a hub for communications and IT development. Investors have been granted a ten-year tax exemption. Smart Village has rapidly become an ICT cluster, hosting a number of international ICT giants. In August 2007 an Indian ICT systems integration and outsourcing firm, Satyam Computer Services, set up a software development centre in Smart Village, which employs 500 engineers. In its initial announcement of the opening, Satyam cited Egypt as the best location in the Middle East for offshore outsourcing and product support development. According to Satyam, Egypt offers an affordable location, well-developed high-tech facilities and plenty of highly skilled ICT professionals, in a very competitive labour market.

Other service providers have also established a presence in Egypt in recent years, a trend that is likely to strengthen over the forecast period, owing to Egypt's proximity to Europe, Africa and Asia, and its low cost base. Egyptian outsourcing services include not only traditional call centres, but also technical support, software support and development, and knowledge-process outsourcing, such as medical support services.

In the PC sector, multinational companies including HP, Dell, IBM and Acer (Taiwan) are the leading players. Leading local assemblers include Centra Technologies, Banha Electronics and International Electronics, a subsidiary of the state-owned Bahgat Group. Orascom Technology Solutions is a leading company, distributing hardware and software for global technology companies including HP, American Power Conversion, Microsoft, Oracle, Novell, and Alcatel-Lucent. Orascom also has Internet service provider (ISP) and software development operations.

Raya Corporation is the largest local ICT company and the largest distributor of ICT products in the country, handling branded PCs, desktop computers, notebook computers, servers and computer accessories. It has several partnerships with leading international ICT providers and has distribution agreements with Dell, HP, Microsoft, Intel and Xerox of the US. Subsidiaries include Raya Integration, Raya Software, Oratech, Raya Academy, Raya Contact Centre, Protech and Raya Network Services. Another subsidiary, Raya Telecom, is currently in negotiations over forming a joint venture with Vodafone Egypt, after Vodafone acquired 51% of Raya Telecom in late 2006.

Software Data on software sales are scarce, but according to the MCIT, total ICT exports have more than doubled over the past five years to US\$850m in 2009, and the ministry has set a target for these exports to reach US\$2bn by 2013. Meanwhile, total domestic ICT services sales, including outsourcing, IT consulting and maintenance, were US\$263m in 2008, up from just US\$130m in 2005.

Demand. Software piracy has declined but still remains rife, accounting for 54% of sales in 2008 according to a study by the Business Software Alliance. In May 2002, as part of efforts to attract foreign technology transfer, Egypt enacted a new comprehensive intellectual property rights (IPR) law. The law strengthened copyright protection for computer software, which now extends for the author's lifetime plus 50-70 years. The penalties for non-compliance are a fine of E£5,000-10,000 (US\$890-1,785) per infringement or a prison term of not less than one month, or both. For repeated infringements, a prison term becomes mandatory and the fine can reach E£50,000. The law also provides for protection for semiconductor chip layout.

Software and services expenditure

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c	2012 ^c	2013 ^c	2014 ^c
IT services spend (US\$ m)	177	203	236	263	261	271	279	295	317	342
IT services spend (£ m)	1,023	1,165	1,327	1,431	1,448	1,510	1,547	1,626	1,743	1,867
IT services spend (£; % growth)	9.4	13.9	13.9	7.8	1.2	4.3	2.4	5.1	7.2	7.1
IT services spend (% of GDP)	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Packaged software sales (US\$ m)	136	179	201	227	216	241	269	303	344	392
Packaged software sales (£ m)	787	1,025	1,133	1,234	1,199	1,341	1,491	1,671	1,891	2,139
Packaged software sales (£; % growth)	16.2	30.4	10.5	8.9	-2.8	11.8	11.2	12.0	13.2	13.1
Packaged software sales (% of GDP)	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Sources: IDC; Economist Intelligence Unit.

Supply. Sakhr Software, which is based in the capital, Cairo, is a major developer of software tailored to the needs of the Arabic market and Arabic-language users. The company's clients include Intel and Oracle as well as regional governments. Sakhr was founded in Kuwait in 1982 and relocated to Cairo in 1990. Microsoft is the top seller of software.

Nile Online (NOL) is a major infrastructure and digital services provider in Egypt, offering online services to individuals, businesses and ISPs. NOL is a privately held company whose shareholders include several banks. The Egyptian Networks Company (EgyNet), established in 1998, built and operated the first privately owned public data network in Egypt. EgyNet has bought majority stakes in Soficom and Internet Egypt.

