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**TOWARDS A STRATEGY TO
MAXIMIZE THE SUSTAINABILITY
OF ADVANTAGES OF FOREIGN
INVESTMENTS: CASE OF THE
SUEZ CANAL CORRIDOR PROJECT**

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Outline

- Research problem and aim
- Theoretical Framework for the Localization of FDI and how to Enhance Sustainability
- The Developing Plans of SCCP area
- Incentives and restrictions offered to attract FDI to the project from the sustainable perspective
- The effective incentives to attract FDI towards sustainability from the investor's perspective
- Recommendations and future work



Research problem

The Suez Canal Corridor Project (SCCP)

Concentration of activities in three areas

Huge investments are required

The domestic resource gap in Egypt

Being a global project

Depending on foreign investments

A Dream

OR

A Nightmare



Research problem

The conflicts in Port Areas and cities

A Dream



The concentration of activities in port areas enhances economic development



Research problem

The conflicts in Port Areas and cities

A Nightmare



At the same time, the concentration of activities leads to negative externalities



Research problem

A dilemma

so, what should we pass on to our kids in the future?



A Dream



A Nightmare

How to make it a dream?



Research problem



**The focus should be on the sustainability
(from the beginning)**



Research problem

Sustainable Development Strategy
EGYPT VISION 2030
استراتيجية التنمية المستدامة
رؤية مصر ٢٠٣٠



This is included in Egypt vision 2030



Research Aim

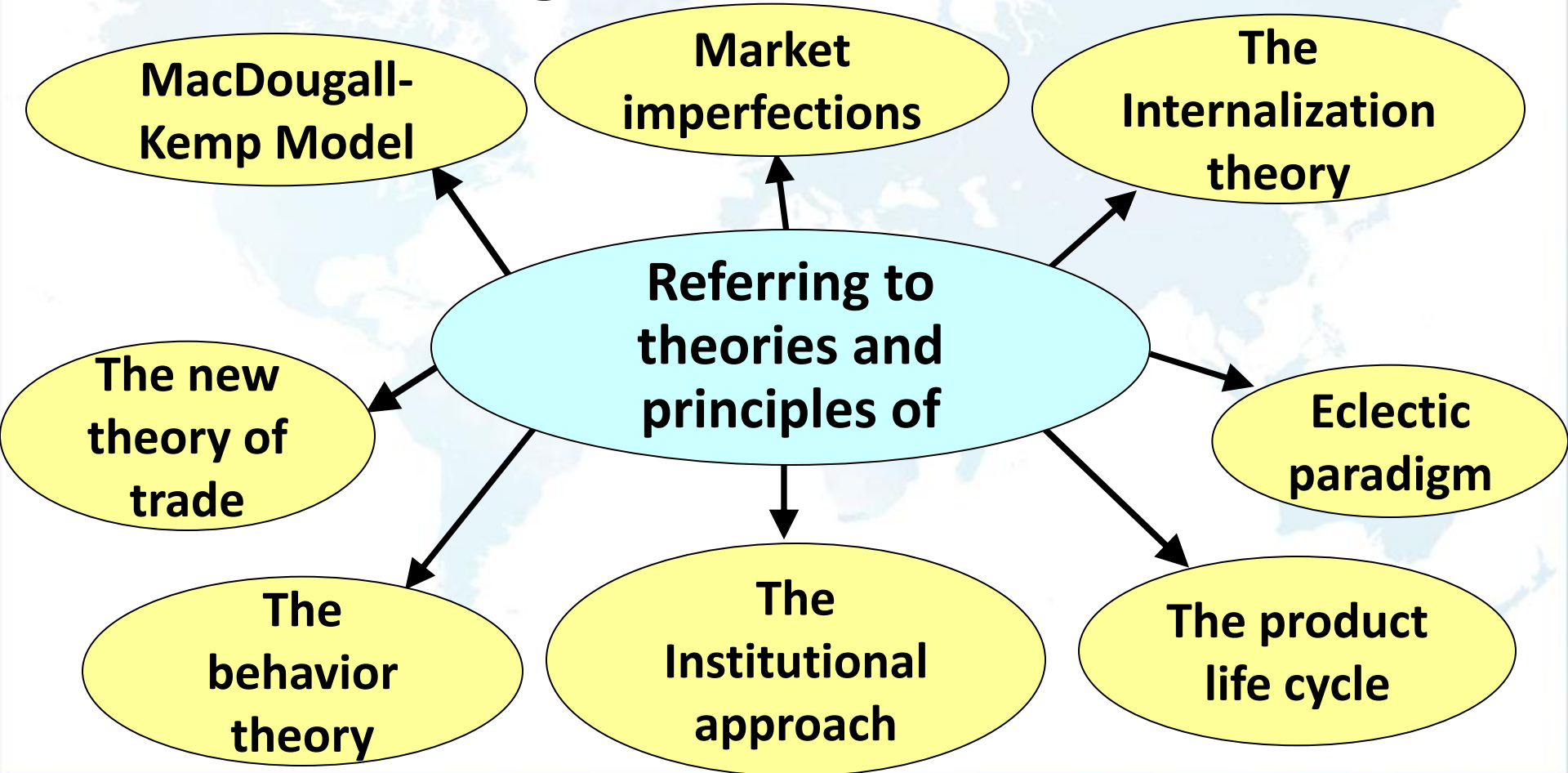
To identify:

- **The factors attracting FDI to the Suez Canal Corridor Project**
- **How to confirm the sustainability of these investments?**

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Factors Affecting the Localization of Foreign Direct Investment





Factors Affecting the Localization of Foreign Direct Investment

Resource incentives

eg. natural resources, skilled and unskilled labor, relative productivity of resources and managerial capabilities

Market incentives

eg. the market size of the surrounding area, inflation rate, trade openness, exchange rate valuation, economic stability, institutional quality, corruption and regulations

