

Features of the Egyptian Economy

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Introduction:

The security and political turmoil witnessed in Egypt since 2011 has affected the economic conditions of the state, as the rate of economic growth has decreased, the unemployment rate has risen, the size of the deficit in the public budget has increased, the size of the public debt has increased, and Egypt's reserves of foreign exchange have declined in light of the stability of the exchange rate for a long time, as well as the rate of inflation has risen. (Since 2014, the country has embarked on knowledge-based economic growth, moving towards digital transformation, increasing the resilience and competitiveness of the economy, increasing employment rates and decent work opportunities, improving the business environment and promoting a culture of entrepreneurship, as well as achieving financial inclusion and integrating the environmental and social dimension into economic development.)¹

Egypt achieved a low economic growth rate during 2013/2014 by 2.9% as a result of internal events and conditions of instability witnessed in Egypt since January 2011, the stability of security and political conditions reflected on the driving force of economic growth and gradually increased until it reached 5.56% in 2018/2019. Due to the impact of various productive sectors on the Corona pandemic crisis, the economic growth rate in 2019/2020 decreased to 3.57% in 2019/2020. This prompted international institutions to praise the performance of the Egyptian economy and its resilience in the face of the pandemic, amid the decline in growth rates in the face of the pandemic. Different countries are recorded

¹ - Mahmoud Al , OmarJ, Successes and achievements. Study reveals what the Egyptian economy achieved during the period from 2014 to 2021, the seventh day, Monday, October 11, 2021.

for negative rates. The International Monetary Fund (IMF) has predicted that the Egyptian economy will grow by 2.8 percent in 2020/2021, and then rise to 5.2 percent in 2021/2022.²

The study deals with the stages of development of the Egyptian economy since the fifties of the twentieth century, the Egyptian economy has gone through a number of stages since the end of the royal era and the transition to the republican system following the Free Officers Revolution in 1952, and the adoption of the strategy of substitution of imports and the independence of the Egyptian economy from political and colonial pressures through the adoption of socialist orientations, where nationalization decisions and agrarian reform laws were issued, and dependence on the public sector, Central planning, then the stage of political and social considerations that accompanied the implementation of the strategy of replacing imports and led to the decline in the performance of the public sector and the faltering of central planning, and then the cracking of that strategy and the repercussions of the transition to a market economy. In the third phase, which began in the wake of the October 1973 war for the most important policies of economic openness, where the orientation to the market economy, and the adoption of the strategy of orientation to export, and also discusses the most important challenges facing the Egyptian economy, in light of external and internal pressures calling for economic reform and privatization, and finally the study deals with the importance of concluding economic agreements with different countries and their impact on The Egyptian economy.³

² - Features of the Egyptian economy during Period (2014-2021) A study for the Egyptian Center for Thought and Studies, The seventh day, Monday, October 11, 2021.

³ - Dr. Khairy Abu Invitations Fergani, Features of the development of the Egyptian economy in light of political and economic transformations.

I - Stages of Development in Egypt:

Since the mid-sixties until the rise in oil prices in October 1973, Egypt has known the substitution import strategy, which was followed in many developing countries, and the commitment to this strategy was in line with the local and global conditions and capabilities prevailing at the time of the start of this strategy. It is based on economic and practical considerations. Each stage of development has its own potential and problems, which forces the choice of the appropriate strategy for these possibilities and problems, but also in the light of local and global economic variables.

1 - Redistribution of income and wealth (1952 - 1960):

This phase was characterized by the adoption of a number of economic policies in the direction of redistribution of income and wealth, through the clear intervention of the state in economic activity, the most prominent of which was the Agrarian Reform Law of September 1952, and the industrialization policy was sold to absorb more labor and establish (permanent x magazine for the development of national production). He began direct government investment in the Iron and Steel Company in 1954, followed by the nationalization of the Suez Canal in 1956. As state intervention increased, the trend for planning began through the establishment of the National Planning Committee in 1957 instead of the National Production Council.

2 - Comprehensive planning (1960-1966):

It is called the stage of comprehensive planning and one of its most important features is the comprehensive national economic planning and socialist application, and the first comprehensive five-year plan was started 60-1965 based on a leading economic sector supported by several policies, the most important of which are socialist laws, determining working hours and wages, regulating the

relationship between the landlord and the tenant and interfering in the determination of prices, and this stage resulted in achieving a growth rate of 38% during the five-year plan.