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chapter 5 Business Environment

SWOT Analysis

Strengths

- The geographical location is good for trade, as Egypt has access to both the Mediterranean and the Red Sea, not to mention the key Suez Canal route, which connects Europe with Asia.
- The legal system has issued adjudications in favour of foreign firms, although there are frequent procedural delays and it is closely connected to the executive branch of government.

Weaknesses

- Egypt ranks 111th out of 180 states surveyed in Transparency International's Corruption Perceptions Index 2009, comparing unfavourably with regional peers.
- The labour market is relatively inflexible, with Egypt performing markedly worse than the OECD average and also inferior to the regional average on the World Bank's Hiring and Firing Workers index.

Opportunities

- Efforts towards banking sector consolidation should bring down the cost of private sector credit and fuel small business growth.
- A free trade zone between all littoral Mediterranean states and the EU is expected to be in place by 2010.

Threats

- Patronage networks impede attempts at fighting corruption and cutting bureaucracy.
- Although levels of education are relatively high, there is a considerable mismatch between the skills taught in schools and those required by most employers.

BMI Business Environment Risk Ratings

The business environment is much improved since the advent of the Ahmad Nazif government in 2004, which advocated reform, privatisation and stimulation of the private sector. Infrastructure has also greatly improved over recent years and the government has made considerable efforts to entice investors. However, momentum has certainly waned in the wake of the economic slowdown and privatisation appears to be off the agenda for now. Public support for a more pro-market agenda looks fairly low, with a few foreign direct investment deals having been derailed thanks to popular opposition, and the legacy of years of socialism remains in place. Strikes remain common and an overburdened public sector distorts the labour market.

	Business Environment	Rank	Trend
Mauritius	64.6	1	=
Namibia	59.6	2	=
South Africa	58.8	3	=
Tunisia	56.0	4	=
Botswana	48.3	5	=
Uganda	46.9	6	=
Morocco	46.8	7	=
Ghana	44.2	8	=
Zambia	44.2	9	=
Ethiopia	42.1	10	=
Egypt	41.5	11	=
Madagascar	39.1	12	=
Mozambique	38.8	13	=
Tanzania	38.0	14	=
Libya	37.4	15	=
Senegal	37.4	16	=
Kenya	36.6	17	=
Zimbabwe	36.1	18	=
Nigeria	35.5	19	=
Sudan	35.5	21	=
Algeria	34.8	22	=
Guinea	31.3	25	=
Côte d'Ivoire	30.0	26	=
Cameroon	27.9	28	=
Congo, Dem. Rep.	27.7	29	=
Sierra Leone	23.6	30	=
Angola	20.7	31	=
Gambia	-	36	-
Gabon	-	39	-
Regional average 30.8	Global average 46.1	Emerging Markets average 42.3	

Note: Not all countries are included in this ratings table. Full ratings may be found online.

Business Environment Outlook

Introduction

In spite of a large number of reforms in recent years, which have undoubtedly improved the investment climate significantly, Egypt's business environment continues to bear the legacy of years of state domination of the economy and a strong public sector focus. Bureaucracy is a major issue for foreign companies, with legal and property transactions often subject to severe delays, and there is evidence of a public backlash against pro-market reforms. Strikes are increasingly common and a generalised anti-Western sentiment could also make life difficult for investors.

Latest Developments

- Egypt has not ruled out the possibility of issuing a fourth mobile operator licence, reports Reuters. Citing a local newspaper, the report suggests that a new licence could be considered if the current three operators did not begin to comply to new pricing regulations, but that other factors also need to be considered. **BMI** believes that Egypt could benefit from a fourth mobile operator and that there would certainly be interest in the licence, but that the market is fairly healthy as it is. It would appear that the telecoms minister, Tarek Mohamed Kamel, and the national telecom regulatory authority (NTRA) take a similar view. Kamel has apparently said that he sees the mobile market as healthy, but that he has not ruled out a new licence. However, he is keen to stress that a multitude of factors including average revenue per user levels, spectrum availability and general market dynamics would be fully considered before the ministry and regulator made any moves to issue a new licence tender.
- In an effort to invigorate and further develop fledgling equity markets, the Egyptian stock exchange is seeking approval for short selling from the state regulator. Together with plans to establish a derivatives exchange and to encourage a secondary market in government debt, the move hopes to inject extra liquidity into the Egyptian financial system at a time when banks are reluctant to lend. However, it is unclear whether the move will go ahead, given that we are not yet out of the woods in terms of stock market volatility – Egypt's stock market fell by 2.9% on January 25, for example. Short selling is commonly associated with increased volatility in stock prices and it is often indicted as a contributing factor in the global financial crisis.
- News that two of Egypt's state-owned banks (**Banque Misr** and **National Bank of Egypt**) will start accepting real estate assets as payment on public sector companies' debt rings alarm bells to some extent. The amount of debt in question is small: EGP8bn (or US\$1.5bn) compared with total banking sector loans of US\$77bn and assets of US\$200bn. However, our concern is not for the stability of the banking sector – we had already foreseen some deterioration in overall asset quality and loan write-downs – but the fact that this move is considered necessary suggests that the firms are struggling to meet repayments.

