

**Interview with HE Mr Rachid Mohamed Rachid – Minister of Trade & Industry, Arab Republic of Egypt**

HE Mr Rachid Mohamed Rachid, Minister of Trade and Industry, Arab Republic of Egypt was interviewed by Richard Ensor, Managing Director, Euromoney Institutional Investor PLC Day 2 of the Euromoney Egypt Conference 2010. Below are excerpts from the interview.

RE: I always thought of you as a technocrat not a politician, what are you now?

MR: I thought I was a politician, but now I think now I am a technocrat.

RE: What do you think of FDI?

MR: I believe the last six years in Egypt have created a certain momentum. In Egypt, the most important achievement is the confidence built in the community. I hope we can use this platform to go to a new level. What we have today is not perfect. We have challenges in the business environment, the whole public-private equation, but I believe these challenges are opportunities.

RE: To get the 10% or 12% growth you mentioned, what do you need?

MR: I believe the challenges are now more internal than external. We have a bottom now that is higher, reaching close to US\$ 6-7 billion. I am sure you heard a lot about infrastructure, but we need to work on it.

RE: Why would Egypt do better in health and education, when other countries haven't?

MR: In each of those sectors you will always have a market share for private sector services; also, outsourcing.

RE: Why not sell the assets that you have in the public sector?

MR: The priority should be how we can maximize the usage of such assets. We must maximize the returns on that asset.

RE: A lot of people would argue that they would be better off in private sector hands.

MR: That is not our intention at the moment. We have to be very clear in exhausting all the possibilities in creating our national champions. Over the past 50 years there have been so many investments in so many sectors, we want to be able to consolidate. At the moment we are not talking about going out there and selling assets to the private sector because we don't have those assets today.

RE: Normally the private sector runs things better than the public sector, you think the opposite?

MR: No, I'm not saying that. I'm just saying that now this is not what we are going to do. We are not in a position to dispose of assets.

RE: Does this have to do with the upcoming elections?

MR: Of course privatization is a political issue. We would need to be able to sell it politically. The selling of public assets will need a lot of political work.

RE: Egypt is partly devaluating the pound in the last six months.

MR: We as the government do not control the currency. The CBE can interfere, but one of the strengths of our government is that we have maintained the independence of the CBE.

RE: There has been a fuss about the wheat imports. There is not a lot you can do? How can you reduce food imports?

MR: I think our biggest challenge is to keep it where it is. Last year we had 2.2 million babies born. And we have limited water, it is not a land problem it is a water issue. We are at the moment the biggest importer of wheat in the world. The Ministry of Agriculture is trying to maximize the yield of the land.

RE: Can you control the volatility of prices?

MR: No one can control prices in that sense. The UN just called for an emergency meeting on food. We are living in a very difficult time when it comes to food. What we need to make sure that our economy is working efficiently.

RE: On the water problem, there doesn't seem to be a solution in sharing the Nile?

MR: We do have negotiations taking place, but all the commitments in place are still in place. We and our neighbors are trying to manage the situation in the future. I don't want to leave anybody with the feeling that we have an immediate situation, this is all for the future.

RE: How can you build a bigger export sector?

MR: We are working on it. We have doubled our exports in the last five years and we have plans to double our exports again in the next four years. It takes work and time, we need to improve our marketing skills, maximize the trade network, etc. but I believe that we are on a certain momentum when it comes to our exports.

RE: Is china going to do more for you than the EU in the next five to ten years?

MR: For the next five to ten years, no; the EU will still have the majority of my trade.

RE: The trade growth you've had doesn't seem to have benefited the poor?

MR: I agree that there are certain geographical areas and sectors that have not seen their share of growth. But we are pushing very hard on decentralization because without it we will not be able to see equality of growth.

RE: How do you measure internal trade?

MR: They have of course a statistical measurement based on exchange of goods.

RE: Are manufacturing industries more important than services?

MR: No of course. We are one of the countries in the region that have a good diversification. I think that services are very important and we need to keep pushing on them.

RE: The pace of reform has slowed. Are you disappointed?

MR: I am convinced that we have to do more. I know we need to make the effort today to increase the level of performance. We have a lot of things that can make a difference. We need to build on what we have and we need to make sure that we learn from mistakes very quickly.

## Q&A

Q: What is the rationale behind the expansion of the cement industry, when there is little energy?

A: We have identified certain industries as having intense usage of energy. We have projected that in 2015 the capacity existent in Egypt will not be sufficient. So should I import the energy or cement? I'll import energy like every other country in the world. If the sequence of our discovery of oil and gas will not allow us to build the factory, it would be insane to say don't build the factory.