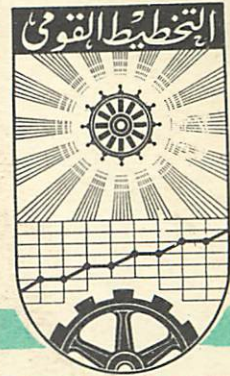


# ARAB REPUBLIC OF EGYPT

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THE PROBLEM OF INDUSTRIAL  
LOCALIZATION IN EGYPT

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Egypt is divided administratively into what is called "Governorates". These governorates are of the number of twenty-five. The two main governorates are Cairo(the capital) and Alexandria(the main harbour). The other governorates can be grouped geographically into "Canal zone governorates"(3), "Lower Egypt governorates"(8), "Upper Egypt governorates"(8)and "Frontiers governorates"(4). Frontier governorates occupy most of the desert area of Egypt.

1. The Phenomenon of Industrial Localization:<sup>1)</sup>

In Egypt, manufacturing industry is not distributed evenly among governorates. This phenomenon is not a new one, however it becomes more apparent with the more forward going on industrial development.

In 1947, three governorates absorbed about one-half (50.3 per cent) of the total manufacturing employment(see table 1). Cairo, the capital governorate, accounted alone for more than one-quarter of the total manufacturing employment. Alexandria, the main harbour, and Gharbia, the

<sup>1)</sup> The available data are concerned to the period till 1967.



Table No. 1.  
Geographical Distribution of Manufacturing  
Employment  
(1944, 1960, 1964 & 1967)

	(in per cent)			
Governorates	1947	1960	1964	1967
Cairo	26.7	26.6	28.6	26.7
Calubia	4.7	8.6	9.7	8.7
Giza	4.3	6.0	7.6	6.3
Alexandria	11.4	11.1	17.9	18.2
Port-Said	1.7	0.9	1.2	1.1
Ismailia	1.7	0.4	0.2	0.5
Suez	0.6	1.0	1.6	2.2
Damietta	1.1	1.9	2.0	2.3
Dakahiliya	5.5	3.1	2.9	3.4
Sharkiya	3.9	2.3	1.6	2.6
Kafr-El-Shaikh	12.2	1.0	1.0	1.2
Gharbia		9.5	8.5	8.2
Menoufia	4.3	1.7	2.3	2.6
Beheira	4.3	5.7	5.6	4.9
Beni-Suef	1.5	0.9	0.8	1.1
Fayoum	3.6	1.1	1.0	1.3
Minya	2.9	1.8	1.7	2.2
Assyut	3.5	1.5	1.2	1.7
Sohag	3.1	1.5	1.2	1.5
Kena	3.8	2.2	1.7	2.2
Aswan	0.7	1.2	1.5	1.0
Frontiers Governorates	0.2	2.1	0.0	0.0
Total	100.0	100.0	100.0	100.0

Notes and Sources: There are certain changes in the administrative borders of the different governorates from one census to another. 1947 employment data exclude persons less than 5 years old and persons serving in military forces. Other years data exclude persons less than 6 years old and include persons serving in military forces.

Egypt, Department of Statistics and Census, Census of Population 1947. Second Part, Cairo, 1953; U.A.R, C.A.P.M.S. Census of Establishments 1960. Vol. 2. Cairo, 1964; Census of Establishments 1964, Vol. 2. Cairo, 1967; and Census of Establishments 1967. Vol. 2. Cairo, (in Arabic).



main cotton textile centre, accounted together for another one-quarter of the total manufacturing employment. The second half of the manufacturing employment was distributed more or less - among the other governorates. In most of these governorates, manufacturing industry existed, however, in moderate shares varying between 3 and 5 per cent of the total manufacturing employment.

Over the period 1947 - 1964, spatial structure of manufacturing industry was more localized. The increase in localization was toward Alexandria, Cairo and its two adjacent governorates Calubia and Giza. In 1964, the two geographical areas Alexandria and Cairo (and its two adjacent governorates) accounted alone for two-thirds of the total manufacturing employment. Then, it is natural to find that the relative shares of most of the other governorates in the total manufacturing employment were gradually decreased. The relative share of Gharbia (the main cotton textile centre) also decreased. An exception was the case of the two new manufacturing centres of Suez and Aswan where their shares in the total manufacturing employment increased; although they still accounted for relatively low proportions.