- As elsewhere in the Middle East, it is difficult to judge the performance of the real estate picture overall: there does appear to have been some correction. Steel prices are down to record lows, indicating a lack of demand from the previously booming construction sector. Moreover, according to Iman Ismail, managing director of **Egyptian Mortgage Refinance Company**, the industry is still suffering the effects of a 'lost quarter' in Q408, when very few home loans were approved (the same quarter as that in which GDP apparently bottomed).
- The Egyptian auto market has been hit hard by the global economic recession, but the latest figures suggest that the beginning of a recovery may be under way. Passenger car sales posted a 25% y-o-y increase in October 2009, according to data from the Automotive Marketing Information Council (AMIC). During the month, car sales climbed to 16,212 units. Despite H109 sales dropping over one-third compared with the same period in 2008, AMIC forecast sales of 200,000 units in 2009, compared with 218,000 units in 2008. However, the head of AMIC, Salah El-Hadary, has said too much should not be read into the rise in October, as sales had fallen sharply to a low level in the comparison month in 2008, which was just one month into the global economic crisis. El-Hadary told *Daily News Egypt* he does not anticipate monthly car sales hitting pre-crisis levels until March or April of 2010.

TABLE: BMI BUSINESS AND OPERATIONAL RISK RATINGS

	Infrastructure	Institutions	Market Orientation	Overall
Algeria	42.3	40.0	22.0	34.8
Bahrain	61.6	61.7	54.1	59.1
Egypt	44.1	40.0	40.2	41.5
Iran	54.9	35.6	30.1	40.2
Iraq	18.9	25.7	25.9	23.5
Israel	80.0	62.0	62.4	68.1
Jordan	57.5	61.8	58.5	59.3
Kuwait	59.3	61.3	31.0	50.5
Lebanon	54.0	44.8	54.0	50.9
Libya	55.9	35.9	20.4	37.4
Morocco	47.1	49.1	44.1	46.8
Oman	53.7	64.2	53.4	57.1
Qatar	55.5	63.6	51.6	56.9
Saudi Arabia	59.5	55.7	65.3	60.2
Syria	34.4	39.6	42.0	38.6
Tunisia	60.7	62.0	45.3	56.0
United Arab Emirates	57.6	66.9	70.2	64.9
West Bank and Gaza	19.4	26.5	34.7	26.9
Yemen	22.5	40.7	40.1	34.4
Global average	47.4	47.5	48.6	47.7
Region average	49.4	49.3	44.5	47.7

Scores out of 100, with 100 representing the best score available for each indicator. Source: BMI.

Institutions

Legal Framework

Egypt's legal system is founded on both Islamic and civil law concepts, with substantial European influences. It is complex and at times bureaucratic and inefficient. The judiciary is relatively independent compared with the rest of the region. Following the passage of a new law in July 2006, the attorney general is no longer answerable to the justice minister. However, compared with the provisions the informal Judges Club had been calling for – an elected council to act as arbitrator, primarily – the changes were fairly insubstantial. While the current administration is aware of the importance of maintaining strong investor relations, this could be an issue in the event of a less business-friendly government coming to power.

There are three levels of courts: the summary and primary, appeals and cassation courts. Alongside these exists a system of specialised courts, such as the administrative court system and the Supreme Constitutional Court – now critical components of Egypt's judicial system.

Delays are routine: there is a two- to three-year backlog at the Court of First Instance, meaning that, with appeals, commercial cases have been known to take five years or more to conclude.

Overall, the commercial court system remains somewhat unresponsive to the needs of

TABLE: BMI LEGAL FRAMEWORK RATINGS

	Investor Protection	Rule of Law	Contract Enforceability	Corruption
Algeria	41.8	34.1	54.7	48.0
Bahrain	35.8	73.7	45.4	80.0
Egypt	35.2	59.3	21.1	54.7
Iran	27.7	27.5	66.4	34.7
Iraq	47.7	1.2	35.7	1.3
Israel	71.1	77.2	41.0	80.7
Jordan	33.3	68.9	50.0	78.0
Kuwait	46.4	80.8	50.0	72.7
Lebanon	14.6	43.7	25.0	62.0
Libya	42.0	29.3	39.0	34.7
Morocco	36.4	58.7	35.3	51.3
Oman	22.3	78.4	43.5	78.7
Qatar	35.8	85.0	45.4	82.0
Saudi Arabia	19.5	63.5	44.1	54.7
Syria	29.0	39.5	20.3	43.3
Tunisia	58.9	66.5	62.6	70.0
United Arab Emirates	51.9	76.0	40.4	83.3
West Bank and Gaza	21.8	33.5	43.8	10.2
Yemen	25.8	17.4	62.9	28.7
Global average	36.8	48.8	49.9	40.2
Region average	36.7	53.4	43.5	55.2