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3 - War economy (1967 - 1973):

The stage of development of the Egyptian economy and the stage of the war economy, where the economy suffered from the problem of financing the plan and economic policies served the readiness to liberate the occupied Egyptian territory, and military spending increased from 5.5% of GDP in 1962 to 10 % in 1967, and then to 20% in 1973.

4 - Economic openness (1974-198):

It was characterized by economic openness and a radical transformation was made in economic systems and policies, and the most prominent features of this phase were the transformation from the comprehensive central planning system, replacing it with annual programs in the form of mobile plans, and the use of Arab and foreign capital in financing development and the laws of economic openness appeared, and one of the most important results

⁴ - Mahmoud Al , OmarJ, Successes and achievements. Study reveals what the Egyptian economy achieved during the period from 2014 to 2021, the seventh day, Monday, October 11, 2021.

of this stage is the achievement of economic growth rates. It was up to 9.8% but was more related to growth in the service sector than to the production sector.

5 - Return of Comprehensive Planning (1982-1990):

The return to comprehensive national planning, and the continuation of the policy of economic openness and investment promotion, has initiated the implementation of a national project for economic development, and the call for the convening of the economic conference was launched in February 1982 to determine where and how the development process in Egypt begins.

The economists and specialists of this economic conference agreed on the need to follow an ambitious and continuous development strategy through the five-year plans that began in 1982. The priorities of the development process in the first phase have been identified as follows:

- Building a strong basic infrastructure,
- debt scheduling,
- Intensifying the transition towards a market economy,
- abolish the central planning system and replace it with an indicative planning method,
- Reconsider the priorities of the plan,
- Gradually reducing the role of the public sector,
- Shift to the private sector while retaining the role of the state in managing the economy in a manner that ensures price stability, external balance, equity in distribution and prevention of monopoly,
- Transition from manufacturing to import substitution to manufacturing for export.

The above-mentioned economic policies are the beginning of a new phase in the Egyptian economy, where their effects were reflected in the first five-year plan (82/83-86/1987). (Which It is considered the second fixed plan after the first plan in 60/1964). Due

to the existence of the factors of stability and flexibility and the detailed objectives contained therein, it can be described as a plan (clear objectives and foundations) as it was of an applied nature in which the overall objectives were distributed among economic activities and the main assignees so that the entities become fully aware of the objectives to be achieved.

II - Economic reform in Egypt (1991-1997):

This phase began in 1990 and continues until now. This phase came within the framework of the transition to market economy mechanisms and several measures have been taken to address monetary and structural imbalances, the most important of which are:

- Interest rate liberalization,
- Reform and liberalization of the exchange rate,
- Establishment of a free market for foreign exchange,
- Implement programs for privatization, liberalization of the public sector and foreign trade.

During the nineties of the twentieth century, Egypt exerted great effort to shift from a directed economy to a free economy, which led to reducing the budget deficit, reducing the inflation rate to less than 3%, stabilizing the exchange rate, in addition to liberalizing its trade, eliminating restrictions and obstacles to investment, and privatizing more than 50% of public sector companies, which led to a rise in the annual economic growth rate to 5 %.

During the period from 1991 to 1997, Egypt succeeded in the economic reform program and the Egyptian economy began to achieve more success, although it faced some difficulties as a result of being affected by the world economy since 1997 due to the economic crisis in the East Asian countries that caused the world economy to enter a period of slowdown, since that year the Egyptian economy has faced a set of challenges represented in:

- High budget deficit,
- high credit rates,
- Decline in oil revenues from foreign exchange.

Despite these challenges, the Egyptian government has been able to control the budget deficit through many economic measures, legislative reforms in the field of taxes and customs and some important economic laws.

The following is the process of economic development in various sectors during the sixth phase, the reform phase and liberalization of the Egyptian economy:

1- Reform of the Egyptian tax system:

It includes many procedures related to taxes and duties, especially taxes on income, taxes on profits of money companies, sales tax and tariff. The aim is to attract domestic and foreign direct investment, thus comprehensively developing a tax system, the main dimensions of which are as follows:

- Facilitate production and investment processes.
- Make available continuous resources of public revenues.
- Encourage technology transfer and reduce its cost.
- Reduce the burden of financing on companies.
- Activating the principles of tax justice.

A - Taxes on income: The Tax Law No. 91 of 2005 and its Executive Regulations were promulgated and represent a qualitative leap and a new turning point in Egyptian tax policy, with regard to the treatment of financiers by the tax system. The tax brackets have been reduced to about 50% or less so that citizens and everyone working in the field of economic activity benefits from it.

