

**DETERMINANTS OF FOREIGN
DIRECT INVESTMENT
IN DEVELOPING COUNTRIES
THE EGYPTIAN SITUATION**

By

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Introduction

One of the vehicles for the development of relatively under-developed areas is the importation of foreign investment capital. The problems surrounding this importation are numerous. They range from the sources of the capital, the manner in which the foreign capital is to be utilized, the relation between foreign investors and the host governments, the implications of points of contact among the socio-political and economic units in the host environment, and the actual process of attracting the foreign investment (Di Paolo, 1976).

Egypt is typical of many developing countries and is therefore usefully employed as an example. The analysis in this study is based on an assessment of the "Open-Door" policy adopted by the Egyptian government in 1974 in an attempt to solve domestic economic problems by importing capital from abroad. Since then Egypt is moving slowly towards a more liberal economic policy. The broad framework of a fundamental change toward a more open and market-oriented economy was enunciated a decade ago in April 1974 by the late President Sadat. The "open door" investment policy of "El-Infitah" (the opening) was implemented with the passing of Law 43 in 1974, and later amended in 1977. This policy sets out broad guidelines and incentives for the entry of foreign capital. Its original intention was to create a secure investment climate for domestic, Arab and other foreign investment. The development of the Egyptian

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market through foreign investment is welcome in the form of joint ventures with the private and/or public sector. Priority is given to those projects designed to generate exports, encourage tourism, or reduce the need to import basic commodities, as well as projects which require advanced technical expertise or make use of patents or trademarks.

However, it is to be emphasized that the "Open Door" policy has not yet produced good economic results on the scale expected with regard to capital, technology and employment needed. It is quite clear that the flow of such capital investment has been inadequate in relation to the demand for it. Capital, particularly from Western Countries, does not flow to Egypt in amounts that are in any reasonable proportion to the general development needs of the country.

According to the latest figures, the amount of foreign investment capital from USA and the E.E.C. countries has been dramatically small and short of expectations. The contribution of American investors arrived only at 4% of the total capital entering the country, while the E.E.C. investors have participated only with 5% of the total capital.

The question may be raised as to why the flow is unorderly ? What in effect are the factors which determine the flow of foreign investments from developed to developing countries like Egypt ?

Objectives of the Study :

The primary purpose of the present study is to identify the major important factors which determine the flow of foreign investments into developing countries as exemplified by Egypt.

The secondary objective of the study is to identify the current thinking of the foreign companies with respect to the future direction of foreign investment activity and foreign operations ownership.

* General Authority for Investment and Free Zones, Statistical Index, Cairo, 1984.

A subsidiary objective is to obtain the main determinants for a number of countries which are liable to be the major recipients of foreign investment by investment companies.

Methodology :

A convenient sample was randomly selected from among foreign companies operating in Egypt. The companies selected included American, British, French, West German and Italian companies. A self-administered mail questionnaire - copy of which is found at the end of this paper - was mailed to 100 companies selected on a random basis from among Fiani and Partners, Egypt Investment and Business Directory, 1984 List of foreign companies operating in Egypt.

Each questionnaire was accompanied by a self-addressed stamped envelope and a covering letter individually signed by the author and addressed to the chief executive in charge of foreign operations in Egypt. Names and addresses of the companies were taken from Fiani and Partners List. The questionnaires were sent on November 10, 1984. In late December 1984, a follow-up letter was sent to all 100 companies asking them to return the completed questionnaire if they had not done so already.

Unfortunately 67 respondents, which amounted to 67 per cent of the sample, either wrote that their operations are not directly related to investments in Egypt or they had decided not to participate in the survey. This leaves a total of 33 questionnaires, as the good responses, which were substantially filled out. Although a large number of our sample are not represented, it is felt however that the data are meaningful and the conclusions based upon them would be reasonable.

There are some reasons which may explain this low response rate :

- 1—A number of companies had forwarded the questionnaires to their principal headquarters on the grounds that they are in a better position to answer these questions. No response has been received from the headquarters.

- 2 — Some companies were unable to answer the questionnaire as they are only representative offices and most of the questions do not apply to their operations.
- 3 — A number of petroleum companies have returned the questionnaire unfilled indicating that their foreign investment decisions are governed by the location of the natural resources and only secondarily do other commercial and economic considerations come into effect.
- 4 — Some companies are operating in Egypt as contractors not as foreign investors and therefore the study does not apply to their conditions.