Scores out of 100, with 100 representing the best score available for each indicator. Source: BMI.

foreign investors and the private sector as a whole. In general, arbitration – whether in Egypt or overseas – is preferable to seeking dispute settlement through the court system. However, even if arbitration rules in favour of the foreign investor, the losing party can appeal arbitral decisions in Egyptian courts. If no specific dispute settlement procedure is mentioned, any future dispute with a government party will go to the government's Council of State – a government agency that reviews the constitutionality of proposed legislation.

Property Rights

The legal system ensures adequate protection for property, though laws governing real estate ownership are highly complex. Establishing title to property can be a confusing and lengthy process. Indeed, Peruvian Economist Hernando de Soto calculated in 2000 that the process of registering a property on desert land could take six to 14 years. However, property is a key focus of the government's reform process: property registration costs have already been slashed from 12% of the value of the property to 3% and the government has talked about introducing a flat fee, probably of just EGP1,000. It is also conducting a nation-wide property survey and has amended the law so that potential buyers now only need to complete the 'pre-registration' process to be approved for a mortgage.

There are no restrictions on foreign ownership of non-agricultural real estate in Egypt. The Investment Incentives Law guarantees against nationalisation or expropriation of investment projects. Foreign and domestic private firms have the right to establish and own business enterprises and engage in all forms of remunerative activity. Although the government has little track record of seizing foreigners' property, local authorities have in the past expropriated land from private firms.

Intellectual Property Rights

Egypt was retained on the US Trade Representative's Priority Watch List of states with poor intellectual property rights (IPR), enforcement records and infrastructure in 2009, and looks set to remain there in 2010. The organisation states: 'In 2008, Egypt passed alaw establishing new economic courts that will provide specialized training to judges and will have jurisdiction over civil and criminal IPR cases. We note some improvements in IPR protection and enforcement over the past year, particularly in the area of enforcement against entertainment and business software piracy by Egypt's Information Technology Industry Development Agency (ITIDA).'

Egypt has made some progress in recent years, modernising infrastructure and training judges in combating IPR infringements, following the passage of a new comprehensive IPR law that met key conditions of Egypt's WTO membership requirements in 2002. However, the US Trade Representative remains concerned about the transshipment of counterfeit and pirated goods through Egypt, including in the Damietta Port and Port Said free trade zones. It has urged Egypt to strengthen its IPR legislation on copyrights, patents and enforcement, as well as to ratify and implement the World Intellectual Property Organization internet treaties.

Corruption

Low-level corruption and graft is widespread in Egypt, which scores an unimpressive 2.8 out of 10 in Transparency International's 2009 Corruption Perceptions Index, putting it in joint 111th place (alongside Algeria, Djibouti, Togo, Indonesia and Mali among others) out of 180. There have not been any reports of this impacting on foreign investment projects, with the focus of anti-corruption calls usually being more political. Incidents such as the collapse of a tower block in Alexandria in December 2007 usually prompt cries of corruption – it was suggested that the construction company might have avoided compliance with the usual safety standards by offering a bribe to the authorities. However, there are signs that the government is becoming more aware of the effect of this and other incidents on public opinion: against expectations, National Democratic Party (NDP) member and prominent businessman Hisham Talaat Mustafa was sentenced to death for the murder of singer Suzanne Tamim in May 2009. Moreover, the initial acquittal of another prominent figure, Mamdouh Ismail, for responsibility for the disastrous sinking of the Salam Boccaccio ferry in 2006 was overturned in March 2009, following a public outcry. Mamdouh and his son were sentenced to lengthy prison terms. An overall lack of high-level public pressure on the government does little to inspire hope for reform in the near term.

There are two government agencies charged with enforcing anti-corruption laws in the public sector – the Administrative Control Authority and the Illicit Gain Office – but we do not see any radical change in the government's effort to tackle the problem in 2010.

Infrastructure

Physical Infrastructure

Egypt has seen good progress in its infrastructure over recent years. However, the global economic crisis has taken its toll and we now forecast the domestic construction industry to log an average growth rate of 3.1% over the 2010-2014 period. Much of the building will be done by the public sector, though, and the government has ambitious plans to transform the country's infrastructure, which includes several mega-projects such as the US\$9.5bn refinery and petrochemical plant at Kafr al-Shaikh and the US\$8.7bn container terminal at Eastern Port Said.

