Chapter 109
Electronic Commerce Prospects in Emerging Economies:
Lessons from Egypt

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INTRODUCTION

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. ICT is 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 a fast changing global environment, speed, competition and catering for various diversified cultural elements become key factors for development and growth in the reengineered business environment where electronic commerce (E-commerce) applications promise to grow in volume helping the digital economy to mature and dominate.

Egypt, as a developing nation with an economy in transition, started to invest in building its ICT infrastructure since 1985 as a vital tool for development and leading to availing opportunities for E-commerce to grow. This article describes the emergence of E-commerce in Egypt since the mid 1990s and its implications in the marketplace including the challenges faced relating 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 E-commerce in Egypt.

BACKGROUND

Over the last few decades, ICT became vital as a platform for business and socioeconomic development (Kamel, 2000; American Chamber of Commerce in Egypt, 2002). Moreover, the Internet became an

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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 such as competing in time, customer relationship management and smart communities (Kamel et al, 2009).

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. 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, inward looking economy to one that is market-based and internationally oriented (Kamel and 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. 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 GATT (Kamel and 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 socioeconomic 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, 2005a). 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 et al, 2009).

Egypt is a regional hub linking the Mediterranean, Europe, Asia and the Middle East. With a population of over 78 million, it is the most populous country in the region (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 19 million represent its workforce; around 5.7 million are working for the government sector. Egypt is witnessing its reincarnation into a modern, liberal and private sector-led market driven economy. The current economic growth rate stands at 4.1 annually with an inflation of 11.6%. Estimates show that unemployment is standing at 8.8% and the labor force is growing at around 2.7% annually (www.amcham.org.eg). Egypt is undergoing a liberalization program of its public sector, investing heavily in its human capital, encouraging foreign direct investment (FDI) and using innovative ICT as a platform for business and socioeconomic development for example as an important engine for job creation (ITU, 2008). The government in collaboration with the private sector through a variety of PPP models is restructuring many of its major economy sectors such as education, health,