



Cairo University
Faculty of Economics and Political Science
Master's of Euro-Mediterranean Studies

**The Role of European Direct Investment in the
Telecommunication Sector in Egypt:
(Comparative Study Egypt and Morocco)**
**Thesis Submitted in Partial Fulfillment of the Requirements for the
Masters Degree in Euro-Mediterranean Studies**

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Dedication

I dedicate this thesis to my parents. Without their patience, understanding, support and most of all love, the completion of this work wouldn't have been possible.

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Acronyms

ADSL: Asymmetric Digital Subscriber Line
ANRT: Agence Nationale de Reglementations des Telecommunications –In French-
Or (National Telecommunications Regulation Authority –In English)
ARENTO: Arab Republic of Egypt National Telecom Organization
CAPMAS: Central Agency for Public Mobilization and Statistics
CBE: Central Bank of Egypt
CPI: Consumer Price Index
CRI: Centre Regional d'Investissement -In French-
Or, Centre Regional Investment –In English-
DI: Department of Investments
ECC: European Central Countries
ENPO: Egyptian National Post Office
EARN: European Academic and Research Network
ESCWA: Economic and Social Commission for Western Asia
EU: European Union
FBL: Foreign Bank Lending
FDI: Foreign Direct Investment
FEMIP: Facility for Euro-Mediterranean Investment and Partnership
FLAG: Fiber optic Link Around the Globe
FPI: Foreign Portfolio Investment
GAFI: General Authority for Investment and Free Trade Area
GAFTA: Greater Arab Free Trade Area
GATS: General Agreement for Trade in Services
GDP: Gross Domestic Product
GFCF: Gross Fixed Capital Formation
GIT: General Income Tax
GMPCS: Global Mobile Personal Communications by Satellite
GNI: Gross National Income
GNP: Gross National Product
GOE: Government of Egypt
GSM: Global Satellite Messaging
IAM: Itisalt Al Magharib
ICT: Information and Communication Technology
IGO: Intergovernmental Organization
IMF: International Monetary Fund
INGO: International Non-Governmental Organization
ITU: International Telecommunication Union
LAN: Local Area Network
LDC: Less Developed Countries
M&A: Merger and Acquisition
MCIT: Ministry of Communication and Information Technology
MENA: Middle East and North Africa
MNC: Multi-National Corporation
NGO: Non-Governmental Organization
NOPT: National Office of Post and Telecommunication
NTRA: National Telecommunication Regulatory Authority
OECD: Organization for Economic Cooperation and Development
RITSEC: Regional Information Technology and Software Engineering Center

TNCs: Transitional Corporations
TRA: Telecommunication Regulatory Authority
SME: Small and Medium Enterprises
SOE: State Owned Enterprises
SSPICK: Secretary of State for Post Information and Communication Technologies
UNCTAD: United Nations Conference for Trade and Development
UPU: Universal Post Union
USF: Universal Service Fund
UUCP: Unix-to-Unix Copy
VSAT: Very Small Aperture Terminals
WTO: World Trade Organization

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Introduction

The increasing importance of telecommunication has emerged since the concept of globalization was spreading around the world, and as telecommunication is one of the main tools of connecting the world together, its importance has increased.

In recent years particularly accompanied with the widespread of globalization, telecommunication, viewed as a main tool of connecting the world, has gained greater attention worldwide due to its growing importance and role in modern economics.

Recently, great attention was paid to the telecommunication sector in both developed and developing countries, and it becomes one of the main priorities to both of them.

The process of liberalization of telecommunication sector has started in developed countries, since 1980, while it began in the developing countries 15 years after.

Due to the movement of all the countries towards more open economies, and free market system, especially, after the collapse of the Ex-Soviet Union, and the command economic system. The movement towards more free markets has led to the increasing necessity of improving and promoting telecommunication among countries, as most of developed countries have their investments in developing countries.

Therefore, the importance of telecommunication was a result of mutual necessity of both developing and developed countries, which attracts investors to seize the opportunity and focus on this sector.

Motivated by the role of telecommunication sector in the development of Egyptian economy, this research mainly aims to evaluate the role of investment incentives offered by the Egyptian government and its impact on attracting the European direct

investment to the telecommunication sector, compared to the Moroccan experience in the same field.