Egypt has an electrification rate of 98.0% and the telecoms field has been substantially liberalised. Most recently, Egypt's National Telecommunications Regulatory Authority said it would invite bids for two licences to provide triple-play telephone, internet and cable TV services, with the potential for mobile as an additional fourth service. The deadline for bids has been set for January 12 and bidding will be open to private sector consortia, either local or international. A decision will be made in the latter half of the year. The issuing of two new licences would mark a step towards dismantling **Telecom Egypt's** fixed-line monopoly. The company was first founded in 1998, replacing the **Arabic Republic of Egypt National Telecommunications Organisation**.

There are three mobile phone operators (**Mobinil**, **Vodafone Egypt** and **Etisalat**), all of which have licences to provide 3G services. Internet penetration remains low (we estimate

around 17% in 2009), while broadband is used by less than 2.0% of the population. The services are increasingly available. However, while the price of broadband has been slashed, it remains prohibitive to large swathes of the population. It has been well documented that private broadband subscribers often club together with two or three neighbouring families to get a broadband subscription and a Wi-Fi router that will allow them to share it. More competition in the market should hopefully bring prices down in the future and lead to subscriber growth.

The Suez Canal will remain a huge infrastructural asset, providing the main trade route between Europe and Asia and accounting for about 7.5% of world sea trade. The city of Port Said (where it begins) acts as an important harbour for Egyptian exports and a fueling station for ships passing through the canal. However, it has suffered badly from the downturn in global trade and the piracy problems in the Gulf of Aden, and many ships have opted for alternative routes. Whether usage of the canal will bounce back with the global economy remains to be seen: the piracy issue has yet to be properly addressed.

Egypt has 85 airports in total, of which 71 have paved runways. Cairo airport is served by flights to the Gulf, New York and most major European capitals. There are three weekly departures to Tokyo, but otherwise links to Asia are poor.

Egypt also has a fairly reliable state-run railway system, although there is a significant difference between the express trains, which are modern, fast and air-conditioned, and the ordinary trains, which are overcrowded, slow and old. The railway connects Cairo and Alexandria with the main towns in the north of the country, all the large towns in the Nile Basin down to Aswan and to Ain Sokhna and Safaga on the Red Sea coast. The same state-owned company (**Egypt Rail**) runs the underground system in Cairo, which has two lines (one of 44km across 35 stations and one of 19km across 21 stations). One more line is being built to connect Cairo to the airport (with a target completion date of 2010) and two more are planned. Other than the underground, taxis and private drivers are widely used, with buses and minibuses being cheaply available but very overcrowded. The road system is broadly good, with only a small amount remaining unpaved, but the safety record is poor and Egypt has a high road fatality rate.

Labour Force

The Egyptian labour force is estimated at more than 25.6mn, with at least 600,000 new entrants into the labour market annually. Around 25% of the labour force is concentrated in the Cairo and Alexandria governorates. The unemployment rate was around 8.4% in the FY2007/08, according to preliminary Central Bank of Egypt figures. However, labour force growth is exceeding employment growth and the global economic downturn has not helped: the labour force is likely to be swelled more than usual in 2009 due to returning workers from the Gulf, the US and Europe. Unemployment is a very sensitive political issue and the government has proved reluctant to take any difficult decisions.

Despite the large number of potential employees, skills shortages are evident, showing up failures in the education system. Public sector companies are routinely overmanned. With skill levels in key professions seriously lacking, many companies are forced to recruit labour from overseas.

Labour policies are frequently cited as key obstacles to doing business in Egypt. There is to be a minimum wage, though its precise level has yet to be determined by the newly formed National Council for Wages. There are significant restrictions on the hiring and firing of Egyptian workers, the latter proving especially difficult. An employee is entitled to 60 days' notice of dismissal if his or her period of service does not exceed 10 years and 90 days if that period exceeds 10 years. If the firm does not wish to keep the employee on for this period, they are obliged to pay the equivalent salary. Even the privatisation programme in some cases requires a company's new owner to keep all the old workers on the books. A labour law introduced in 2003 is regarded as an improvement on previous legislation, allowing employers and employees to terminate employment contracts under specific circumstances.