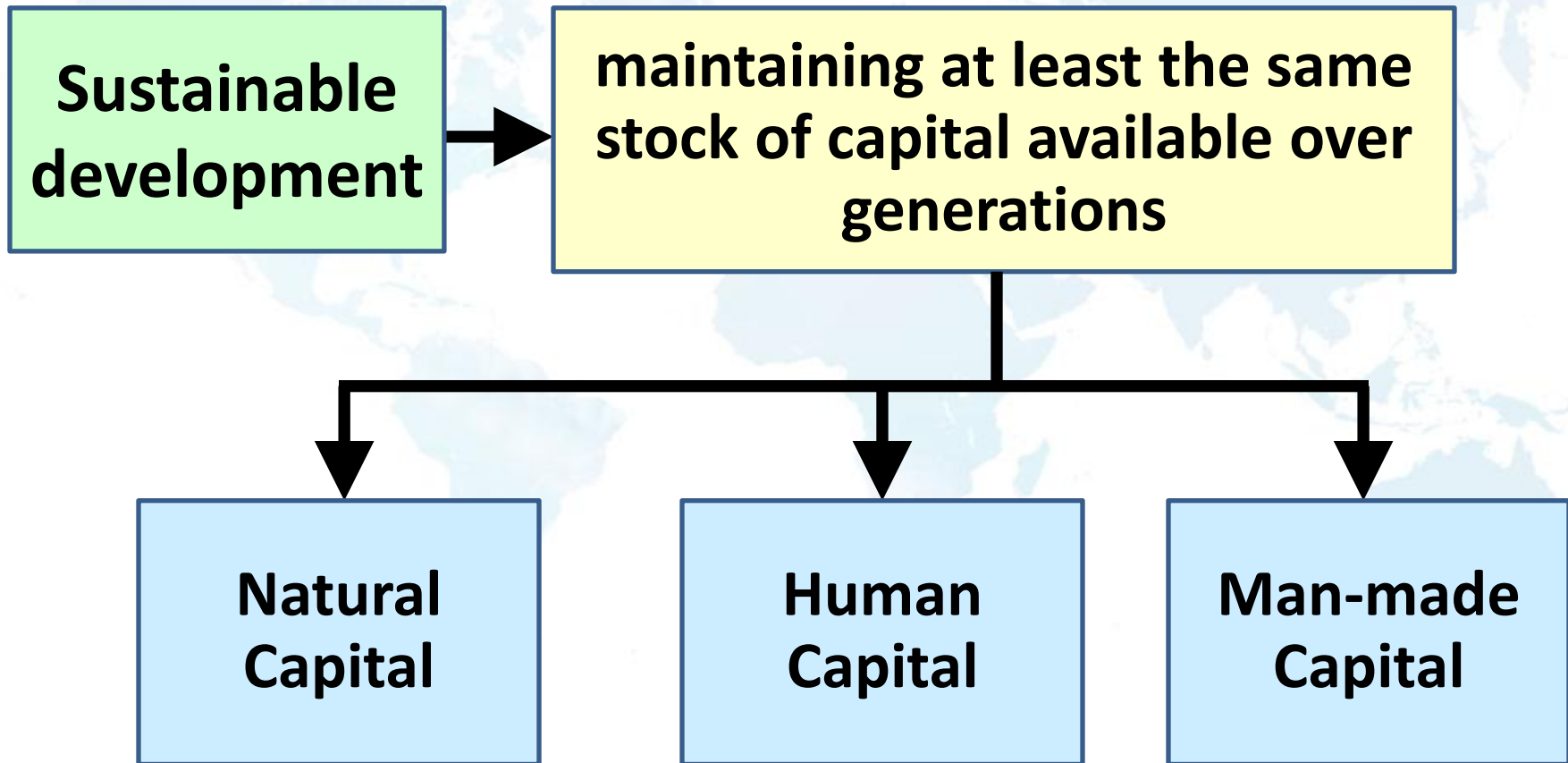
Strategic assets incentives

eg. infrastructure quality and technological progress

Attracting FDI



The Relationship between Capital Accumulation and Sustainability





The economic theories mentioned the FDI effects on sustainability

**Optimal capital
accumulation**

**The
neoclassical
theory**

**The effects
of FDI on
sustainability**

**The neo-
Malthusians**

**The modern
neoclassical theory**



The economic theories mentioned the FDI effects on sustainability

Although having different arguments, theories agreed that governments should enter affecting the directions of FDI to enhance merging the social and environmental effects

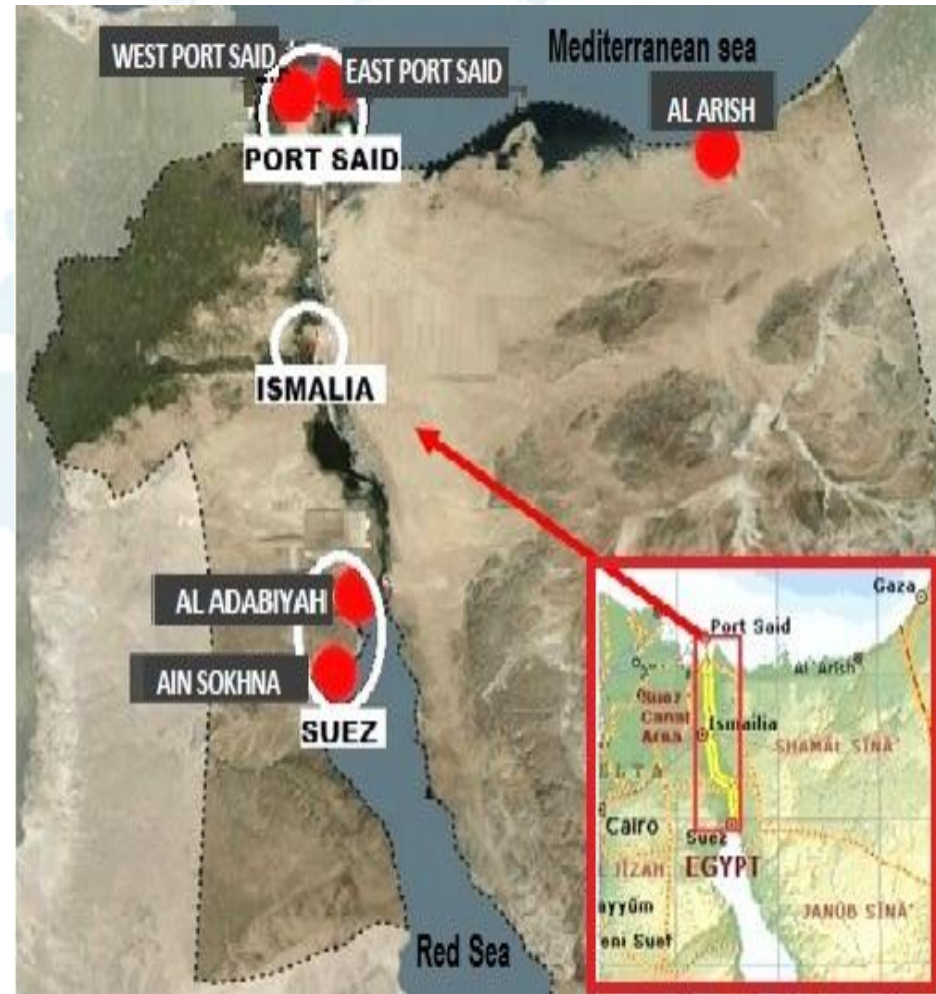
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Developing Plans of SCCP area

- The Suez Canal Corridor Project (SCCP) is a mega project in Egypt .
- The project aims to develop 3 major regions along the banks of Suez Canal in three phases, over a period of 20 years.

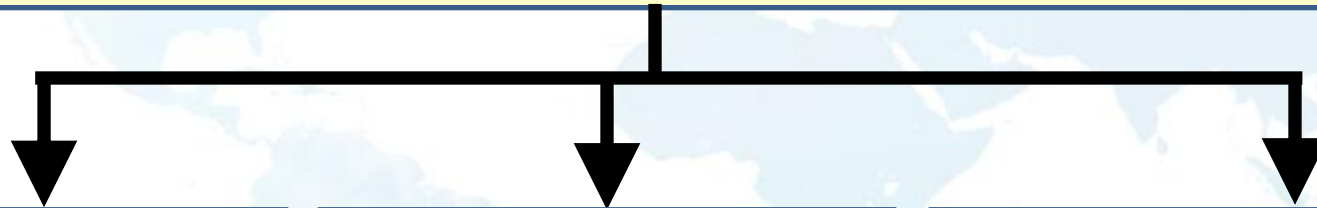
Concentration of activities





Developing Plans of SCCP area

To enhance sustainable development, the General Authority for the Suez Canal Economic Zone announced that the planned project targets three directions



