

RPTBL

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: CAIRO

Country: ARAB REPUBLIC OF EGYPT

BEEN INCREASINGLY DIVERSIFIED TO SUBSTITUTE FOR IMPORTS, & TO GENERATE EXPORT REVENUES WORTH HALF THE \$4BN MILITARY BUDGET. THE '88 FOREIGN EXCHANGE EARNINGS OF \$2 BN FM TOURISM SHLD GROW AT 30% OVER NEXT TERM. CANAL REVENUES JUMPED TO \$1.6 BN IN '87-88 & SHLD INCREASE BY 10% THROUGH '90 WITH EARNINGS OF \$2.5 BN IN '87. SHLD DECLINE 15% THROUGH '89 DUE TO DEPRESSED INT'L PRICES. THEREAFTER, REVENUES ARE PROJECTED TO INCREASE 12% ANNUALLY. FM HIGHER DOMESTIC GASOLINE PRICES & INCREASED OIL EXPORTS AS NATURAL GAS REPLACES OIL IN DOMESTIC ENERGY AND INDUSTRY. A SEVERE CUTBACK IN GOVT. & CONSUMER IMPORTS REFLECTS THE DELIBERATE GOVT. POLICY TO COOL THE 30% INFLATION & RESTRAIN THE SUPPLY OF NON-ESSENTIAL GOODS. WHILE STIMULATING DOMESTIC IMPORT SUBSTITUTION INVESTMENT. AT THE SAME TIME, PRIVATE IMPORTS OF COMMODITIES, AGRIC. & MFG EOPT GREW 10% TO \$3.5 BN, FACILITATED BY EASIER ACCESS TO THE BANKS LIQUID FOREIGN EXCHANGE POOL. THE PRIVATE SECTOR, IS NOW CONTRIBUTING 38% OF EGYPT'S GDP & STILL GROWING AT 10% YEARLY. IT MAY APPROACH THE TARGETED 70% SHARE OF GDP BY '92. MOST IMPORTANTLY, EGYPTIAN AND FOREIGN ENTREPRENEURS ARE LEADING ECONOMIC DEVELOPMENT WITH OVER \$2 BN ANNUAL INVESTMENT IN NEW AGRIC., PETRO., & IND'L PROD'N. DESPITE NEGATIVE REAL INTEREST RATES, 87/88 PRIVATE BANK DEPOSITS INCREASED TO \$26 BN, INCLUDING \$8 BN IN FOREIGN CURRENCY. THIS OCCURRED DESPITE THE ACTION OF SOME TOR ISLAMIC INVESTMENT COS. WHICH SYPHONED-OFF ABOUT \$4 BN. UNTIL THEY WERE FINALLY BROUGHT UNDER CONTROL BY LEGISLATION. THE QUARREL BETWEEN THE ISLAMIC FUNDS AND THE GOVT RESULTED IN A SHORT TERM DEPRESSION IN REMITTANCE REVENUE FM FEARFUL EXPATRIATE EGYPTIANS. HOWEVER, AN ANTICIPATED DEPOSIT INTEREST INCREASE (WITH BONDS OFFERING 20%) AS WELL AS THE REQUIREMENT THAT THE ISLAMIC FUNDS REPATRIATE AND DEPOSIT THEIR FUNDS IN LOCAL BANKS IS NOW BRINGING IN NEW AND NEEDED FOREIGN EXCHANGE. AS WELL, THE ARAB FUNDS AND BANKS HAVE NOW REAPPEARED WITH SUBSTANTIAL INVESTMENT FUNDS. FOR CON BUSINESSMEN. THE ABOVE DEVELOPMENTS COMBINE TO OFFER SURPRISINGLY LARGER & MORE DIVERSE OPPORTUNITIES THAN PREVIOUSLY TARGETED IN AREAS SUCH AS, COMMODITIES, TECH. & IND'L KNOW-HOW. CANA IS ALREADY RECOVERING A LARGER SHARE OF GROWING IMPORTS OF LUMBER, NEWSPRINT & ASBESTOS. WHILE PURSUING GOOD PROSPECTS IN NEW MKTS FOR CANDA, BARLEY, COAL, PULP, FERTILIZER, AND PERHAPS TOBACCO AND SEED POTATOES. PRIORITY DEVELOPMENT OF POWER GENERATION CAPABILITY HAS SECURED SOME \$1.2 BN IN NEW MULTILATERAL FINANCING & THIS HAS IMPROVED THE PROSPECTS FOR CON CONSULTANTS & EOPT. EXPRTS. EXCELLENT OPPORTUNITIES ARE EMERGING WITH THE FOREIGN & GOVT PETRO. CORPS COMMITTED TO BOOST OIL EXPORTS & TO DOUBLE GAS PRODUC'N FOR PROCESSING AS BOTH PETROCHEM. EXPORT & IMPORT SUBSTITU'N. THE UNAVAILABILITY OF EDC FINANCING OVER 300 DAYS, IS A REAL, BUT NOT CRITICAL, LIMIT'N ON EXPORT PROSPECTS.