It is interesting to notice that in 1967, localization of industry slightly decreased. While the labour absorbed by the two main geographical areas, slightly, declined, the absorption by nearly all the other governorates increased. But, this adverse phenomenon was not a result to a change in the direction of the policies of location of industrial projects. The main reason was behind the followed shrinking policies from 1965/66 to 1967/68. These policies decreased the total volume of investments and consequently decreased the expansion in employment opportunities by the different economic sectors. But the sector of small-scale establishments was, relatively, opened for extending employment opportunities. Then, the increase in the relative share of the absorbed labour by small scale establishments that are less localized than large scale establishment was the main reason behind this adverse phenomenon.<sup>1)</sup>

The same trend of the increase in localization of manufacturing industry can be noticed from the change in the ratio of

1) See: Hassan Abdel-Aziz H., Industrial Development and its Influence on Internal Migration, Seminar on the Relation between Population and Development in Africa, 8:25 April, 1974, Cairo, I.N.P. Cairo and U.N.A.I.E.D.P. Dakar, PP. 27, 29; 30.



localization of manufacturing industry with respect to the number of population(table 2). This ratio clarifies the relationship between the geographical distribution of each of manufacturing employment and population. The value of the ratio varies between zero and one. Its nearness to zero means that manufacturing employment is geographically distributed in near proportions to the geographical distribution of population; while the nearness to the complete "one" means that manufacturing employment is greatly localized with respect to the geographical distribution of population.

Table No. 2.  
Localization Ratio of Manufacturing  
Industry with Respect to the No. of Population<sup>1)</sup>  
(1947, 1960, 1964 and 1967)

Year	Localization Ratio
1947	0.25
1960	0.35
1964	0.59
1967	0.34

<sup>1)</sup> Sources: A.R.E., G.P.A.M.S., Population Estimations in U.A.R., Cairo, 1967, PP., 3 & 27; and the sources of table (1).



With exception the unusual slight decrease in the localization ratio in 1967, it is possible to see the realized increase in the ratio from 0.25 in 1947 to 0.59 in 1964. But, inspite of that realized increase, it is possible to notice that the general levels of the ratio of localization were not so high as it could be expected from the proviously explained high degree of localization of manufacturing industry. The reason is that there are disparaties in geographical distribution of population. The main industrial governorates include high proportions of population as there is significant correlation between internal migration and the levels of industrial development by governorates. People migrates from less industrialized areas to the more industrialized ones.<sup>1)</sup> Then, the phenomenon of localization is not only concerned to manufacturing industry but also existed in the field of population.

## 2. The Factors Behind the Problem of Localization:

Localized pattern of manufacturing industry is a natural result of the geographical pattern of allocating manufacturing investments over a long - or even very very

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<sup>1)</sup> Hassan A. H., Ibid., PP. 12:15.



long - period of time. Investments, in turn, have been induced by some different factors. It happens that one or a group of these factors predominate certain industry, in certain time or in certain place; while another factor or more may be the most important related to another industry, time or place. At any how, it is possible to classify the responsible factors for distributing industries among regions to four main ones; mainly historical factor, natural factor, economic factor, and social and national factors.<sup>1)</sup>

It is possible, however, to notice that historical and natural factors can be originally, considered as economic or social ones. As the so called "historical factor" presently was not so when the industry originally established. Other factors-natural, economic or/and social-which had the responsibility of locating, originally, the industry. These other factors may be disappeared presently, but industry is still living in its original place. At the same time, considering what may be called "natural factors" in locating any industry is mainly because of their influence on economic magnitudes.

1) See: Aida Beshara, Industrial location in the Egyptian Region, Dar-El-Nahda El-Arabia, Cairo, 1962, P. 25, (in Arabic).



It is worth to note that not only the policies of location that have an influence on the geographical pattern of manufacturing industry but also the other policies of industrialization such as the profile of industries, techniques of production and scales of establishments.

#### 2.1. Geographical Distribution of Manufacturing Investments<sup>1)</sup>

Geographical allocation of manufacturing investments explains to great extent the previously indicated increased localization of manufacturing industry from 1947 to 1964.