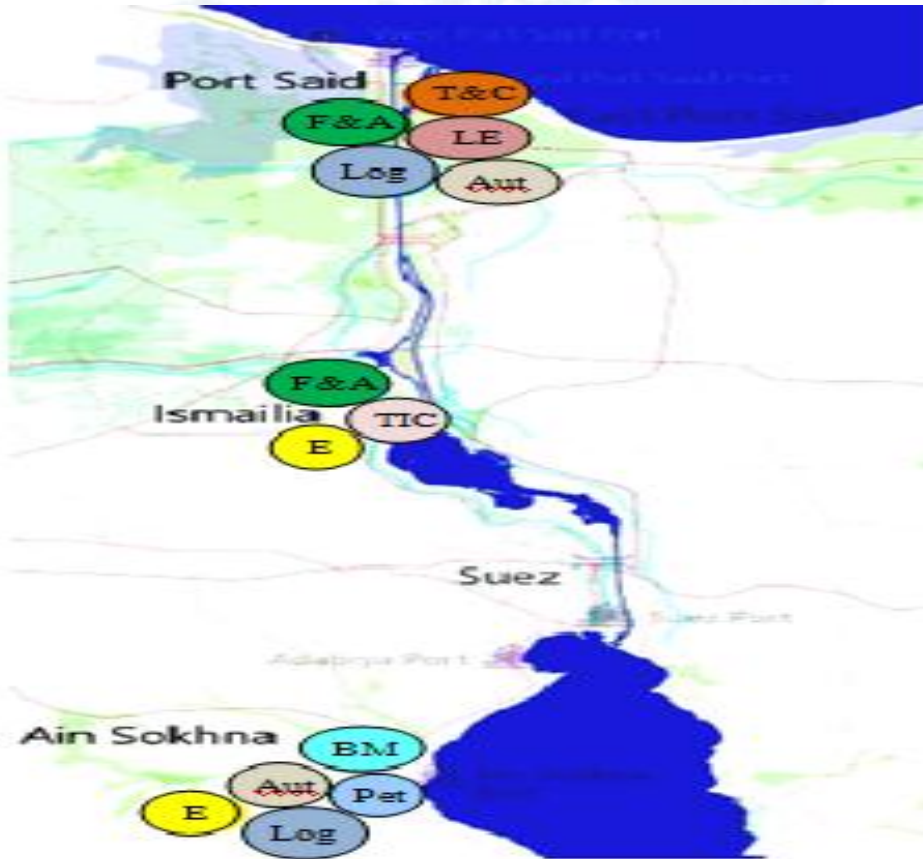
Enhance manufacturing in the three regions

Facilitate transportations around the development zone

Reduce negative effects of the concentration of industries through adopting some ecological projects



Developing Plans to enhance manufacturing in the area



Port Said:	
	Food & Agribusiness
	Textiles & Clothing
	Light Engineering
	Logistics
	Automotive

Ismailia:	
	Communications & Information Technology
	Energy
	Food & Agribusiness

Suez:	
	Building Materials
	Automotive
	Petrochemical
	Logistics
	Energy

The Development Zones in the Suez Canal Corridor Project



Ecological projects in SCCP area to support sustainability

- **Planners supported having some ecological projects in the three major regions as follow:**
 - a. **Wind farms to supply renewable power** to the Suez Canal Zone. The proposed location is (Ras Sedr).
 - b. **Solar photovoltaic Fields** in order to supply renewable power in Egypt.
 - c. **Waste to energy incineration plants.**
 - d. **New desalination plants** in order to provide long term water security to the development of the Suez Canal Zone.



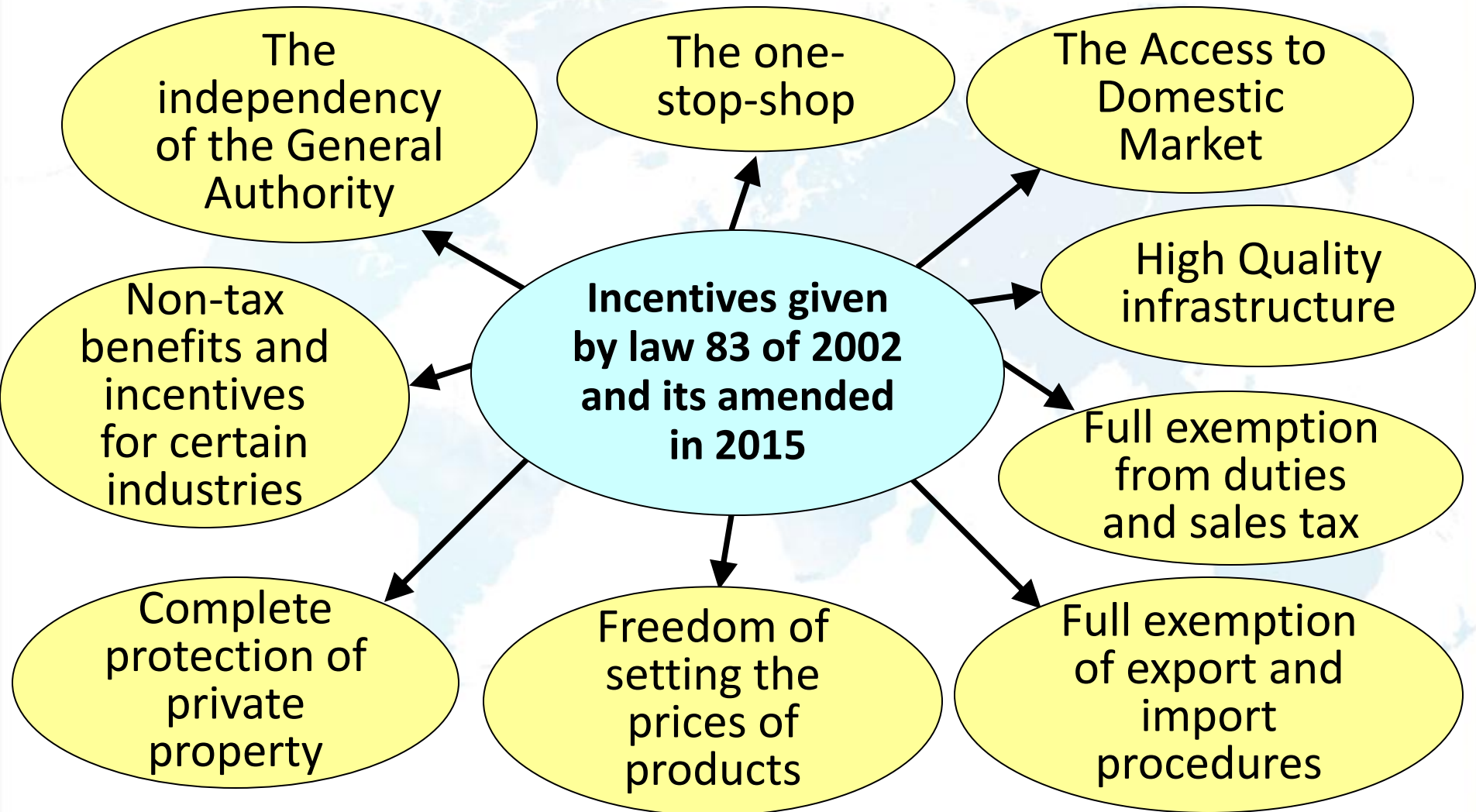
Ecological projects in SCCP area to support sustainability

- e. Combined cycle gas turbine power station..
- f. New wastewater treatment plant and disposal system.
- g. Provision of additional wastewater treatment capacity.