About 27% of the Egyptian workforce belongs to a trade union and regulations limit the working day to eight hours, over a six-day week. The 2003 labour law established a qualified right of employees to strike, as well as rules and guidelines governing collective bargaining between employees and employers. Workers have the right to strike peacefully, provided the trade union organises the strike in defence of vocational, economic and social interests and announces it at least 10 days in advance. Workers may join trade unions, but this is not mandatory. A trade union or workers' committee may be formed if 50 employees in an entity demand it. All trade unions are required to belong to the Egyptian Trade Union Federation. Strikers must also notify the employer and administrative officials of the reasons for, and time-frame of, the strike.

Market Orientation

Foreign Investment Policy

Reforms implemented since the Nazif government came to power in 2004 have substantially improved the overall investment framework. Egypt is now the region's stellar performer in terms of foreign direct investment (FDI). The Central Bank of Egypt cites FDI inflows at US\$12.8bn in FY2008/09, significantly above the US\$0.4bn attracted in FY2003/04 (the year before the Nazif government came to power), in spite of the global economic downturn.

One of Prime Minister Ahmad Nazif's first acts on his appointment was to set up a Ministry of Investment, charged with overseeing investment policy. The ministry has helped to quicken the pace of reform of the business climate, in areas such as easing FDI entry, simplifying customs procedures, labour relations and foreign exchange requirements. Over the last two years, new customs and tax laws have been introduced to support reforms in the financial services sector. The government has also cut the minimum capital required to start a business from EGP50,000 to EGP1,000, halved start-up times and costs, and reduced the cost of registering property from 3% of the property value to a low fixed fee. In addition, some formal restrictions on FDI entry have been eased, with the abolition of the 49% ceiling on foreign ownership in commercial banking and insurance. This has resulted in major international banks increasing their presence in Egypt. Meanwhile, new capital requirements have resulted in the consolidation of the banking sector, with 33 lenders now in operation, compared with around 60 before the reforms.

These changes built on the already conducive (if under-exploited) Investment Incentives Law, which was passed in 1997. The law allows 100% foreign ownership of investment projects and guarantees the right to remit income earned in Egypt and to repatriate capital. It also enshrines the right to own land; the right to maintain foreign-currency bank accounts; freedom from administrative attachment; the right to repatriate capital and profits; equal

TABLE: MIDDLE EAST & AFRICA, ANNUAL FDI INFLOWS

	2006		2007		2008	
	US\$bn	US\$ per capita	US\$bn	US\$ per capita	US\$bn	US\$ per capita
Algeria	1.80	53.8	1.67	49.2	2.65	76.9
Angola	-0.04	-2.3	-1.50	-88.0	15.55	863.8
Bahrain	2.92	3,925.6	1.76	1,677.5	1.79	1,676.5
Botswana	0.49	262.9	0.50	262.2	0.00	-2.0
Cameroon	0.31	18.6	0.28	16.9	0.26	15.2
Cote d'Ivoire	0.32	17.3	0.43	22.7	0.35	18.5
Egypt	10.04	136.5	11.58	154.4	9.49	124.4
Ethiopia	0.545	6.7	0.254	3.0	0.09	1.1
Ghana	0.64	27.6	0.86	36.4	2.12	88.7
Iran	0.32	4.5	0.75	10.6	1.49	20.7
Iraq	0.38	13.4	0.45	15.4	0.49	16.5
Israel	14.73	2,069.6	10.00	1,381.4	9.64	1,302.5
Jordan	3.22	547.6	1.84	303.5	1.95	320.3
Kenya	0.05	1.4	0.73	19.5	0.10	2.5
Kuwait	0.12	36.8	0.12	36.2	0.06	16.9
Libya	2.01	334.4	2.54	414.2	4.11	652.5
Lebanon	2.74	675.8	2.85	694.6	3.61	871.1
Morocco	2.45	79.4	2.58	82.6	2.39	75.6
Mozambique	0.15	7.7	0.43	20.8	0.59	28.0
Namibia	0.39	189.0	0.70	337.5	0.75	358.8
Nigeria	13.96	93.1	12.45	81.1	20.28	137.2
Oman	1.62	629.8	2.38	895.5	2.93	1,045.6
Palestinian Territory	0.019	4.9	0.021	5.2	0.03	7.1
Qatar	0.16	152.9	1.14	925.2	6.70	4,620.7
Saudi Arabia	18.29	772.5	24.32	1,003.2	38.22	1,567.8
Sierra Leone	0.06	10.6	0.08	14.1	0.03	5.0
South Africa	-0.53	-11.1	5.69	118.8	9.01	185.0
Sudan	3.54	95.7	2.44	64.5	2.60	67.4
Syria	0.60	30.9	0.89	44.4	2.12	103.2
Tanzania	0.52	13.2	0.60	14.8	0.74	17.9
Tunisia	3.312	324.1	1.618	156.6	2.76	265.5
Turkey	19.99	270.4	22.03	312.1	18.20	254.5
UAE	12.81	3,028.1	13.25	2,951.7	13.70	2,914.9
Uganda	0.40	13.4	0.37	11.9	0.79	24.7
Yemen	1.12	51.1	0.46	20.5	0.46	20.0
Zambia	0.62	52.6	0.98	82.5	0.94	74.9
Zimbabwe	0.04	3.1	0.07	5.2	0.05	4.1

Source: UNCTAD, BMI.

treatment regardless of nationality; and guarantees against confiscation, sequestration and nationalisation.