During the period of the First industrial Programme Nov., 1957-June, 1960, geographical distribution of manufacturing investments was greatly concentrated. Greater Cairo (Cairo in addition to the adjacent areas of the Calubia and Giza governorates) absorbed alone more than one-third of the total manufacturing investments. If we add the allocated manufacturing investments to the other main governorate, Alexandria, their share increases to a little

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<sup>1)</sup> The available data are concerned with the two periods: 1957-1959/60 and 1960/61 - 1964/65.



less than one-half (48.7 per cent) of the total manufacturing investments. Outside these two main geographical areas, relatively high proportions of the total manufacturing investments were allocated to the new manufacturing centres Suez and Aswan (17 and 14 per cent respectively). In contrast, all the rest of the governorates received either very slight investments or none at all.<sup>1)</sup>

Over the period 1960/61 - 1964/65, one of the objectives of the industrial plan was to distribute industry whenever possible between the various governorates of the country. This aim was slightly achieved; as manufacturing investments although they were more relatively scattered over the various governorates than during the period 1957-1960 were still concentrated. The two main governorates of Cairo and Alexandria received more than one-quarter of the total manufacturing investments. Adding the two governorates adjacent to Cairo (Giza and Calubia) their proportion increases to a little less than half (47.8%). The two new manufacturing centres (Suez and Aswan) in

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<sup>1)</sup> See: Hassan Abdel-Aziz H., Location of Industry in Egypt, Internal Memo. No. 448; I.N.P. Cairo, 1975. PP. 19:21, (in Arabic).



addition to Kena absorbed a little more than one-quarter of the total investments (26.1 per cent). The remaining small part of investments was scattered unevenly over the rest of the governorates.<sup>1)</sup>

## 2.2. Other Policies of Industrialization:

The change in the output structure of manufacturing industry has an influence on the geographical distribution of manufacturing industry. Industries differ in their requirements in the places of their erection and consequently differ in their degree of localization. It is possible to classify manufacturing industries according to the criteria of the localization ratio into two categories,<sup>2)</sup> relatively "dispersed industries" and relatively "localized industries"<sup>3)</sup>. The first category consists, mostly of con-

1) Ibid., PP. 21:22.

2) Localization ratio of certain industry equals the sum of either the positive or the negative differences between the rates of the geographical distribution of the employment of this industry and the ratio of the geographical distribution of total manufacturing employment.

3) The first category includes industries with a ratio of localization accounting for less than 0.30 (according to the data of 1947) and the second category includes industries with higher localization ratio than the indicated limit.



sumer-goods industries in addition to certain other industries a great part of their establishments submit industrial repairing services. The second category consists, mostly of the other industries; working, mostly, in the production of intermediate and capital goods.

Over the period 1952-1967, it is worth to note, that the output structure of manufacturing industry was dominated by the category of the relatively "dispersed industries", as it accounted for a little more than two-thirds total manufacturing output. There was, however, a structural change decreasing the relative share of the relatively dispersed industries and increasing the share of the relatively localized industries. Most of that structural change happened during the period of comprehensive planning, 1960/61 - 1966/67, as the change was in favour of intermediate and capital-goods industries on account of consumer-goods industries. That structural change had an influence on the indicated increase of the localization of manufacturing industry, especially during the period 1960-1964.<sup>1)</sup>

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1) H.A., Industrial Development and Its Influence on Internal Migration, Op. cit., PP. 18:22.



At the same time, the policies of techniques and scales of production have also, an influence on the geographical distribution of manufacturing industry. Small-scale establishments are less localized than larger ones. Over the period 1952-1964, there was a decrease in the relative share of small-scale enterprises(employing less than 10 persons) from 40.7 to 27.2 per cent of total manufacturing employment. At the same time, the relative share of large-scale establishments(employing 500 and more persons)increased from 28.7 per cent of total manufacturing employment in 1952 to 40.3 per cent in 1964. That change was accompanied with an increase in the capital intensity of the techniques of production. These policies had participated in the indicated increase of the localization of manufacturing industry. The realized decrease in the localization of manufacturing industry in 1967 was a results, as it is mentioned before; to the increase in the relative share of small-scale establishments from 27.2 per cent of total manufacturing employment in 1964 to 36.0 per cent in 1967.<sup>1)</sup>

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<sup>1)</sup> Ibid., PP. 27:30.