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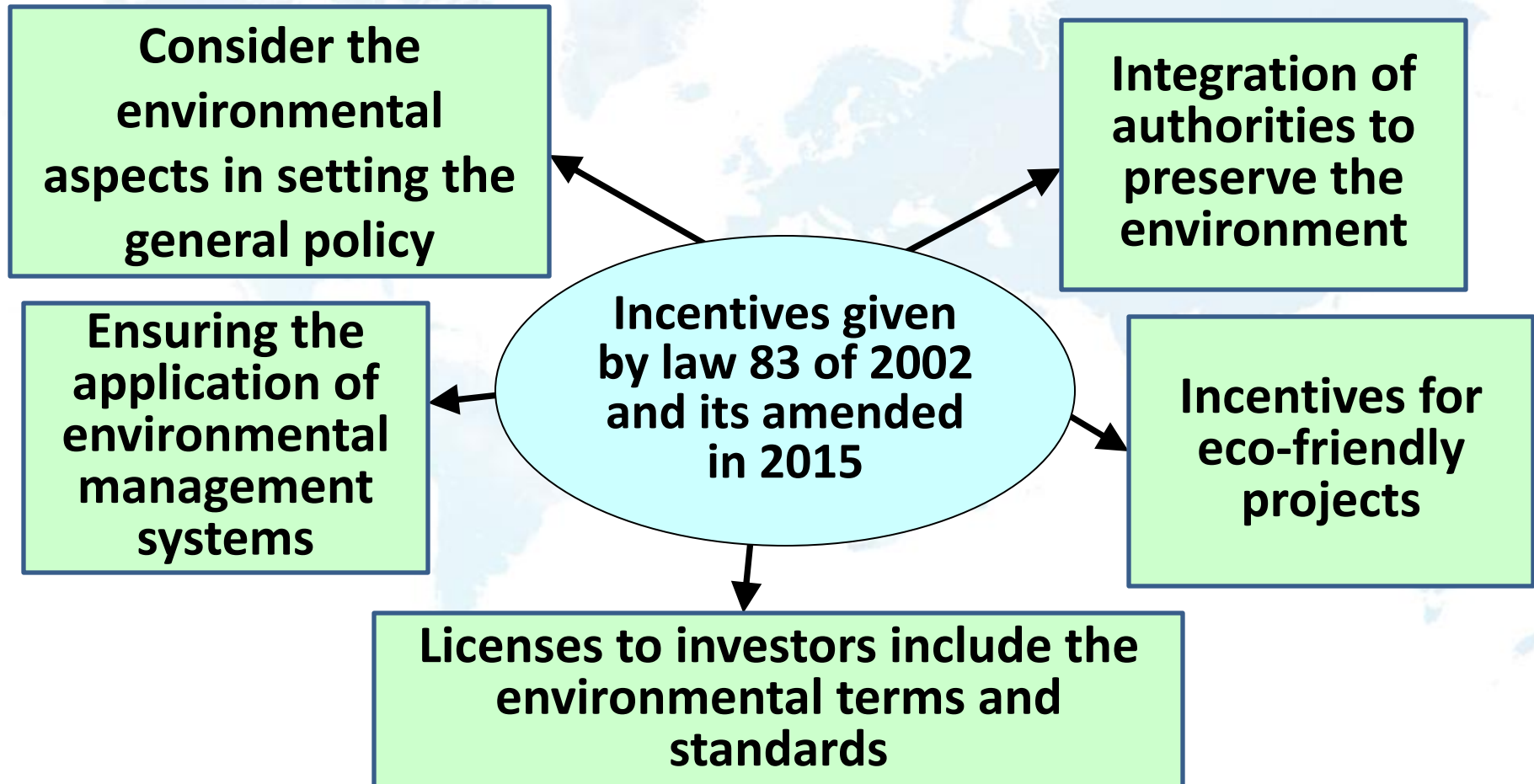


