

# Electronic Commerce Challenges and Opportunities in Egypt



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## INTRODUCTION

The role of the Internet and the digital economy is expanding the impact on different economies in developed and developing nations. Moreover, the information and communication technology (ICT) evolution is aggressively affecting many nations around the world, forcing changes and transformations to business and socioeconomic development plans, reflecting major implications on different economies and contributing to the notions of globalization and the evolution of the global digital economy irrespective of time and distance barriers. Moreover, the implications on the private sector is reflected through the potential of ICT support to small and medium-sized enterprises (SMEs) as well as to larger corporations enabling them to compete at a more level playing field in the marketplace.

ICT, with its continuously emerging online presence, cloud computing, the Internet of Things (IoT) and digital transactions, are driving the radical transformation and change for individuals, organizations and societies from the marketplace to the cyberspace helping the realization of the digital economy, outsourcing and global outreach. In addition, with a growing role of the Internet that supports a large variety of economic activities and services; the opportunities for emerging economies look increasingly more promising. In a fast changing global environment, speed, competition and catering for various diversified cultural elements are becoming the key factors for development and growth in the reengineered business environment where electronic commerce (eCommerce) applications promise to grow in volume helping the digital economy to mature and dominate. All this reflects huge prospects for emerging and developing nations.

Egypt, as a developing country, with an economy in transition during the 1990s had started to invest in building its ICT infrastructure since 1985 as a vital tool for development and leading to availing opportunities for eCommerce to grow. This chapter describes the development of eCommerce in Egypt since the mid-1990s with a focus on the last few years post the uprising of 2011 and its implications on the marketplace including the challenges faced that relate to social, technological, financial, cultural and legal issues and the efforts exerted by different stakeholders including the government, the private sector and the civil society to diffuse eCommerce in Egypt.

## BACKGROUND

Over the last few decades, ICT became vital as a platform for business and socioeconomic development (Kamel & Hussein, 2004; American Chamber of Commerce in Egypt, 2002; Kamel, 2000). Moreover, the Internet and its continuous diffusion across different societies became an important medium for information acquisition and knowledge dissemination across the globe (Kamel, 1995), leading to the formulation of the global information society and creating the digital economy with its growing trends

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such as competing in time, customer relationship management and smart communities (Kamel, 2009a). Since 1985, Egypt has invested in its ICT infrastructure targeting the build-up of its national information infrastructure (NII) to become the platform for the development of all sectors based on timely, relevant and accurate information. This was a two-phased approach where the first was primarily focused on building the information infrastructure (infostructure) and the second was based on building the ICT infrastructure across the country's 27 governorates (provinces). During the period 1985-1995, a public-private partnership (PPP) helped realize the establishment of Egypt's information highway (Kamel, 1995). The program embedded the establishment of hundreds of informatics projects and centers in different government, public and private sector organizations as well as the development and improvement of all the building blocks of the information infrastructure such as people, technology (hardware and software), networks, information and knowledge management aspects (Kamel, 1999).

In 1991, the government began an economic reform program aiming at transforming the Egyptian economy from centrally planned and an inward looking economy to one that is market-based and internationally oriented (Kamel & Hussein, 2001). The government policy focused on the removal of price distortions and obstacles to investment and trade and worked on a plan to introduce smooth and effective processes for the reformation of the financial sector in an attempt to plug-in the one-stop-shop approach in the ways business is being developed and managed (Kamel et al, 2008). The highlights of the program included deregulation of foreign exchange, budget deficit financing, gradual removal of government subsidies to cut down on expenditures, implementation of a privatization program, introduction of a capital market law, abolishment of investment licensing and the revision of the trade policy through the reduction of the level of tariffs of the general agreements on tariffs and trade-GATT (Kamel & Hussein, 2001).

In the following phase, the government of Egypt was eager to apply and diffuse emerging ICT to join the world in the development and realization of the global digital economy. This has taken a further boost with the appointment of a cabinet in 1999 that was geared towards investment in the development of an economy that capitalizes on the benefits of ICT and that looks at ICT as a vehicle for socio-economic development (Azab et al, 2009). ICT was identified as a priority at the highest policy level and a new cabinet office was established namely the ministry of communications and information technology (MCIT) leading to more investments and infrastructure build-up (Kamel, 2005). Thus, the growth of the ICT industry took massive steps during the period 1999-2009 in different aspects including human, information, legislation and infrastructure (Kamel, 2009b). Such development was growing positively which led to the creation of multiple job opportunities until early 2011 when given the socio-political developments in the society things slightly slowed down matching the deteriorating growth rate in the economy from close to 7% to under 2% (Kamel, 2014). However, despite the multiple developments that took place since 2011, it is important to note that one of the sectors that was resilient and managed to sustain the implications of a pressured economy was the ICT sector promising positive effects as the nation moves steadily forward into its recovery path. There is nation-wide support, passion and belief that ICT could be a game changer for Egypt, partially because the bulk of the population is young, many of them are technology-savvy and have seen how ICT can turn around their businesses as well as their day-to-day life.

Egypt is a regional hub linking the Mediterranean, Europe, Asia and the Middle East. With a population of over 82+ million, it is the most populous country in the region ([www.idsc.gov.eg](http://www.idsc.gov.eg)). About 28% of its population is enrolled in educational programs (schools and universities); 58% are under the age of 25 and 21+ million represent its student population; around 7.1 million are working as civil servants. Egypt is witnessing its reincarnation into a modern, liberal and private sector-led market driven economy. The current economic growth rate stands at 3.2% with an inflation of 9% ([www.indexmundi.com](http://www.indexmundi.com)), bounc-

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