ANALYSIS

The responses to the questionnaire are presented in the tabulation of results at the end of this paper. It is to be noted that the respondent companies investing abroad, as indicated in table 1-B, are making investments predominantly in Asia, Latin America and Africa. As individual countries, Singapore, Indonesia, Malaysia, South Korea, and China stand out as being the main recipients of investments in Asia. In Latin America Colombia, Venezuela and Brazil are considered the main recipients of investments. Nigeria, Tunisia and Angola come first as investment opportunities in Africa.

Significant Determinants :

Table (2) summarizes the results of the companies responses with respect to possible determinants. An analysis to determine a preference ranking of the determinants follows :

First Ranking :

From the Extremely Important column the following ranking of determinants in the descending order is obtained :

- 1 — F. Political stability in the foreign country.
- 2 — i. Stability of country's foreign exchange position.
- 3 — b. Host government's favourable attitude toward foreign investments.

- 4 — h. Breadth of the potential market or
n. Expected high profitability.
- 5 — j. Tax incentives in the foreign country.
- 6 — g. Present extent of the market.
- 7 — e. Familiarity with the foreign country.
or
m. Raw materials availability.
- 8 — c. Availability of qualified manpower.
- 9 — d. Availability of cheap labour.
or
k. Existence of adequate infrastructure.
- 10 — l. Availability of a potential market for special patents
and licences.
- 11 — a. fear of lossing a foreign market.
- 12 — o. Availability of capital from local sources.
- 13 — p. Availability of industrial parks and other government
facilities for production.

Second Ranking :

On the other hand, using a five to one points importance scale, the following ranking of determinants in the descending order is obtained as table 2-A indicates :

- 1 — f. Political stability in the foreign country.
- 2 — i. Stability of the country's foreign exchange position.
or
j. Tax incentives in the foreign country.
- 3 — b. Host government's favourable attitude toward foreign
investments.
- 4 — h. Breadth of the potential market.
- 5 — g. Present extent of the market.
- 6 — n. Expected high profitability.
- 7 — e. Familiarity with the foreign country.
- 8 — c. Availability of qualified manpower.
- 9 — k. Existence of adequate infrastructure.

- 10 — a. Fear of losing a foreign market.
- 11 — l. Availability of potential market for special patents or licences.
- 12 — m. Raw materials availability.
- 13 — p. Availability of industrial parks and government facilities for production.
- 14 — d. Availability of cheap labour.

Third Ranking :

Also the following ranking of non-important determinant may be obtained in the descending order, most non-important determinants first.

- 1 — p. Availability of industrial parks and government facilities for production.
- 2 — l. Availability of potential market for special patents or licences.
or
m. Raw materials availability.
- 3 — d. Availability of cheap labour.
- 4 — o. Availability of capital from local sources.
- 5 — a. Fear of losing a foreign market.
- 6 — k. Existence of adequate infrastructure.
- 7 — g. Present extent of the market.
or
h. Breadth of the potential market.
- 8 — n. Expected high profitability.
- 9 — i. Stability of the country's foreign exchange position.
or
c. Availability of qualified manpower.
- 10 — b. Host government's favourable attitude toward foreign investments.
or
j. Tax incentives in the foreign country.
- 11 — f. Political stability in the foreign country.

It is to be noted that in the 1st and 2nd rankings, the first most important seven determinants are the same, though not necessarily in the same order. They are :

- 1 — f. Political stability in the foreign country.
- 2 — i. Stability of the country's foreign exchange position.
- 3 — b. Host government's favourable attitude toward foreign investments.
- 4 — h. Breadth of the potential market.
- 5 — n. Expected high profitability.
- 6 — g. present extent of the market.
- 7 — j. Tax incentives in the foreign country.

In the 3rd ranking the same seven determinants are found at the end of the non-important scale, except for (q), which is replaced here by (c).

A Reliability Check :

A way to check the reliability of the various determinants is to compute from each individual questionnaire only those responses which were marked extremely important under question 2 and were also stated among the five most important factors under question 3-b. Table A summarizes the results of such computation.

The above cross table singles out the following seven determinants as being the mainly significant ones in the descending order :

- 1 — f. Political stability in the foreign country.
- 2 — h. Breadth of the potential market.
- 3 — i. Stability of the country's foreign exchange position.
- 4 — j. Tax incentives in the foreign country.
- 5 — b. Host government's favourable attitude toward foreign investments.
- 6 — n. Expected high profitability.
- 7 — c. Availability of qualified manpower.

