

RPTR1 TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: CAIRO

Country: ARAB REPUBLIC OF EGYPT

CAIRO IS COMPELLED TO LIMIT TID PROGRAM ACTIVITY IN THE SUDAN MARKET IN THE FORESEABLE FUTURE, DUE TO OFFICER RESOURCE CONSTRAINTS. 1987 CANADIAN EXPORTS OF \$15 M SHOULD MORE THAN DOUBLE IN 88-89, EXCEEDING OTHER M.F. MARKETS. RECENT CONTRACTS FOR LOCOMOTIVE ENGINES AND FOR PHASE I CONSULTANCY OF AN IRRO RAILWAY UPGRADE PROJECT ARE INDICATIVE OF SIGNIFICANT AND INCREASING BUSINESS POTENTIAL. GOVERNMENT IMPORT AND DEVELOPMENT FUNDS HAVING LARGELY BEEN RE-ALLOCATED TO THE SEPTEMBER POST-FLOOD RELIEF AND COMMUNITY REBUILDING EFFORTS, WHILE THE CIVIL WAR CONTINUES TO DRAIN REMAINING GOVERNMENT RESOURCES. HOWEVER, IRRO, AFDB, ARAB FUNDS AND BILATERAL DONORS SUCH AS CTDA, HAVE INCREASED THEIR ALREADY SUBSTANTIAL PROJECT FUNDING, TO REBUILD AND EXPAND EXTENSIVE, SOPHISTICATED INFRASTRUCTURE FACILITIES.

THIS SHOULD FURTHER STIMULATE CANADIAN BUSINESS DEVELOPMENT INITIATIVES WHICH HAD DOUBLED OVER THE PAST 4 MONTHS TO PURSUE 10 PROJECTS, INITIALLY WORTH \$80 M IN EXPORTS FOR TELECOMMUNICATIONS, VOCATIONAL TRAINING, RAILROAD REHABILITATION, AIRPORTS, GRAIN STORAGE, UPGRADE OF PUBLIC SECTOR COMPANIES, WATER AND SEWERAGE, PETROLEUM PIPELINES, AND MECHANIZATION OF FARMING. THE PRIVATE SECTOR STANDS OUT AS POLITICALLY ASTUTE, PROFESSIONAL AND MOST ABLE TO DEVELOP WITH CANADIAN SUPPLIERS. THOSE SUBSTANTIAL NEW IMPORT, AGRICULTURE AND CONSTRUCTION OPPORTUNITIES TO FLOW FROM INTERNATIONAL DEVELOPMENT PROJECT FINANCING.

NEVERTHELESS, THE GROWTH IN THESE NEW OPPORTUNITIES AND IN CANADIAN BUSINESS ACTIVITY CAN NOT BE MATCHED BY INCREASING TID PROMOTIONAL SERVICES, NOW CONCENTRATED IN 2 YEARLY VISITS TO KHARTOUM, GIVEN CAIRO OFFICER TID COMMITMENTS IN EGYPT. THE TID INITIATIVES AND ECONOMIC REPORTING IN SUDAN CAN INCREASE ONLY IF THE THIRD CANADIAN TID OFFICER P/Y IS REESTABLISHED IN CAIRO AS PROPOSED. THE GOVT OF EGYPT'S (GOE) DEBATE WITH THE IMF, THE IRRO AND BILATERAL DONORS/CREDITORS OVER THE SEVERITY AND URGENCY OF THE NEEDED STRUCTURAL REFORMS HAS HIGHLIGHTED THE SEVERE DISTORTIONS AND WEAKNESSES OF THE ECONOMY. THE GOE IS APPARENTLY UNWILLING TO IMPLEMENT POLICIES RECOMMENDED BY THE IMF (EXCHANGE RATES, SUBSIDIES, INTEREST RATES, BUDGET DEFICITS...) TO PERMIT AN EARLY RESTRUCTURING OF ITS ECONOMY, FOR FEAR OF FOMENTING POLITICAL UNREST. THE GOVT HAS, HOWEVER, ADOPTED SOME REFORM POLICIES AND DECLARED ITS INTENTION TO EMBARK UPON AN IMF INSPIRED RESTRUCTURING PROGRAM ALBEIT AT A SLOWER PACE. AS A RESULT, SOME SECTORS ARE STARTING TO SHOW REAL GROWTH. BILATERAL & MULTILATERAL AGENCIES, IN LIGHT OF THE RECENT EVENTS IN ALGIERS, SEEM WILLING TO INCREASE THEIR ASSISTANCE TO EGYPT, THROUGH, FOR EX., THE PROVISION OF BOP SUPPORT, A STAND-BY AGREEMENT WITH THE IMF, WHICH IS EXPECTED IN COMING MONTHS, WOULD BY ITS IMPLEMENTATION PROVIDE A MAJOR BOOST TO THE ECONOMIC CLIMATE. IT WOULD INSTILL CONFIDENCE AND, AT THE SAME TIME, PROVIDE THE ADD'L CAPITAL FLOWS AND DEBT RELIEF NECESSARY FOR THE COMING YEARS. APPARENT STAGNATION IN THE GROWTH OF GDP, NOW AT \$24 BN, REFLECTS GOVT CUTBACKS IN PUBLIC IND. INVESTMENT & IMPORTS. NEVERTHELESS IND. EXPORT EARNINGS ROSE 37% TO \$995 M, WHILE AGRI. EXPORTS GREW 11% TO \$810. THE HIDDEN MILITARY IND'L SYSTEM HAS