Foreign investment in manufacturing has been fully liberalised, with the exception of defence-related industries. Foreign equity participation in financial services and privately owned telecommunications services is permitted up to 100%. Egypt has promised to ease restrictions identified by the OECD, including some quotas for foreign workers, limits on the services foreign nationals are allowed to offer and the requirement that foreign investors in the construction sector must set up joint venture companies with parastatals with equity below 50%.

The requirement for exporters to surrender 75% of foreign currency proceeds was lifted in December 2004, and in January 2005 the Egyptian pound became fully convertible. The General Authority for Investment's provision of incentives for free zones has raised occupancy to almost 80% in the two largest zones, Alexandria and Cairo. Three new zones have been established and two more are planned. The main recipients of foreign investment are the oil and gas, tourism and textile sectors. Leading sources of FDI are the UK, the US and France, tilted towards the centrepiece oil and gas developments.

In spite of all the government's good intentions, there are some caveats to this positive outlook. Although **BMI** is reasonably sanguine that the political will to continue the reform process is there, it is unclear how deep this runs within the lower layers of Egypt's institutions. There is a good case for arguing that it may be limited to a few reformers at the top levels of government. Certainly there is an old guard among the ruling NDP that is more concerned with self-preservation than with creating the conditions for sustainable long-term economic growth. In the event of any popular unrest, the old guard could rise to the fore on a populist ticket. Although Gamal Mubarak (the president's son and widely tipped as the next president) is known to be pro-business, if he does succeed his father he will not enjoy the security of the latter's presidency and may find himself forced to surround himself with a more populist administration.

Foreign Trade Regime

The government's post-2004 reform drive has brought significant changes to Egypt's tariff system, with a cut in the weighted average tariff rate (from 14.6% to 14.1%) and the slashing of the number of tariff bands. It has also eliminated import fees and surcharges,

TABLE: TOP EXPORT DESTINATIONS, US\$MN

	2001	2002	2003	2004	2005	2006	2007	2008
EXPORTS TO ITALY	378.56	959.23	1,016.92	1,445.58	1,444.16	2,477.10	2,254.32	3,016.21
EXPORTS TO UNITED STATES	344.59	1,287.91	1,108.36	1,307.91	2,019.09	2,339.55	2,313.73	2,258.45
EXPORTS TO SPAIN	152.93	220.96	315.43	508.41	1,191.79	1,787.09	1,810.12	1,964.10
EXPORTS TO SYRIAN ARAB REPUBLIC	55.93	60.7	76.82	751.94	859.15	1,061.85	1,317.74	1,504.42
EXPORTS TO SAUDI ARABIA	146.88	197.48	275.38	385.35	725.14	895.18	1,159.64	1,464.85
% of Top 5	26.05	38.68	32.86	36.09	40.01	41.24	37.12	35.2
EXPORTS TO WORLD	4,140.83	7,049.00	8,499.67	12,187.80	15,593.90	20,760.20	23,853.70	29,003.80

Source: IMF. N.B. Total exports figure is from Direction of Trade Statistics; consequently, there may be some discrepancy with data used elsewhere in this report.

and revived some mothballed free trade agreements (FTAs) with Arab countries. The government is also looking to leverage its strong ties with the US government to negotiate a favourable FTA with Washington.

Egypt is a signatory of the pan-African free trade area COMESA and is a founder member of the Pan-Arab Free Trade Area. Cairo signed an association agreement with the EU in 2001 that will ultimately see the creation of a free trade area, with tariffs to be dismantled over a 10- to 15-year period. Prime Minister Ahmad Nazif is eager to start talks with the US on an FTA, which he believes will boost GDP growth by a few percentage points a year. Washington, however, appears in no mood to accelerate the process, which has been stalling since 2005.

In September 2004, the government implemented a new tariff structure, cutting the average tariff rate to 9.1%, removing General Agreement on Tariffs and Trade-inconsistent services fees ranging from 1-4%, and eliminating import surcharges. It also cut the number of ad valorem tariff rates from 27 to six and redressed tariff inconsistencies, rendering the process more transparent in the process. The new six-strong tariff ranges from 2% on raw materials, spare parts and primary feeding products to up to 40% on durable consumer goods. Further tariff reductions are planned.