Table A.—Cross Table Matching Extremely Important With Most Important Factor

2	3-B	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
a		0															
b			5														
c				4													
d					3												
e						0											
f							15										
g								6									
h									15								
i										7							
j											6						
k												0					
l													0				
m														0			
n															5		
o																1	
p																	0

Again as noted in the 1st, 2nd and 3rd rank, the first most important seven determinants are the same except (g), which is replaced here by (c). This means that the respondents, while they placed the check marks in question 2, did have exactly the same orientation as they had when listing the five most important factors in response to question (3-b).

These conclusions correspond closely with the results provided by other studies in the field (Basi, 1963).

Type of Foreign Operations :

Table 1-A summarizes the type of operations presently being conducted by the companies in the sample. It is to be noted that the largest number of companies investing in Egypt fall in the category provided (other) in Table 1.A. These activities include construction (18.18%); oil exploration (22.72%); technical and advisory services (41%); and hotel and international finance operations (18%). The second group of companies in the sample (16 firms) which represent 48.5 per cent of the respondents has both manufacturing and sales. Among the companies studied only 6% had assembly operations and only 9% had simply raw materials processing operations.

It should be noted that none of the companies studied conduct research operations in Egypt. This is a significant indicator and represents an emphasis on the traditional practice of conducting research on the parent company soil.

On the whole, the above results indicate that most of the foreign companies, if and when they do decide to invest in Egypt, go into services projects which include advisory services, hotel and international finance operations more than manufacturing and sales activities. This means, in view of public policy making, that in setting entry control, the major objective of the Egyptian government should be to channel resources available into high priority uses, not to maximize or minimize the aggregate flows of capital and technology (Lombard, 1978).

Direction of Investment Activity :

Table (1-B) shows that the bulk of foreign companies investments in LDC's are in Asia, Latin America, and Africa. In

the same vein, the study indicates that 30 per cent of the companies have made their recent investments in Asia. Most of these companies have invested in each of the following countries : Indonesia, China, Malaysia, South Korea, Turkey, and Pakistan.

Table 3-A provides an indication of the current thinking of the foreign companies with respect to the possible flow of new investments to the LDC's. It is significant that the largest percentage of companies (60 percent) are thinking of Asian countries for their future investments. The proportion of companies thinking of African countries is 80 per cent. These figures are significant because the greater degree of emphasis on Asia as compared to Africa or Latin America, represents a major departure from the past trend of foreign companies especially the American foreign ventures where the concentration was on Latin American countries. Among the individual countries, China, Indonesia, Singapore, Malaysia, Saudi Arabia and South Korea in Asia. Egypt, Tunisia and Nigeria in Africa and to some extent Brazil in Latin America seem to hold the current interest of the companies.

Table (4) shows that 15 companies, out of a total of 33 respondents, actually invested but then dropped plans for making investments in developing countries particularly in Asia (7 companies) and Africa (7 companies). The reasons which deter the respondents companies from investment in the developing countries are, in order of importance, as follows :

- 1 — Political instability in the foreign country.
- 2 — Instability of the country's foreign exchange position.
- 3 — Lack of adequate market.
- 4 — Red tape and bureaucracy.
- 5 — Unfavourable attitude of the foreign government, especially unstable laws.

In the light of these main deterrents and knowledge of the investment climate in Asia and Africa, especially in the countries mentioned, the foregoing explanation seems plausible. It is therefore reasonable to suggest that presently the respondent com-

panies are becoming skeptical with respect to investment opportunities in some countries in Asia and Africa as table (4) indicates.

Eight companies dropped plans for Asia. However, as table 3-A shows, 60 per cent of the respondents are currently thinking about making investments there, which suggests that there is probably a large number of companies who may be presently initiating plans for possible new investments in Asia. In the light of this broad picture, the foreign companies in our study are beginning to find the Asian investment climate comparatively less threatening or to put it positively, comparatively more promising. Thus, it may be concluded that in the immediate future, assuming that the international investment climate would remain substantially unchanged, Asia is still considered a major recipient of direct investment from foreign companies, especially among the less developed areas of the world. Among the factors favourably affecting the decision to invest particularly in South East Asia, are political stability, big potential market, growing economies, cheap labour, and government incentives for foreign investment.

