



KCCI - Country Wrap (September 2013)

EGYPT



Arab Republic of Egypt – a brief overview

Partially independent from the UK in 1922, Egypt acquired full sovereignty with the overthrow of the British-backed monarchy in 1952. A rapidly growing population, limited arable land, and dependence on the river Nile all continue to overtax resources and stress society. The government has struggled to meet the demands of Egypt's growing population through economic reform and massive investment in communications and physical infrastructure.

Economy of Egypt

Egypt's economy was highly centralized during the rule of former President Gamal Abdel Nasser but opened up considerably under former Presidents Anwar El-Sadat and Mohamed Hosni Mubarak. After unrest erupted in January 2011, the Egyptian Government backtracked on economic reforms, drastically increasing social spending to address public dissatisfaction, but political uncertainty at the same time caused economic growth to slow significantly, reducing the government's revenues. Tourism, manufacturing, and construction were among the hardest hit sectors of the Egyptian economy.

Egypt's economy is largely dependent on petrochemical exports to European nations. The country has healthy trade relations with African nations, the Middle East countries and EU members. It relies on the US as its key security ally, and since the 1979 peace treaty with Israel, it has been able to focus on economic growth, however that growth has been uneven.

Egypt's major trading commodities and partners

The major exporting commodities of Egypt are crude oil, chemicals, processed foods, cotton, textiles, metal and petroleum products. The important exporting partners of Egypt are Italy (8.7%), India (7.3%), Saudi Arabia (6.1%), U.S. (5.2%), Turkey (4.9%), Spain (4.2%) and France (4.2%). While the commodities imported by Egypt include machinery and equipment, foodstuffs, chemicals, fuel and wood products. The major countries that import commodities from Egypt include U.S. (10.7%), Germany (6.3%), China (9.1%), Italy (5.1%), Kuwait (4.7%), Turkey (4.4%) and Saudi Arabia (4.3%).

Economic Relations between Pakistan and Egypt

Egypt and Pakistan established diplomatic relations in 1951, after signing a friendship agreement and since then they have maintained time-honored relations. Many Pakistani groups have been enjoying free trade after setting up their industries in Egypt.

Egypt's Key Business Sectors for Investment

Egypt has high potential market in construction industry showing an increment of 23% in size at least every year. Housing and utilities absorb the bulk of construction sector investments in Egypt. The petroleum sector has also shown outstanding developments in the past few years, with government trying to integrate renewable energy technology on commercial scale. Egypt boasts diversified sources of foreign exchange (the Suez Canal, tourism, private transfers, and oil and gas exports). The privatization has been increased in country enhancing the share of private sector in construction investments by almost 30%. Similarly, around 95% of steel production in Egypt is also contributed by the private sector. The private sector currently dominates 68% of local cement production.

Bilateral Trade Relations between Pakistan and Egypt

The bilateral relations between Arab Republic of Egypt and the Islamic Republic of Pakistan are cordial. In FY13, Pakistan exported goods of worth \$ 170.36Mn whereas imports of goods from Egypt was recorded at \$ 128.18Mn generating a trade surplus of \$ 42.18Mn making trade favourable for Pakistan.

The two countries signed a Bilateral Investment Treaty in the year 2000, recognizing the encouragement and reciprocal protection of investments that are conducive for the simulation of business. In investment, among different Egyptian enterprises investing in the Pakistani market, Orascom Telecom Holding (Mobilink) is actively engaged in the Telecommunication sector in Pakistan with a total investment exceeding \$ 2Bn. On the other side, several Pakistani investments in the field of textile industry are now based in Egypt. The top Egyptian private sector investors and tycoons from different sectors have also evinced keen interest to invest in wind power, solar energy and renewable energy sectors. The Egyptian government has facilitated Pakistani businessmen to enjoy access to American, EU and African markets through Egypt which will help them in achieving common goal of shared prosperity. In addition, Egypt and Pakistan have started to open up new windows for cooperation in several fields, including agriculture, health, higher education, technical support etc.

