



شبكة المعلومات الجامعية

بسم الله الرحمن الرحيم



شبكة المعلومات الجامعية
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شبكة المعلومات الجامعية التوثيق الالكتروني والميكرو فيلم



شبكة المعلومات الجامعية

جامعة عين شمس

التوثيق الالكتروني والميكروفيلم

قسم

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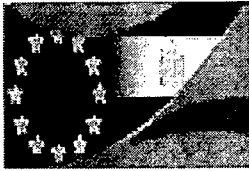
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Cairo University
Faculty of Economics and Political Science
Euro – Mediterranean Studies
Masters Program.

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European
Direct Investment to
The Energy Sector in Egypt in
the Period from the year 1996
to 2006

Master's Degree in Euro Mediterranean Studies

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Abbreviations

- **BCM:** Billion Cubic Meters
- **BG:** British gas
- **BP:** British Company.
- **CBE:** Central bank of Egypt
- **ECEP:** Energy Consumption and Efficiency increasing Project.
- **EDI:** European Direct Investment
- **EGPC:** Egyptian General Petroleum Cooperation.
- **EIB:** European Investment bank
- **EMP:** Euro Mediterranean partnership.
- **ENP:** European Neighborhood policy
- **FDI:** Foreign Direct Investment
- **FEMIP:** facility for Euro – Mediterranean investment and partnership
- **GAFI:** General Authority for free zones and Investment
- **GDP:** Gross Domestic Product.
- **IMF:** International monetary fund.
- **M&A:** Merger and acquisition.
- **MNC:** Multi national Company.
- **MOI:** Ministry of investment.
- **MCPc's:** Mediterranean Partnership Countries
- **NREA:** New and Renewable Energy Agency.
- **OECD:** Organization for Economic Cooperation and Development.
- **OEP:** Organization for Energy Planning
- **R&D:** Research and development
- **SCE** Supreme Council of Energy
- **TCF:** Trillion Cubic feet
- **PV:** photo Voltaic
- **UNCTAD:** united Nations Conference on Trade and Development.

Introduction:

Over the last decade foreign direct investment has been of a major concern for developing countries competition to enhance attractiveness for FDI which is seen as one of the important vehicles of economic growth and sustainable development especially for less developed countries like Egypt.

Egypt enjoys many potentialities that enable it to be one of the most important African developing countries in luring FDI in respect to the enormous capacity of the Egyptian market, the presence of a wide industrial base and high qualified labor.

Energy is the engine of economic growth and social development. Both, growth and development can be attained only if secure, reliable and affordable energy supplies are ensured. Therefore, energy is, and remains, a strategic commodity, that needs to be given due attention, especially in the face of growing global energy demand.

The EU is the main investor in Egypt and Egypt is the main recipient of EU investments in the Mediterranean region with an average of 1 billion Euros annually. Investments are spread in the Energy, Information Technology and industry sectors.

This is, we find that there are multiple Energy sources that receive European direct investment:

Oil where operations like research and exploration, extraction and refining represented the focal points for the orientation of European investments.

Natural gas

Solar energy

Wind energy

Biomass Energy

However, oil and natural gas are the main sources of European direct investments nowadays where the future is holding a potential toward renewable energy sources

Importance of the Subject:

The subject of this paper is chosen due to the significance of the energy sector as one of the leading sectors that may lead the future of Egypt,

moreover FDI can benefit an economy in many ways either by using existing resources more efficiently or by absorbing unemployed resources, capital from abroad can increase a country's output and productivity. And it is also important to look economically to the agreements and contracts concluded between Egypt and European companies in order to maximize the value added from these investments.

The purpose of this paper is to investigate the status of the FDI in Egypt in the period 1996-2006 with a special focus given to the Energy sector with a special reference to the European direct investment to the Mediterranean region within the context of the Euro Mediterranean partnership showing Egypt's position, The period between 1996 and 2006 was chosen as the year 1996 followed the Barcelona process that marked a new beginning of new phase of relationship between the European Union and the Mediterranean countries and where the partnership agreement gave a special concern to the energy sector, the year 2004 witnessed the Egyptian government conducting a lot of institutional and legislative reforms to attract more Foreign Direct Investments, and also the launching of the new phase of the Euro Mediterranean partnership with adopting the European Neighborhood policy, so this period from 1996 to 2006 is a very vital era where the FDI in Egypt had witnessed an increase & specially to the Energy sector whether Oil and Natural gas or big projects in the renewable energies

Notably the paper focuses on European direct investments to the energy sector in Egypt whether in the field of exploration of Oil and Natural Gas or huge projects to the renewable energy sources in Egypt, showing the investment climate in this sector the facilities and incentives given to the foreign partner, the paper also analyzed the Energy production and consumption in Egypt in the period 1996-2006 with its different types renewable and non renewable.