Foreign Investment Ownership :

Table 5 summarizes the types of ownership which the foreign companies in the sample would prefer with respect to their foreign investments. The table indicates that 83.87 per cent of the respondents would prefer a local business party. The reluctance to accept foreign government as a partner as represented by only 6.45 per cent positive response is understandable for foreign companies investing in Egypt, for regardless of the method of entry into the Egyptian market (for example, direct exporting, sales subsidiary, manufacturing subsidiary), and despite a possible reduction of central marketing control, it is advisable to deal with an Egyptian partner (Mahmoud and Rice, 1984). Dunn (1979) noted that, because of market and legal factors, even multinational companies which usually sell direct in other overseas markets find local partners indispensable in the Middle East.

Knowledge of local trading practices and customs is often essential in making a sale. Also, concluding a transaction or

bidding on a project often takes a long time - too long for an official of the home office to spend in the area. The government is frequently the ultimate customer in Egypt. Knowledge of government buying procedures is therefore critical to sellers. This knowledge, however, is difficult to obtain without local partners. Finally, there may be continuing problems with quotations, financing, import regulations, and collections that are best solved by a local representative.

In addition, the fact that only 3.22% indicated a preference for public stock offering perhaps indicates that either only a small percentage of the respondent companies are aware of the existence of foreign financial resources or that the companies lack confidence in them. On the other hand, it may simply be a reflection of the underdeveloped nature of the financial markets in a great majority of the developing countries. Therefore, it may be concluded that a large portion of the companies in the study might like to have a local partner when making a direct investment abroad. This is probably especially the case with respect to investments in LDC's.

The foregoing analysis is significant because it indicates that most of the respondent companies are prepared to make an investment in a foreign country without necessarily demanding a commanding share in the management of the enterprise and that they might even like to enter in the developing countries.

The Impact of Tax Incentives on Foreign Investment Decisions in Egypt :

Egypt, like many developing countries, has offered foreign investors tax incentives, presumably to stimulate foreign investment in the country. These incentives include : (1) profits will be exempted from various taxes for five to eight years ; and (2) all or part of imported capital assets may be exempted from custom duties.

The author asked the sample of the foreign investors in Egypt : "Would you have started business without the availability of tax exemption ?" Seven respondents out of 33 answered, "definitely yes"; sixteen, "probably yes"; seven, "probably no";

and only three out of 33 respondents said they would "definitely not" have invested. Note that if one expected bias in the answers, it would be toward saying that tax exemption is important, so as to convince the Egyptian government to continue the program.

The above conclusion may support the author's skepticism of the value of costly concessions designed exclusively to enhance profitability - e.g., the tax exemption. A number of other researchers support the author's conclusions. These studies pointed out that contrary to expectations an incentive program which merely increased the possible profit on a certain foreign opportunity would not be likely to prove practically effective. They found that companies do not in practice turn down investment opportunities because the profit is too small in relation to the risks of exchange, transfer or unfavourable government action. Therefore, we doubt that significant additional foreign investment would result from an incentive that merely stepped up the rate of profit (Ross and Christensen, 1959; Barlow and Wender, 1955, and Robinson, 1961).

In addition, based upon a recent study (El-Iraqi, 1983), it was found that the structure of the Egyptian tax holiday may have a strong bias in favour of projects which are characterized by short-term, high growth rate of cash inflow, and low cost of capital, while long term projects (which are needed) may be neglected. Also, this study demonstrated the ineffectiveness of the duty exemptions in encouraging foreign investments in capital-intensive projects.

Based upon the above conclusions, the Egyptian government should formulate the types of investment incentives that could direct foreign investment into fields deemed consistent with the objectives of social and economic development plans.

What Are the Egyptian Government Policies Affecting Foreign Investment Favourably ?

Answers	No. of	
	Frequencies	Percentage
- Tax relief offered to new enterprises.	20	32.26%
- Favourable terms for the transfer of profits and repatriation of capital	18	29.04
- Establishment of and firm adherence to a national development plan	5	8.06
- Nondiscrimination against foreign ownership and capital	17	27.42
- Other	2	3.22

As was expected, tax incentives offered to foreign investors rank highest among favourable government policies. Many developing countries attract foreign capital by offering incentives¹. The fact that two thirds of the World's foreign investments has gone to developing countries have to offer extra incentives and privileges.

Egypt is no exception to the general rule. Under the Foreign and Arabic Capital investment Law No. 43 for 1974, incentives include : (1) profits will be exempted from various taxes for five to eight years; and (2) all or part of imported capital assets may be exempted from custom duties.