A number of exemptions have been removed and all export taxes eliminated. The removal of discretionary determination of custom rates on imports is another important reform. The government has set up qualified industrial zones allowing products manufactured in the

TABLE: BMI TRADE RATINGS

	Protectionism	Bureaucracy
Algeria	20.4	51.1
Bahrain	49.4	46.1
Egypt	14.3	52.1
Iran	10.2	29.8
Iraq	0.7	3.4
Israel	76.9	78.6
Jordan	42.2	43.8
Kuwait	65.3	61.2
Lebanon	49.7	44.4
Libya	2.0	30.3
Morocco	11.6	51.6
Oman	70.7	34.2
Qatar	62.6	46.1
Saudi Arabia	46.3	63.1
Syria	8.2	22.6
Tunisia	35.4	64.8
United Arab Emirates	58.5	78.6
West Bank and Gaza	0.7	45.6
Yemen	21.8	47.3
Global average	47.1	45.2
Region average	34.0	47.1

Scores out of 100, with 100 representing the best score available for each indicator. Source: BMI.

zones zero-rated tariff entry in the US – provided 10.5% of the components are of Israeli origin. The threshold was lowered from 11.7% in October.

There has also been a reduction in average import tariffs from 9% to 7%. Individual tariff reductions include automotive manufacturing components, reduced from 5-12% to 2-5%. Tariffs have been unified and reduced for the food and pharmaceutical industries to 5%, and textile materials tariffs have been reduced from 40% to 12-22%.

In addition to the customs tariffs, all imports are subject to sales tax ranging from 5-25%. Every importer is required to pay the tax and also to register for sales tax.

Companies producing largely for export can set up in free zones and operate in foreign currency. In May 2002, parliament approved the Special Economic Zones Law, providing for the establishment of special zones for industrial, agricultural or service activities designed specifically for the export market.

Tax Regime

With effect from July 1 2005, Egypt radically transformed its tax system, sharply lowering rates of corporate and personal taxation. These should prove particularly conducive to increased investment flows, given the previous uncompetitive average corporate tax rate of 42%.

Corporate tax: Corporate tax is effectively 20% on profits. Under the previous tax system, industrial and export firms paid 22%, while most other companies paid 40%. The new tax code maintains exemptions for profits from securities investments, on dividends paid to shareholders and on interest payments from banks and bonds. New investors are offered lifetime tax holidays. Oil and exploration activities are taxed at a higher rate of 40.55%.

Individual tax: The maximum individual tax rate is now 20% and the thresholds for each tax bracket have been raised. Individuals will pay 10% tax on income between EGP5,000-20,000 a year, 15% on income between EGP20,000-40,000 a year and 20% on any income above EGP40,000. For foreigners, a higher rate of 32% applies on income over EGP50,000.

Indirect tax: The tax rate for goods ranges from a 10% general rate up to 50% for certain specified goods. The services tax ranges from 5-10%. A law to convert the sales tax to a VAT, at the rate of 10%, which would apply to almost all goods and services, was planned for 2007-2008 parliamentary session but does not appear to have been passed as of H209.

There are no withholding taxes and dividends distributed by an Egyptian company are not subject to withholding tax.

Operational Risk

Security Risk

The UK Foreign and Commonwealth Office (FCO) considers that there is a high risk from terrorism in Egypt, the highest of its four categories, and the country is ranked in joint 25th position worldwide in the Global Terrorism Indicator index. On the positive side, 2008 was relatively incident-free: the government has cracked down extensively on extremists and continues to spend heavily on security and defence. However, suicide bombings in Cairo and the Sinai region in 2004, 2005 and 2006, as well as the mass shooting in Luxor in 1997, are not so far removed from memory as to be insignificant. In addition, a French tourist was killed in a bombing in Khan al-Khalili market in Cairo in February 2009. We therefore concur with the FCO's assessment.

Although sympathy with the Muslim Brotherhood should not be considered synonymous with the terrorism risk, the banned Islamist group has a very wide supporter base among the population, and resentment towards the government and its Western allies is widespread. This can take the form of attacks on Western (or Israeli-linked) businesses or even citizens. Anti-US protests have also been known to have become violent and the FCO advises Westerners to stay away from such events.

Apart from this risk of terrorism, though, the security risk is low. The crime rate is low and tends to be limited to petty pickpocketing as far as foreigners are concerned. Nonetheless, those who do fall victim to crime have reported the police to be inefficient and bureaucratic.

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