Incentives to Attract FDI to the Project



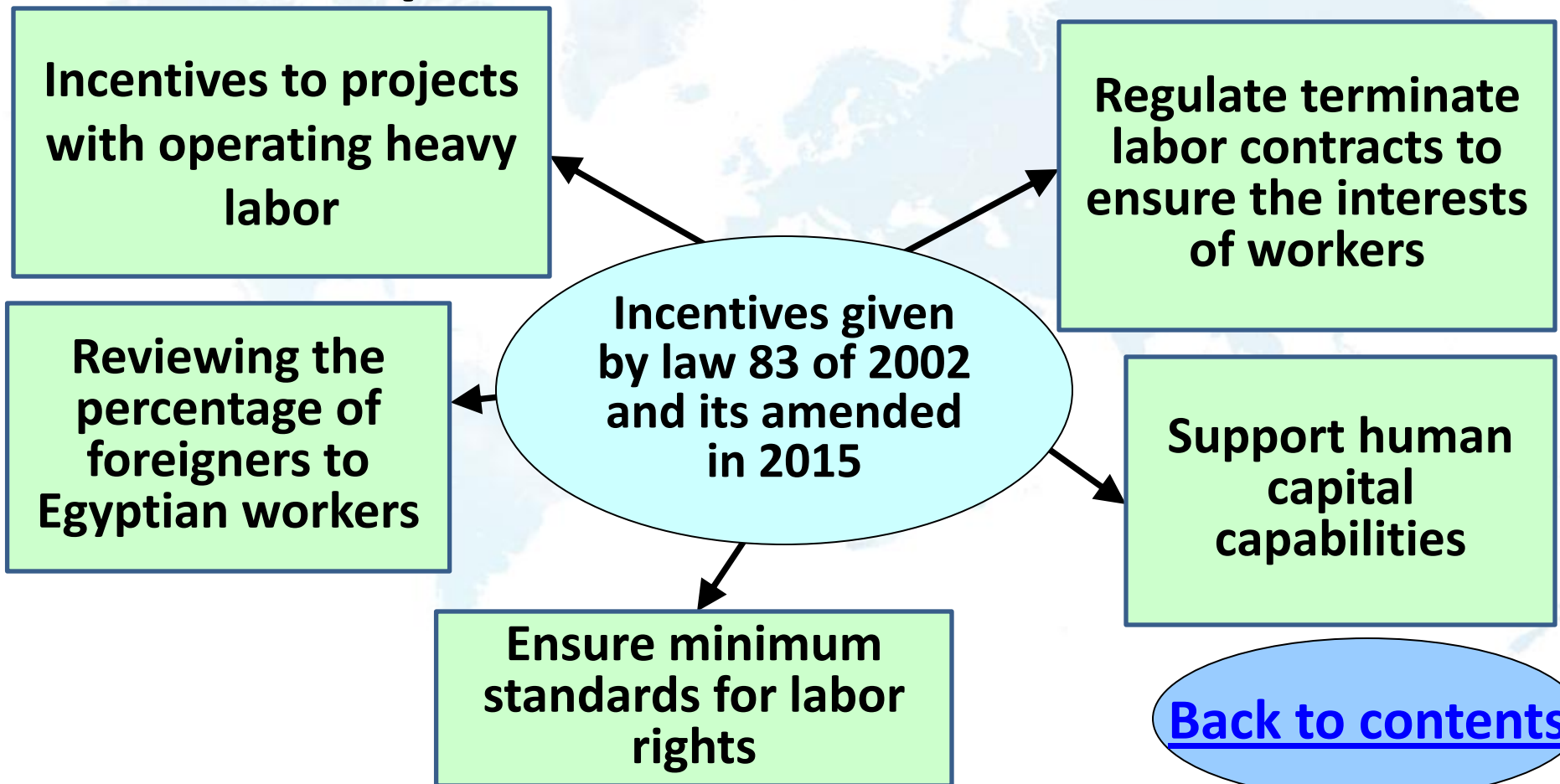


Environmental considerations as requirements to invest in SCCP



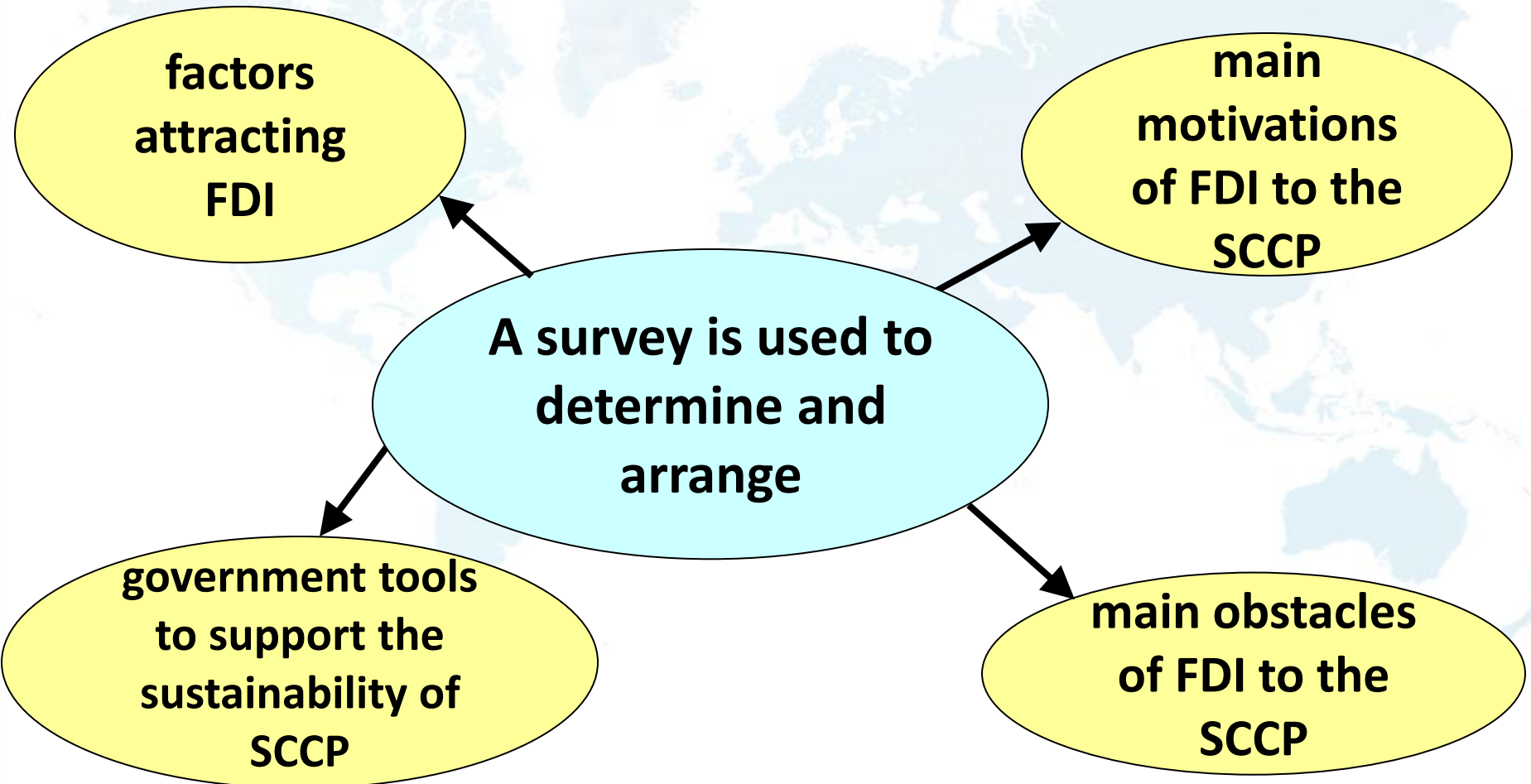


Social considerations as requirements to invest in SCCP





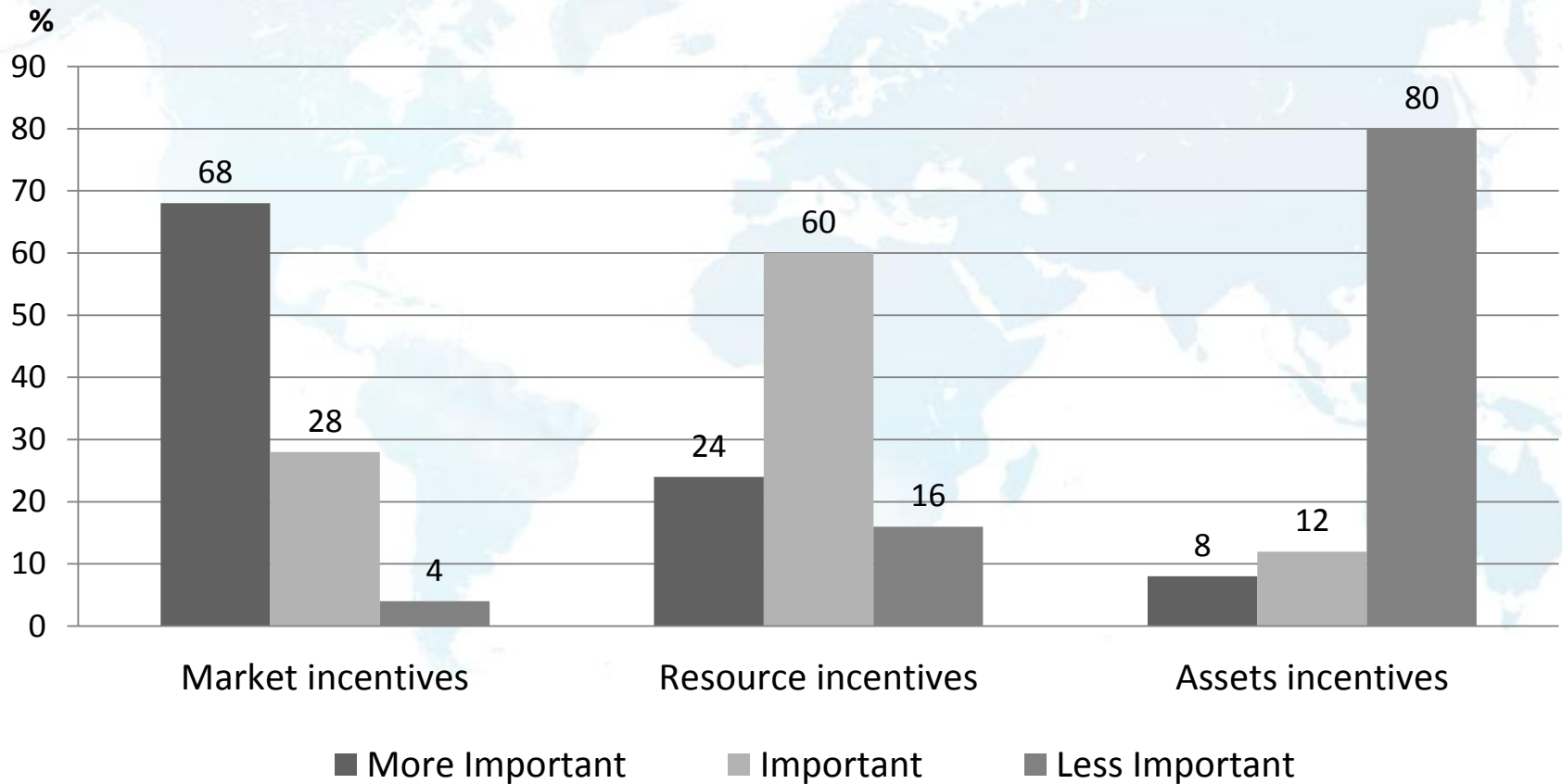
The methodology used to know effective incentives to attract FDI towards sustainability