It has to be noted that although tax incentives will attract foreign investment, most foreign companies in this study would have started business in Egypt without the availability of tax exemption.

Favourable terms for the transfer of profits and repatriation of capital ranked second among the Egyptian government

(1) A list of incentives offered to foreign investors by most developing countries is found in *Obstacles and Incentives to private Foreign Investment* (New York : National Industrial Conference Board, 1969).

policies affecting foreign investment favourably, and nondiscrimination against foreign ownership and capital comes third. Establishment of and firm adherence to a national development plan is considered one of the positive factors to invest in Egypt.

What Are the Egyptian Government Policies Unfavourably Affecting Foreign Investment ?

Answers	No. of	
	Frequencies	Percentage
- Restrictions on remittances	14	22.59
- Detailed or burdensome regulation of organization, ownership and management.	20	32.26
- Excessive red tape	23	37.10
- Other	5	8.05

The results of this question show that the major obstacle to foreign investment seem to be the ill-contrived service of civil servants. For a variety of organizational and political reasons, the performance of the Egyptian bureaucracy is declining sharply in quality, when the desire to encourage foreign investment is actually calling for a more innovative, flexible and efficient bureaucracy. The principal criticism made by investors is the lack of coordination between various government agencies and their apparent inability to honor important undertakings¹.

Detailed or burdensome regulation of organization, ownership and management is considered one of the main obstacles to invest in Egypt. Restrictions on remittances seem to be less of an obstacle to investment. Several respondents also indicate that delay in decision making, labour law disputes, customs problems, and lack of information are unfavourably affecting foreign investment.

(1) Business International, "Egypt's Opportunities for Suppliers and Investors", July, 1980.

QUALIFICATIONS AND CONCLUSIONS

Although the Egyptian case is not unique but fairly representative of other less developed countries, this was however, a study of just one country. Furthermore, the method of sample selection, size and number of responses received were usually not satisfactory for statistical analysis.

In other words, the size of our sample was insufficient to use some statistical techniques, notably, Chi-Square analysis to test, for example, whether there is any difference between the respondent companies with regard to their nationality, size and type of activity when making foreign investment decisions; or whether the determinants of foreign investment as stated in the questionnaire do play role individually or jointly in the decision to invest in a foreign country.

Thus, our findings should be considered suggestive rather than inferential or conclusive.

A main conclusion of this study is that the seven major determinants of foreign investment by the foreign companies operating in Egypt are identified and ranked in the following order :

- 1st — Political stability
- 2nd — Stability of the country's foreign exchange position.
- 3rd — Host government's favourable attitude toward foreign investment.
- 4th — Breadth of the potential market.
- 5th — Expected high profitability.

6th — Present extent of the market.

7th — Tax incentives in the foreign country.

It is to be noted that using different methods of ranking, these first most important seven determinants are the same, though not necessarily in the same order.

In addition, a large number of companies who may be presently initiating plans for possible investment find Asia, especially the south east part, comparatively more promising. Thus, it may be concluded that in the immediate future, assuming that the international investment climate remain substantially unchanged, Asia is still considered a major recipient of direct investment from foreign companies especially among the less developed areas of the world. Among the factors favourably affecting the decision to invest in Asia countries are political stability, big potential market, growing economies, cheap labour, and government incentives for foreign investments.

The study has examined the investment problems faced by foreign companies operating in Egypt. The most common problems are caused by the following : dealing with the Egyptian bureaucracy, detailed or burdensome regulations on organization, ownership and management, and restrictions on remittances. The problems are probably typical of those encountered in all developing countries although the importance of the different aspects of a country's external environment will vary according to different national markets. The implications for the foreign companies managers is that they should develop an awareness of or sensitivity to local conditions.

1-a.—Please check the type of operations.