The reason behind selecting Morocco among other countries in the region is the progress that was achieved by Morocco in the telecommunication sector. In addition to that, according to the World Investment Report for 2008, Morocco is the second preferred country for investment after Egypt in North Africa (WIR, 2008)

Therefore, the study is going to apply a comparative approach covering both countries: Egypt and Morocco. Analyzing the similarities and differences of telecommunication sector in both countries, and evaluating the impact of investment incentives offered by both Egyptian and Moroccan governments in the telecommunication and the role of their incentives in attracting European investment in both countries.

The EU is one of the main strategic partners to both Egypt and Morocco. Therefore, it was chosen as a model.

The research aims at assessing the impact of investment incentives of telecommunication on the status of investment inside Egypt.

To serve the purpose of the research, the research was divided into 4 main chapters. In chapter one, the researcher presents the main theories of FDI, types of FDI, determinants and its impact on both the host country and the home country. Chapter two presents the economic reform process and how does it affects FDI inflows in Egypt, and the structure of Egyptian telecommunication sector especially after liberalizing the sector. Chapter three presents economic reform, FDI inflows and structure of telecommunication in Morocco. Finally, chapter four presents Egypt and Morocco relations with the EU and the assessment of the business climate in both of them.

Importance of the Topic:

The first step in the decision of any foreign investor to invest in any developing country is the investment incentives and facilities offered by each country. Given the tough competition among developing countries in order to attract foreign direct investments, this research is concerned with investment incentives offered by the Egyptian government and its role in attracting European investment in the telecommunication sector.

Research Objectives:

The main objective of the study is to analyze the impact of Egyptian investment incentives on the European FDI in Egyptian telecommunication sector through the study of the most prominent European investment in the ICT industry, focusing on European direct investments in mobiles, Internet, and Fixed telephone lines.

Methodology:

The study depends on 3 approaches:

- The descriptive approach: Reviewing the investment environment and relevant market indicators.
- The comparative approach: Comparing reform and development initiatives in both Egypt and Morocco and EU investments in both countries.
- The analytical approach: to find factors affecting investment in both the telecommunication sectors in Egypt and Morocco.

Research Questions:

- What is the importance of telecommunication internationally?
- What are the main features of Egyptian telecommunication sector after the liberalization process compared to those of Moroccan telecommunication sector?
- What are the Egyptian investment incentives in the telecommunication sector compared to those offered by Morocco?
- What is the significance of European investments in Egypt and Morocco?
- Has Egypt succeeded in attracting European Direct Investment compared to Morocco?



جامعة القاهرة

كلية الاقتصاد والعلوم السياسية

قسم الاقتصاد

دور الاستثمار الأوروبي المباشر في قطاع الاتصالات في مصر دراسة مقارنة بين مصر والمغرب

رسالة لنيل درجة الماجستير في الدراسات الأوروبية ومتوسطة

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١ - ملخص الرسالة (Abstract):

أصبح هناك اهتمام متزايد بقطاع الاتصالات من جانب كلاً من الدول النامية والمتقدمة على حدٍ سواء لما يقدمه هذا القطاع من خدمات لكافة القطاعات الاقتصادية الأخرى؛ حيث باتت مختلف المعاملات التجارية والنقدية والاجتماعية تعتمد بشكل اساسى على سرعة وجودة قطاع الاتصالات. بتقييم كلاً من التجربة المصرية والمغربية فى جذب الاستثمارات الأوروبية اتضح أنه على الرغم من تفوق قطاع الاتصالات المصرى على نظيره المغربى بما يمتلكه من عمالة مؤهلة وعدد أكبر من المستهلكين، إلا أن سوق الاتصالات المغربى يعد أكثر انفتاحاً وهو ما يتجلى فى وجود ٣ شركات للهاتف الثابت فى المغرب فى حين يوجد شركة هاتف ثابت واحدة فى مصر. وهو ما يستدعى بالضرورة الحاجة إلى مراجعة السياسات الاستثمارية التى تؤثر بشكل سلبى على مؤشرات أداء قطاع الاعمال فى مصر، وبالاخص الجوانب القانونية الخاصة باستخراج التراخيص والخروج من السوق. ولا تزال الامال معقودة على ما يشهده بيئة مناخ الاعمال فى مصر من انشاء محاكم اقتصادية وتعديل بنود قانون الافلاس والصلح الواقى فى مصر لتسهيل عملية خروج الشركات من السوق.

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