Determinants of foreign investment

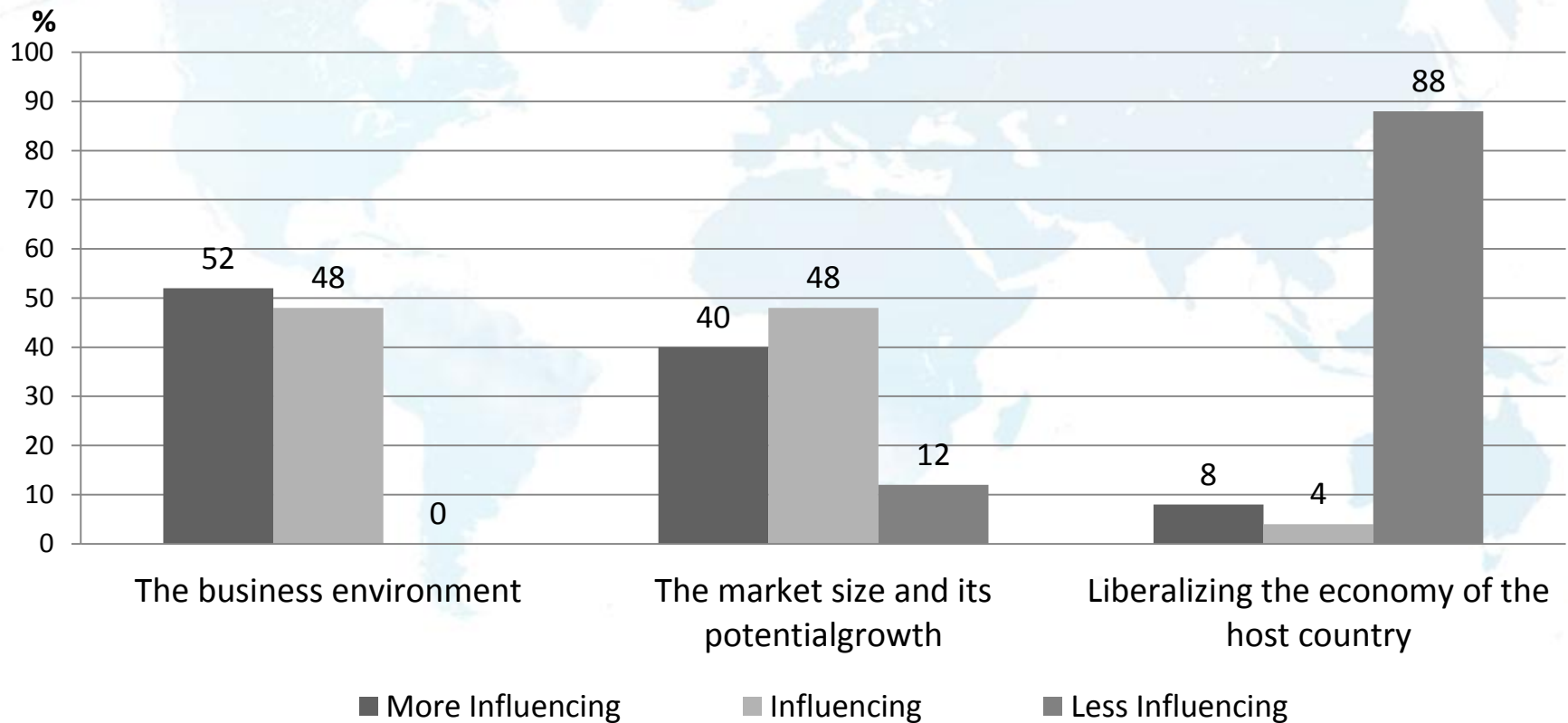
Factors affecting company's decision to invest abroad





Determinants of foreign investment

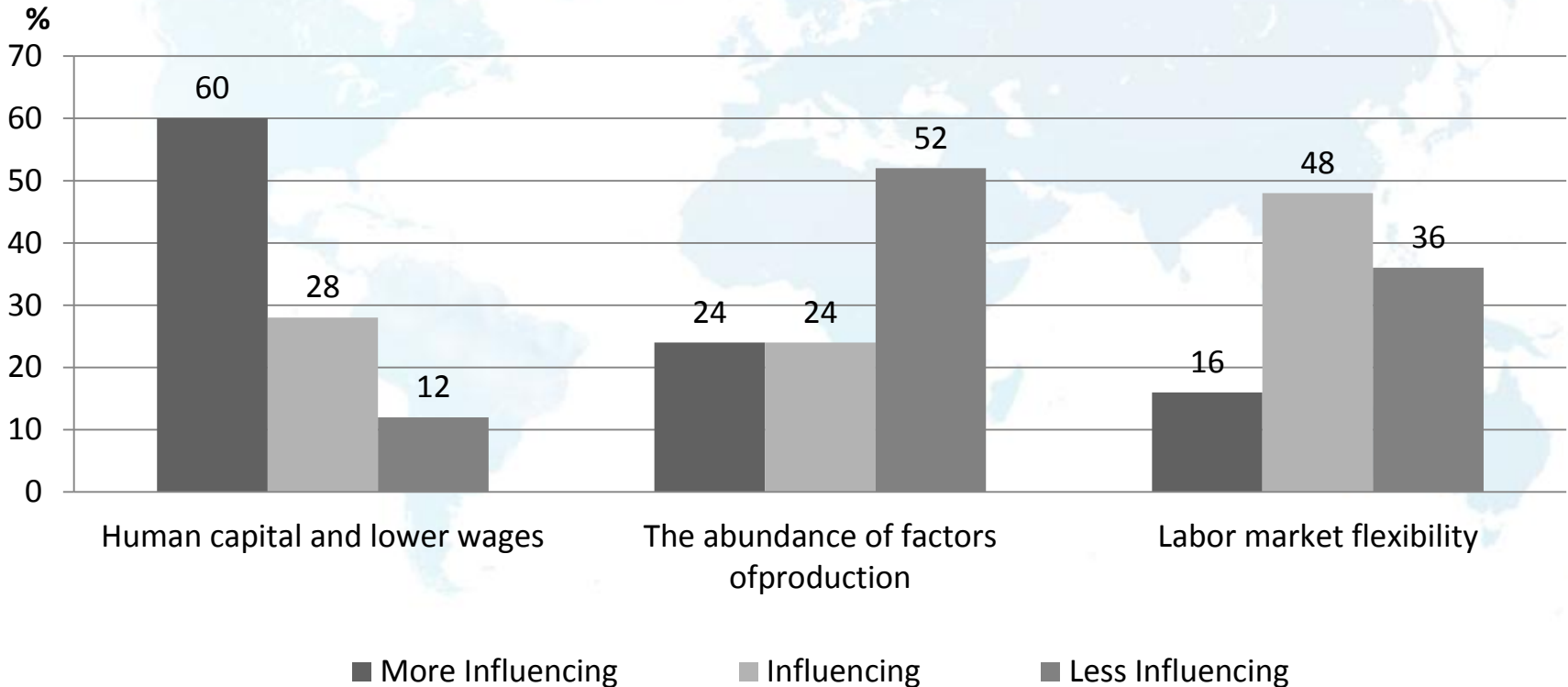
Market incentives factors affecting company's decision to invest abroad