Table 1-A

Type of Operations	Total	
	Number	%
1 - Marketing and Sales.	7	21.21
2 - Assembly Operations.	2	6.06
3 - Manufacturing	9	27.27
4 - Research	—	— ^u
5 - Raw Materials processing	3	0.09
6 - Other		
Construction	4	
Petroleum Exploration and oilfield services	6	
Consulting engineering and technical services	6	
Management consulting	3	
Hotel	2	
Investment and Banking operations	1	
Total of other	22	66.67

1-b Would you please list the foreign developing countries in which your company has similar operations

Table 1-B

Country	No. of companies	Country	N. of companies
Asia			
Indonesia	5	Libya	2
Singapore	5	Ivory Coast	1
Malaysia	4	Zambia	1
South Korea	3	Zaire	1
China	3	Cameroun	1
Taiwan	2	Ghana	1
India	2	Algeria	1
UAE	2	Morocco	1
Pakistan	2		
Surinam	2	Latin America	
Saudi Arabia	2	Colombia	5
Jordan	1	Brazil	2
Philippines	1	Venezuela	2
Hong Kong	1	Mexico	3
Srilanka	1	Peru	2
Iran	1	Ecuador	2
Iraq	1	Dominican Rep.	2
Africa			
		Other	
Nigeria	4	Faukland Islands	1
Tunisia	3	Mid Pacific	1
Angola	2		

2—Following is a partial list of factors which may act as determinants for a business decision to invest in a foreign country like Egypt. Would you please indicate by a check mark () the degree of importance of each factor to you. Additional factors may be added in the space provided (other).

Table 2.—Possible Determinants on the Importance Scale

Possible Determinants	Extremely important	Highly important	Important	Desirable	Not Important
a- Fear of losing a foreign market	1	11	9	4	7
b- Host government favourable attitude toward foreign investment.	9	11	9	3	1
c- Availability of qualified manpower	3	6	10	12	2
d- Availability of cheap labour	2	3	4	12	12
e- Familiarity with the foreign country	4	5	13	9	2
f- Political stability	15	9	7	2	—
g- Present extent of the market	6	13	7	3	4
h- Breadth of the potential market	8	12	5	2	4
i- Stability of the country's foreign exchange position	14	5	8	4	2
j- Tax incentives in the foreign country	7	16	4	6	1
k- Existence of adequate infrastructure	2	6	13	7	5
l- Availability of potential market for special patent or licences	1	7	6	6	13
m- Raw materials availability	4	3	5	7	13
n- Expected high profitability	8	3	13	6	3
o- Availability of local capital	—	7	10	6	10
p. Availability of industrial parks and government facilities	—	7	6	6	14
q- Other					

Table 2-A Possible Determinants on the Importance Scale

Possible Determinants	Extremely Important	Highly Important	Important	Desirable	Not Important	Total	Order
a) Fear of losing a foreign market	5	44	27	8	7	91	10
b) Host government's favourable attitude toward foreign investments	45	44	27	6	1	123	3
c) Availability of qualified manpower	15	24	30	24	2	95	8
d) Availability of cheap labour	10	12	12	24	12	70	15
e) Familiarity with the foreign country	20	20	39	18	2	99	7
f) Political stability	75	63	21	4	—	163	1
g) Present extent of the market	30	52	21	6	4	113	5
h) Breadth of the potential market	40	48	18	4	4	114	4
i) Stability of the country's foreign exchange position	70	20	24	8	2	124	2
j) Tax incentives in the foreign country	35	64	12	12	1	124	2
k) Existence of adequate infrastructure	10	24	39	14	5	92	9
l) Availability of potential market for special patents or licences	5	28	18	12	13	76	12
m) Raw materials availability	20	12	15	14	13	74	13
n) Expected high profitability	40	12	39	12	3	106	6
o) Availability of local capital	—	28	30	12	10	80	11
p) Availability of industrial parks and government for production	—	28	18	12	14	72	14
q) Other	—	—	—	—	—	—	—

3 — Suppose you are asked to recommend to your board of directors a new investment proposal in a developing part of the world such as Asia, Africa, or Latin America. Which country would you recommend for the investment ?

a. Name of the country.

Total Response - 30.

Table 3-A

Name of Country	Total	
	Number	%
Asia		
China	5	
Singapore	2	
South Korea	2	
Taiwan	2	
Malaysia	2	
Indonesia	2	
Saudi Arabia	2	
Turkey	1	
Total for Asia	18	60%
Africa		
Egypt	5	
Tunisia	2	
Morocco	1	
Nigeria	1	
Total for Africa	9	30%
Latin America		
Brazil	1	
Total for Latin America	1	3.33%
Other		
Pacific Rim	1	
West Indies	1	
Total for other	2	6.66
Grand Total	30	100%

4 — If in the past five years your company actually initiated but then dropped plans for overseas investment, please name the country or countries involved and reasons for DROPPING plans.

a. Name of country or countries

Total response - 18.

