

# Need for Technology in Arab States

*Arab Countries, U.S. technology holders should cooperate in profitable ventures; efforts being made in that direction*

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The topic I have been asked to cover involves the Arab demand for U.S. technology. There is no doubt that the U.S. is considered to be the largest source of technology in the world. Even the Russians are very anxious to obtain U.S. technology. The Arab countries are no different. Eager to reach out and obtain their needed technology from the U.S., the Arab countries have the resources to pay for it.

This technology presently is being transferred to the Arab countries in different forms:

- a. Joint ventures
- b. Licensing of proprietary information and management skills
- c. Turn-key plants
- d. Direct purchase of specialized industrial equipment

The demand for U.S. technology and know-how is being generated from within the Arab countries and/or it is being induced by U.S. owners of technology and know-how. Accordingly, in order to increase the flow of U.S. technology and know-how, there should be a pull by the Arab States for such technology and a push by the U.S. technology owners.

In order for such a process of pull and push to be strengthened, we must take into consideration two major difficulties which face this interrelationship. The first difficulty is what may be called an "Information and Communication Gap" about what exists in the U.S. in the form of technology and know-how which the Arab countries may be in need of. This difficulty is arising from the fact that the market for proprietary technology is highly imperfect. Marketing technology is similar to marketing a product that may fulfill an economic need for consumers — the potential users of U.S. technology in the Arab States cannot increase their intake of U.S. technology unless they are aware of its existence. There exists in the Arab countries those who are in need of certain technology; however, they are unaware of who owns it and who is ready to offer it. In the U.S. there are those who possess such technology but are unable to locate who needs it.

The second difficulty stems from the fact that some of the Arab countries by themselves are often unable to evaluate technology alternatives or, use such technology  
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effectively, which means that yet another gap exists, a "Capability Gap". We can see then that there exists a need for action by both the U.S. technology and know-how holders and the Arab States if we want to see an increased flow of U.S. technology to these countries.

What actions may be suggested?

## ON THE U.S. SIDE

The holders of technology in the U.S. must remember that the technology they offer to Arab countries should be at a level which is easily adapted by the licensee in the Arab country. There is inadequate adaptive capability in many of the potential recipient Arab countries. Another consideration for U.S. technology holders is that they should work more closely with development institutions in the Arab States, utilizing them as a focal point to disseminate information to Arab nationals about the availability of U.S. technology.

A third point is that the Licensing Executives Society U.S.A. may find it useful to hold one of its programs in the Arab countries and invite U.S. firms whose technology and know-how, when implemented there, may be mutually profitable to the Arab recipient country and to the U.S. technology owner. Such a program would be based on technology transfer that would utilize the indigenous natural resources of the Arab States.

## ON THE ARAB SIDE

It may be advisable for the Arab countries to establish a joint technology information gathering center in the U.S. The objective would be to monitor U.S. technology and act as a catalyst to promote the transfer of needed technology to national development centers as well as to private business communities. Such action by the Arab countries would accelerate the rate of their economic development and would contribute toward a successful marriage between U.S. technology and Arab oil revenues occurring at a time when the U.S. economy is suffering from shortage of venture capital, and the Arab oil producing countries are suffering from the lack of needed technology and know-how.

Moving to specifics, I will give an example of what one Arab country, Egypt, did to promote the flow of U.S. technology and know-how to both the public and private sectors.

After a long period of looking toward the Eastern Block, in 1973, the Egyptian Government decided to direct its attention to the West for needed capital, technology, and know-how. To promote this move toward an "open door" policy, a foreign investment law was issued

(Law No. 43 of 1974). Briefly, Law 43 provides for necessary protection and guarantees, offers generous fiscal incentives, and provides for profitable free zones to accommodate export-oriented industries in Alexandria, Suez, Port-Said, and Cairo.

### **New York Office**

Another positive move is establishment of an Economic Cooperation Office in New York. It is a catalyst between the U.S. business community and the public and private sectors in Egypt, and to make it easier for U.S. businessmen to do business with Egypt. It is hoped that through the workings of this office, the flow of U.S. technology and know-how to Egypt will be accelerated. Tunisia and Egypt are the only Arab countries with such offices, again strengthening the argument for joint Arab investment development offices in U.S.

We also have found that one of the impediments to the flow of U.S. capital, technology, and know-how to a country such as Egypt is a lack of understanding of the practices, motivations, and perceptions of foreign entrepreneurs. It is difficult to expect an Egyptian bureaucrat in the public sector, which comprises about 75% of the productive capacity in Egypt, to understand U.S. business practices overnight. He has been told for 20 years to direct his attention toward the Eastern Block.

Accordingly, a seminar will be organized to familiarize Egyptian civil servants with the concept of foreign investment and the motives of foreign investors. Such a program would assist in creating within the government a capacity for reviewing and acting on foreign investment proposals, and would, by educating government decision-makers about the mutually beneficial impact of foreign investment, increase the effectiveness of the "Open Door" Policy of President Sadat. The program would select a delegation of Egyptian government officials with practical responsibility over foreign investment approval and project implementation, and would bring them to the United States for a month-long orientation course. The curriculum would include lectures by academicians; seminars conducted by U.S. government and multilateral agencies (such as the World Bank and the United Nations Industrial Development); meetings with international banks and other financial institutions; programs conducted by American firms which invest abroad; and discussions with the investment promotion offices maintained by other countries in the United States and by various state investment promotion offices.

### **Face-to-Face**

Since we feel that the face-to-face approach is the best way to do business, the Egyptian Economic Co-Operation Office already has organized two technical missions. The

First (last November) included leading Egyptian textile executives. They spent three weeks with their counterparts in the textile industry in the U.S., exchanging views and ideas. A large amount of business has been generated as a result of this mission. A second mission along the same lines was organized for engineering and chemical industries last April. A third delegation is being organized for the import and export sectors and will be headed by H.E. The Minister of Trade and Supply. Another impediment facing the flow of U.S. investment to the Arab countries concerns U.S. investment preferences to operate on a large scale, in a big market, in order to obtain optimum results. Accordingly, Egypt is now cooperating with other Arab countries in a project to identify national and regional projects supported financially by the Arab Fund for Social and Economic Development, located in Kuwait, and the United Nations Development Program (UNDP). The moment we reach the stage when foreign investment in one Arab country will consciously complement another foreign investment in another Arab country, I believe we will have surmounted a major obstacle facing the flow of U.S. technology to these countries. There is nothing more frustrating to businessmen than going to Egypt and being told they can locate there, and then utilizing their excess capacity to export to the Arab oil producing countries. When a businessman goes to Cairo, he is told, "You have the large Egyptian market to market your excess production." We are already negotiating with other Arab countries in the field of petrochemicals and agro-industries to coordinate our investment policies.

### **Business Council**

Another move to encourage investment was the formation of the Egypt-U.S. Joint Business Council in 1975. The council is designed to enable Egyptian and American business leaders to discuss ways in which bilateral economic cooperation can be expanded to their mutual benefit to serve as a catalyst, a base for the resolution of barriers to expanded trade, and a focal point for investment and technology relations.

Before concluding, I would like to mention that the Egyptian Government is fully aware that our housing, transportation, and communication systems are not adequate to meet the requirements of foreign investors. However, with the help of Arab financing organizations, the World Bank and bilateral assistance, we are at present implementing many reforms in these fields. We sincerely believe that our world is a world of interdependence, that through private initiative and enterprise, we can undertake profitable ventures, and that nothing is more conducive to economic development than profitable projects. We need you to look into these profitable ventures in Egypt, and we count on your support for the mutual benefit of all parties concerned.