Determinants of foreign investment

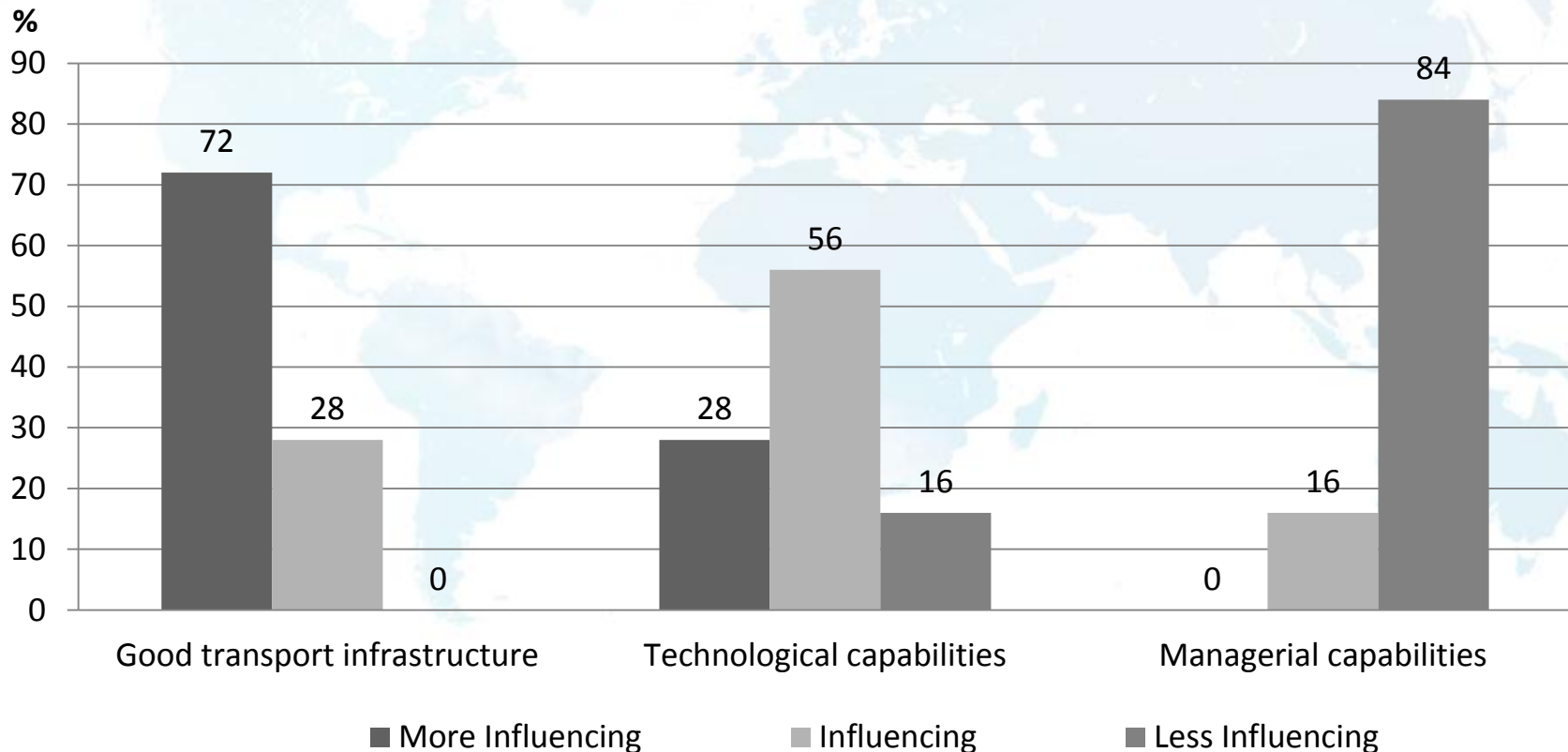
Resource incentives factors affecting company's decision to invest abroad