Table 4

Country	Total	Country	Total
Africa		Latin America	
Egypt	2	Mexico	1
Nigeria	1	Venezuela	1
Sudan	1	Total L.A.	2
Congo Brazzaville	1	Other	
		USA	1
Total Africa	6	Canada	1
Asia		Total other	
Saudi Arabia	1		2
Oman	1		
India	1		
Iran	1		
Lebanon	1		
UAE	1		
North Yemen	1		
China	1		
Total Asia	8	Grand Total	18

5 — If the law requires that you take local partnership amounting to at least 50 per cent ownership, which of the following arrangements would you prefer ?

Total responses - 13

Table 5

Type of Answer	Total	
	Number	%
a- Sharing with the government.	2	6.45
b- Sharing with local businessmen	26	83.87
c- A public stock offering	1	3.22
d- a + b	2	6.45

Dear Sir

I am conducting a survey aiming at identifying the major important factors which determine the flow of foreign investment into developing nations. The study is being conducted among a probability random sample of foreign firms operating currently in Egypt. I would be grateful if you could spare some time to complete the attached questionnaire. The response to the questionnaire will be treated with utmost confidentiality. As a matter of fact there is nothing in the questionnaire (or in the analysis of the data gathered) that will indicate the identity of the participating firms.

I will be happy to send you a copy of the final gathered by the questionnaire.

Thank you very much for your cooperation.

Sincerely Yours

Dr. Awad B. El-Haddad
Assistant Professor of Marketing

P.C. — Please mail the filled questionnaire in the enclosed self-addressed envelope.

Thank you

To : The Chief Executive

In charge of Foreign Operations in Egypt

1 — (a) Please check the type of operations :

- (1) Marketing and Sales.
- (2) Assembly operations.
- (3) Manufacturing.
- (4) Research.
- (5) Raw Materials Processing.
- (6) Other (specify).

(b) Would you please list the other foreign developing countries in which your company has similar operations:

- (1) African countries.
- (2) Asian countries.
- (3) Latin American countries.
- (4) Other.

2 — Following is a partial list of factors which may act as determinants for a business decision to invest in a foreign country like Egypt. Would you please indicate by a check mark (V) the degree of importance of each factor to you. Additional factors may be added in the space provided (other).

Possible Determinant	extremely important	highly impor- tant	desi- rable	not im- po.
a) Fear of losing a foreign market.				
b) Host government's favourable attitude toward foreign investments.				
c) Availability of qualified manpower.				
d) Availability of cheap labour.				
e) Familiarity with the foreign country.				
f) Political stability in the foreign country.				
g) Present extent of the market.				
h) Breadth of the potential market.				
i) Stability of the country' foreign exchange position				
j) Tax incentives in the foreign country.				
k) Existence of adequate infrastructure.				
l) Availability of a potential market for special patents & licences.				
m) Raw materials availability.				
n) Expected high profitability.				
o) Availability of capital from local sources.				
p) Availability of industrial parks and other government facilities for production.				
q) Other				

3 — Suppose you are asked to recommend to your board of directors a new investment proposal in a developing part of the world such as Asia, Africa, or Latin America. Which country would you recommend for the investment ?

(a) Name of the country

(b) Please list the five most important reasons with which you would support your recommendation Please rank in order of importance :

1 —

2 —

3 —

4 —

5 —

4 — If the law requires that you take local partnership amounting to at least 50 percent ownership, which of the following arrangements would you prefer ?

(a) Sharing with the government

(b) Sharing with local businessmen

(c) A public stock offering

5 — If in the past five years your company actually initiated but then dropped proposals for investment (s), please name the country or countries involved.

(a) Name of the country or countries.....

(b) Reasons (Please rank in order of importance)

1 —

2 —

3 —

6— Would you have started business in Egypt without the availability of tax exemption ?

- (a) Definitely yes
- (b) Probably yes
- (c) Probably no
- (d) Definitely not

7— What are the Egyptian government policies favourably affecting your investment :

- (a) Tax relief to new enterprises.
- (b) Favourable terms for the transfer of profits and repatriation of capital
- (c) Nondiscrimination against foreign ownership and capital
- (d) Establishment of and firm adherence to a national development plan
- (d) Other

8— What are the Egyptian government policies that you consider to be detrimental to foreign investment ?

- (a) Restrictions on remittances
- (b) Detailed or burdensome regulation of organization, ownership and management
- (c) Excessive red tape
- (d) Other

Thank you very much for your cooperation and time.

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