Potentials for enhancing Bilateral Trade Relations

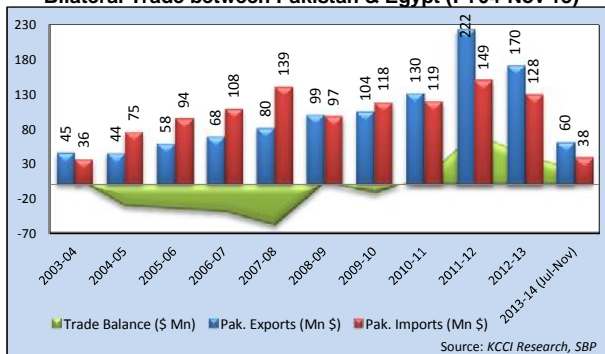
- A reciprocal tariff liberalisation for industrial and agricultural goods to dismantle customs duties and quotas is an option that the two countries have for enhancing their bilateral trade relations.
- Both the countries have potential to improve trade relations, however, measures should be taken to facilitate regular business to business interactions between entrepreneurs of Pakistan and Egypt.
- Currency Swap Agreements are highly considerable to boost the bilateral trade relations between the two countries.
- At present, the government officials of the two countries are trying to boost exchange of trade, political and cultural delegations and cooperate in engineering, telecom, tourism and SME sector.
- Egyptian traders can use Pakistan's strategic location to enter Central Asian markets.
- An innovative alliance with Egypt has also been stressed by the Pakistani government that is based on the principles of joint ownership, dialogue and cooperation.
- Egypt has good experience of utilising alternative and renewable energy sources. Many Egyptian companies are preparing themselves to invest in energy sector of Pakistan. Egypt's Sewedy Cables is considering investing in Pakistan's wind energy sector. This Egyptian company is going to start very soon "Wind Farm" project in Pakistan. There is big potential in agriculture sector for both the countries where wheat and meat could be main areas of cooperation.
- Water conservation would be another area of future cooperation between the two countries.

Economic Indicators

Indicators	Unit	2011	2012	Change
GDP (PPP)	\$ Bn	527.4	537.80	1.97%
GDP per Capita	\$	6,600	6,600	0.00%
GDP growth	%	1.8	2.00	0.20%
Forex Reserves	\$ Bn	17.66	15.26	-13.59%
External Debt	\$ Bn	35.0	39	11.20%
Exports	\$ Bn	27.91	28.37	1.65%
Imports	\$ Bn	55.07	58.76	6.70%
Trade Balance	\$ Bn	-27.16	-30.39	-11.89%
Current Account	\$ Bn	-6.52	-8.42	-29.08%
CPI	%	10.2	8.5	-1.70%
Unemployment	%	12	12.5	0.50%
Discount Rate	%	9.3	9.3	N/A

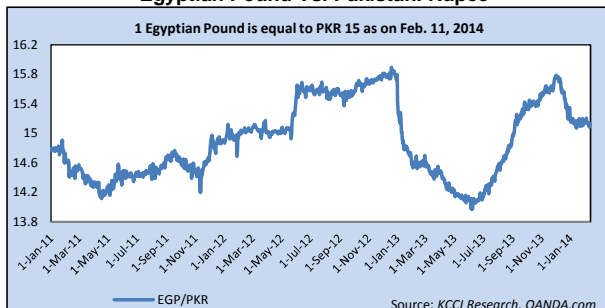
Sources: KCCI Research, CIA Factbook, TDAP, SBP

Bilateral Trade between Pakistan & Egypt (FY04-Nov'13)



Source: KCCI Research, SBP

Egyptian Pound Vs. Pakistani Rupee

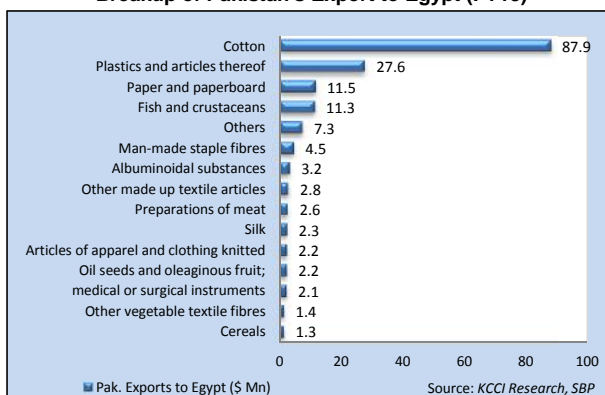


Source: KCCI Research, OANDA.com

Key Memberships

Egypt is a member of AFDB, D-8, EBRD, FAO, G-15, G-24, G-77, IAEA, ICC (national committees), ICRM, IDB, IFAD, IFRCS, ILO, IMF, ISO, LAS, OIC, UN, UNESCO, UNIDO, WHO, and WTO and World Bank Group.

Breakup of Pakistan's Export to Egypt (FY13)



Source: KCCI Research, SBP

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