The paper also shows how the agreements is done between the Egyptian side and the foreign partner and how the Egyptian side is trying to maximize the benefits in this regard, the paper was also subjected to the association agreement and the European neighborhood action plan and its special provisions regarding Investment.

Contents:

The paper begins with identifying and explaining the concept of FDI as a theoretical concept, its different types its significance and impact on the economy whether economic or non economic, the paper also gives an overview for the energy sector from 1996-2006 with its different types,

then the paper moves to analyze the European direct investment in Egypt in the period 1996-2006 with a special reference given to the Energy sector, the paper analyzed the current status of FDI to Egypt showing its relative location between the middle east countries and given a glance on the key laws governing the investment in Egypt, this paper is represented within the highlight of the association agreement in Egypt it highlighted the EDI to the Mediterranean region and to the eastern European countries in general and showing Egypt's position in particular, then the paper gives a focus to the energy sector in Egypt its investment climate and facilities given to the foreign investor and the concession agreements between the Egyptian government and the foreign partner in the field of exploration then it highlighted the most important European direct investments from the period 1996-2006.

Finally the paper discussed the world future energy status in the year 2030 where the consumption rate will increase by 35% and we will be in a deep need to use renewable energy resource to meet this increase in demand, Egypt has a competitive advantage in the field of renewable energies especially solar where the paper stressed on the significance of attracting more investments to Solar Energy to be exported to the EU countries in the year 2030.

Methodology:

The paper follows a statistical analytical approach, where it analyzed the structure of the Foreign Direct investments in Egypt its evolution and distributions, then it uses institutional approach in analyzing the association agreement and the ENP action plan, it also uses qualitative descriptive methodology to analyze the available data about EDI in the energy sector in Egypt.

Chapter one

Identifying the concepts and the field of study

1.1 section one : Definitions and types of Foreign direct investment:

FDI is an investment made abroad either by establishing a new production facility or by acquiring a simple share of an already existing company." (Delali Accolley,2003, p.3)

It should be noted that FDI is associated not only with manufacturing but also include other activities (e.g.: services, banking, etc.)

In more simple words foreign direct investment (FDI) can be defined as follows:

FDI is any real investment in factories, capital goods, land and inventories where both capital and investment are involved either through starting a subsidiary green field investment or by taking control of another firm (Brown field) (Salvatore, 2000, p.366)

Also we can find that FDI is often mentioned as a lead driver for economic growth and thought to bring certain benefits to national economies as it can contribute to Gross Domestic Product (GDP), and the balance of payments and also as an important feature of an increasingly globalized economic system.

According to OECD FDI is defined as follows:

"Foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one economy "direct investor", in an entity resident in an economy other than that of the investor "direct investment enterprise" (OECD, 1999, p.7).

The word lasting interest in the past definition implies both the existence of a long-term relationship between the direct investor and the enterprise as well as the significant degree of influence on the management of the enterprise.

Thus management is considered the main criterion that distinguishes between the FDI and other types of international investment like foreign portfolio investment in foreign stocks, bonds and financial instruments, where management issue is not taken into consideration, where the investor retains management and control over which is defined through the acquisition of 10% or more of the an enterprise's voting securities, or we can say that it is a kind of an investment that it made to acquire lasting assets and interests in projects and enterprises operating out of the country of the investor.

FDI is holding different components equity capital reinvested earnings and other capital (mainly intra company loans). As countries do not always collect data for each of those components so reported data on FDI are not fully comparable between countries. In particular data on reinvested earnings, the collection of which depends on company survey are often unreported by many countries. Countries differ in their maximum value for foreign equity ownership which they take as evidence of a direct investment relationship. This is the level of participation at or above which the direct investor is normally seen to have an effective say in the management of the enterprise involved, the Threshold value usually applied is 10%, where some countries do not specify a threshold point, but rely entirely on other evidences, including companies own assessments as to whether the investing company has an effective voice in the foreign firm in which it has an equity stake. The quantitative impact of differences in the threshold values used is relatively small, owing to the large