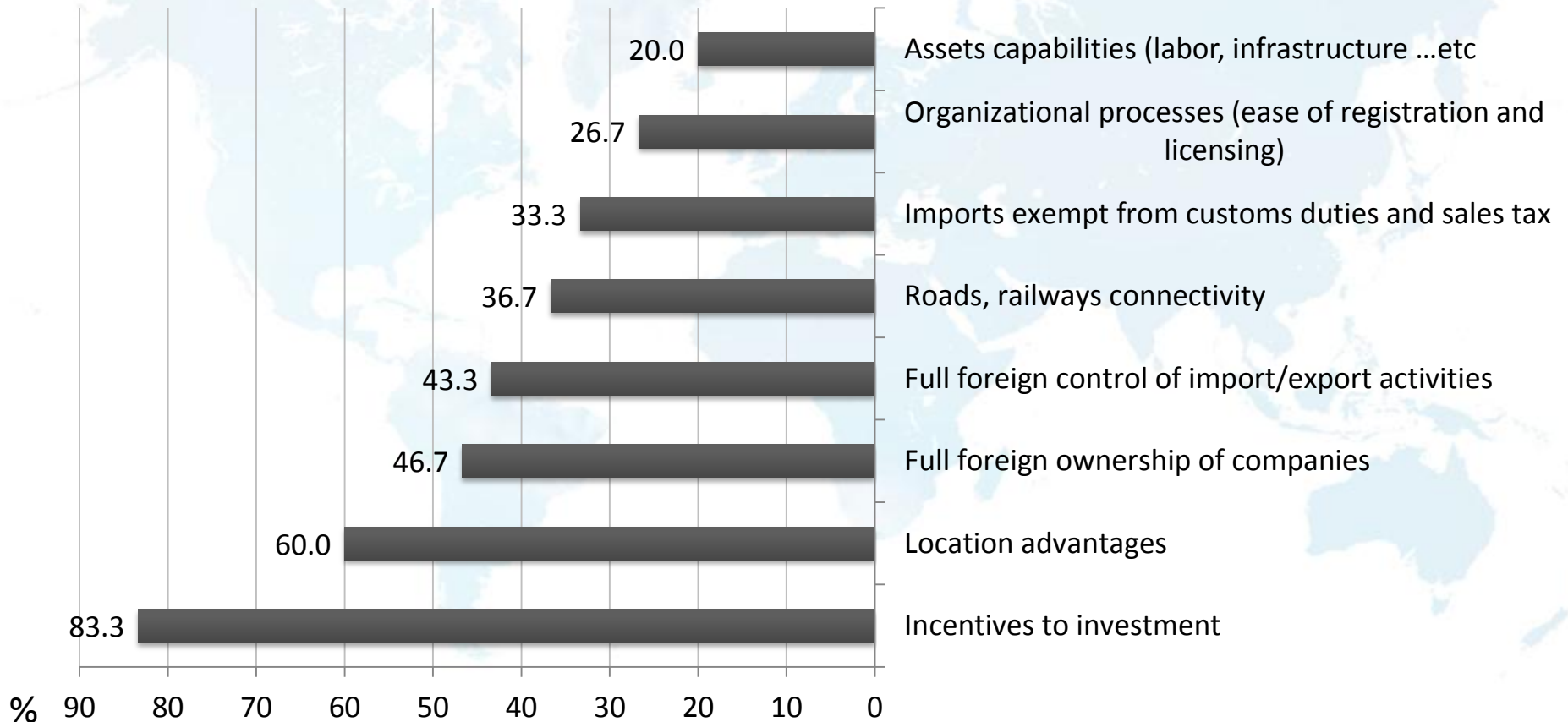
Determinants of foreign investment

Assets incentives factors affecting company's decision to invest abroad





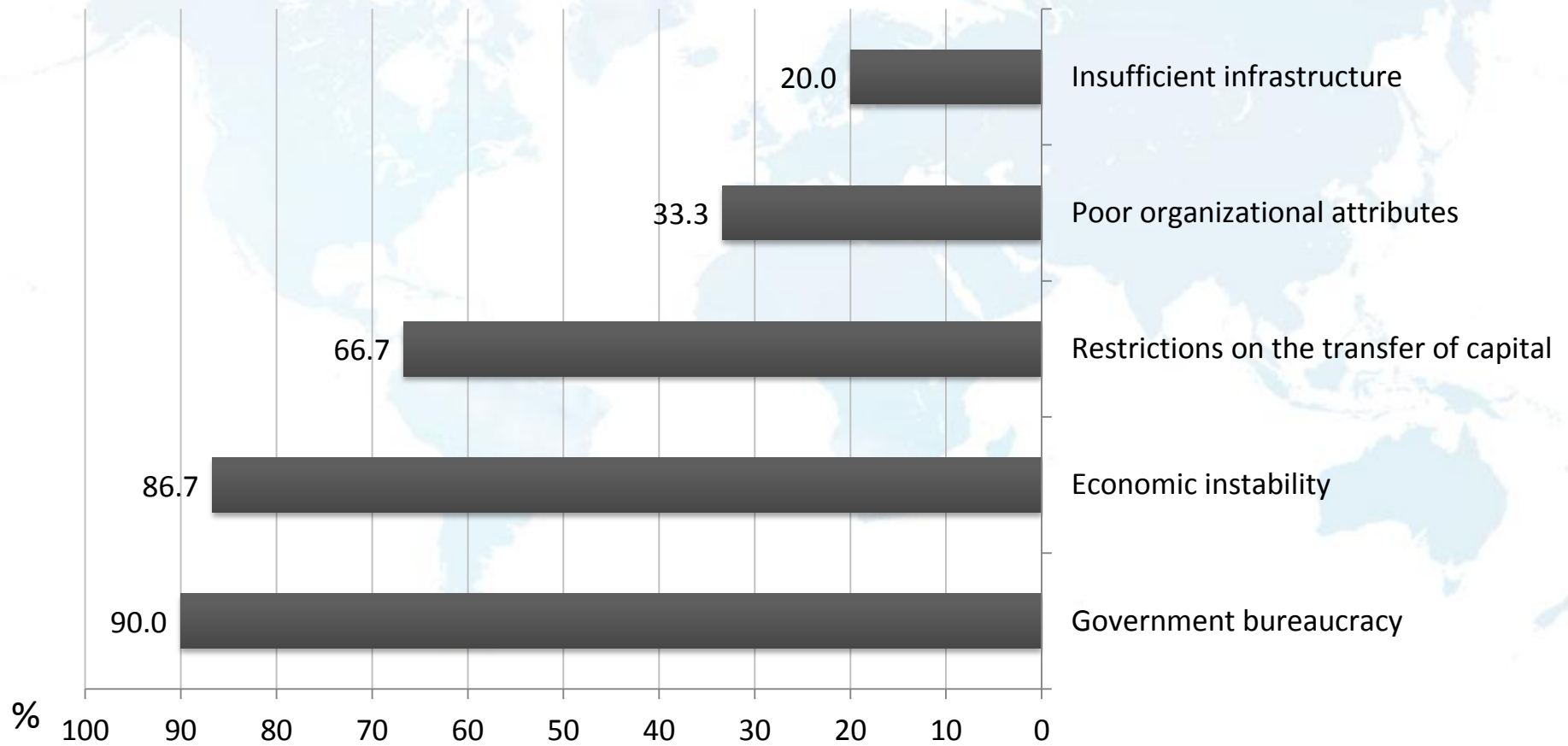
The main motivations of foreign investments to the SCCP





Determinants of foreign investment

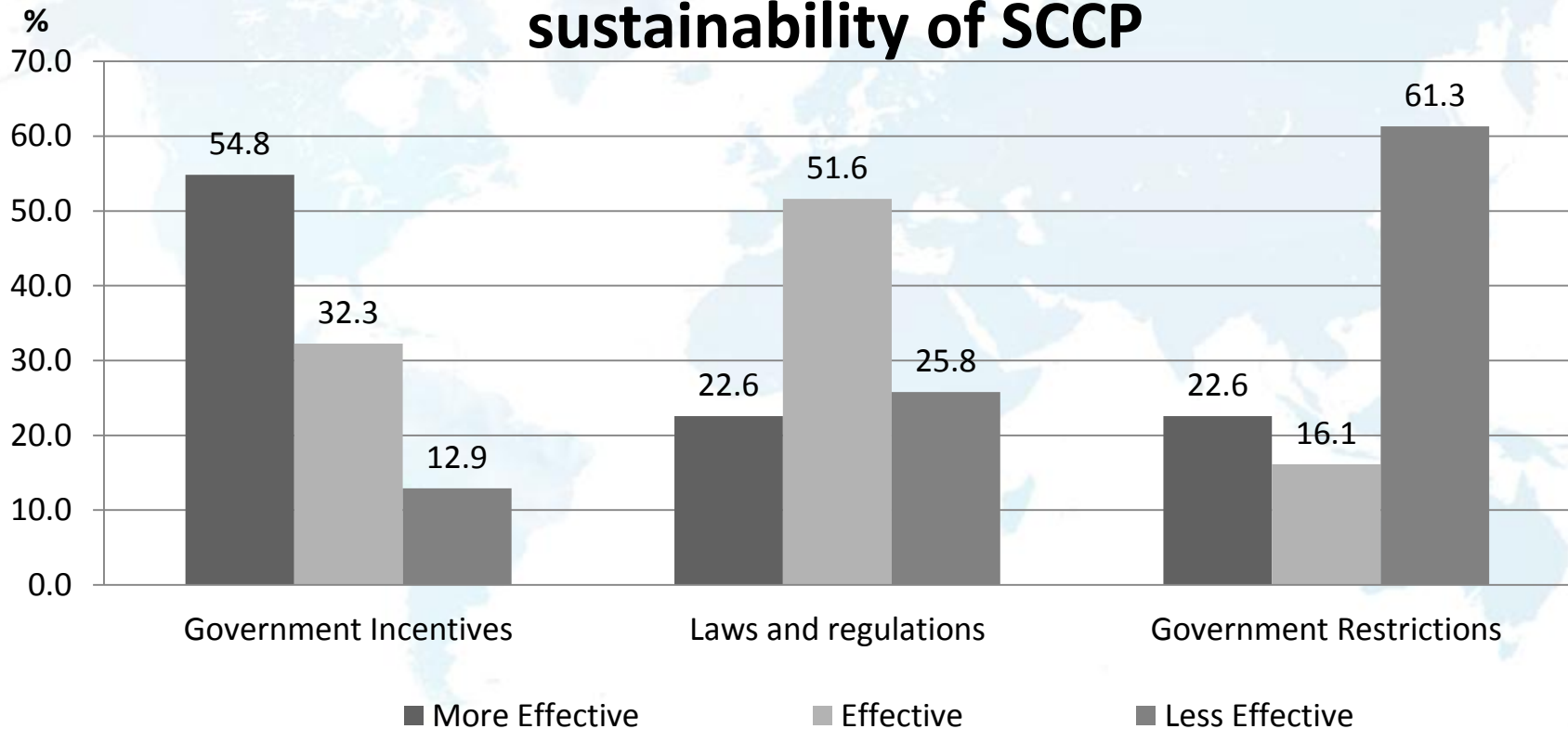
The main obstacles of foreign investments to the SCCP





Determinants of foreign investment

The efficient government tools to support the sustainability of SCCP



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Recommendations to support the sustainability of Foreign investments to SCCP

- **At the state level:**
 - The legislature is required to review the laws and regulations to focus on supporting the sustainability.
 - More of efforts are needed to be applied on both fiscal and financial incentives, basically ease of retrieving capital back.
 - Further efforts towards the fight against corruption.
 - Minimizing government bureaucracy through speeding up the activation of the one-stop-shop described in article 13 of the SZ law.



Recommendations to support the sustainability of Foreign investments to SCCP

- **At the institutions level:**

- The Ministry of Environment is required to activate its membership in the board of directors of the authority to emphasize the commitment to protect the environment.
- The General Authority for the Suez Canal economic Zone needs to stress in the marketing for the zone on:
 - The business environment especially government incentives and guarantees for the transfer of profits abroad.
 - The incentives to foreign investment, full foreign ownership of companies and imports exempt from customs duties and sales tax.



Recommendations to support the sustainability of Foreign investments to SCCP

- **At the institutions level:**
 - Taking advantage of legal provisions that grant the right to intervene to protect the environmental and social aspects.
 - Giving incentives to the use of:
 - Renewable sources of energy,
 - The reuse of waste
 - Find a way to include environmental externalities into prices as the effective factors to support the sustainability.



Future Work

- In the future, the impacts of the centralization of activities in each area need to be studied from the sustainability perspective.
- A detailed study of the impacts of liberalizing the foreign exchange market on the performance of the investments.
- A comparison between the incentives given in the SCCP with competition areas.



To summarize

- The paper targets encouraging the sustainability of investments to SCCP.
- Theoretical preview confirmed the importance of government intervention for the sustainability of benefits of investment.
- The Egyptian government offered incentives and commitments towards sustainability in laws.
- The survey found that incentives to investment and location are the main motivations of foreign investments to the SCCP. Accordingly, a recommendation came to stress on them in our marketing for the project putting into consideration the environmental and social perspectives.

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Thank you