B - Taxes on the profits of money companies: In order to stimulate investments of all kinds, the tax system provides for granting money companies a large package of tax exemptions, and postponing the fulfillment of the right of society to subject the entry

of these companies to tax for varying periods of time, ranging from 5 to 20 years depending on the geographical location, after which these incomes are subject to tax.

C - Sales Tax: With the start of the implementation of the economic reform program in Egypt, the shift to the sales tax system was transformed to replace the qualitative taxes on consumption. The sales tax system has undergone multiple developments, which have stabilized that system and established its concepts within society.

2 - Development of customs tariffs:

The decision of the Minister of Finance No. 10 of 2006 containing the executive regulations of the Customs Law was issued, and all procedures, instructions and interpretations were compiled into a single document to be the only reference for dealing with customs at all Egyptian ports, and the simplification of customs procedures is one of the most prominent elements of the economic reform program during the current stage through a set of customs amendments aimed at:

A) Streamlining the tariff structure.

(b) Encouraging investments in light of the reduction of customs on imports of machinery, equipment and spare parts.

C. Moving the market, lowering prices and encouraging exports.

D. Raising economic efficiency through the arrival of the commodity to the consumer with high quality.

Reducing the disputes that may result from the multiplicity of tariff categories, reducing the number of tariff categories from 26 to only about 5 categories, and reducing the overall average tariff to about 9%.

3- Reform of the Egyptian banking system:

The process of reforming Egypt's banking system began with the promulgation of a new law in 2003, which provides the Central

Bank of Egypt with sufficient independence to exercise its functions freely and efficiently, and to make the necessary adjustments in monetary policy with the aim of increasing banks' foreign exchange resources. The Egyptian government attaches great importance to the program of restructuring banks, expanding mergers and increasing foreign contributions to the banking sector, as this sector witnessed extensive mergers during 2006, which contributed to the liberalization of the exchange rate of the Egyptian pound towards foreign currencies. Revitalizing the movement of market dealing, stimulating and attracting more investments to increase the value of local liquidity to about 560.4 billion pounds in June 2006.

4- Privatization policies in Egypt:

Since 1991, Egypt has been implementing a privatization policy (selling public sector enterprises and companies to the private sector), and the state is no longer the sole investor, and its role has become based on indicative planning and directly implementing public investments necessary for economic and social development, mainly in infrastructure projects.

As a key component of economic reform, its privatization policy was based on special mechanisms aimed at preparing the Egyptian economy for the privatization process through restructuring economic institutions and restoring the required balance in basic economic variables while following policies that have contributed to opening the door for the private sector to enhance its participation in activity. Economic. Among the most important objectives of the privatization process in Egypt are:

- Increase the rates of use of the available energies of public sector companies,
- Expanding the ownership base among citizens,
- Allocating the proceeds of sale to pay off the indebtedness of banks,

- Attracting and recruiting foreign capital for investment,
- Revitalize the money market.

III - Egyptian Foreign Trade and Export Promotion

The integration of the Egyptian economy with the world economy increased during 2005/2006, increasing the proportion of foreign trade (imports and exports) to about 60% of GDP. Merchandise exports have achieved a remarkable increase of about 16.60 billion pounds of which 7 are petroleum exports. 10 billion pounds, and the value of merchandise imports amounted to about 27.87 billion pounds. The current surplus and remittances in the same year also saw an estimated increase of \$3.5 billion compared to a surplus of \$2.9 billion the year before.

The main weakness of the current and future economic situation is the widening gap in the trade balance between merchandise exports and merchandise imports, sometimes amounting to US \$ 9 billion per year. Egypt enjoys a period of reducing the gap in the coming years, through invisible exports such as Suez Canal income, tourism income, remittances of Egyptians working abroad and the flow of foreign aid, but the size of these sources fluctuates, and therefore, the "trade balance gap" is reduced by achieving a real boom in commodity exports and improving the structure, structure and quality of production, otherwise the gap will be formed. The trade balance is a source of threat to the Egyptian economy, and its continuation leads to pressure on the exchange rate of the Egyptian pound and the foreign exchange reserves of the monetary authorities, especially in light of the trade and financial liberalization policies followed by Egypt. ⁵

⁵ - Dr. Mahmoud Abdel Fadil, Egypt and the Winds of Globalization, Al-Hilal Book Series 6.

IV - The Social Fund for Development in Egypt:

Since its establishment in 1991, the Social Fund for Development has sought to develop the SME sector and create and provide more job opportunities, especially for the owners of new small enterprises, providing them with credit packages and technical assistance and working to provide them with the skills required for success and provide them with technological knowledge, whether Egyptian or international. Among the most important objectives of the Fund are:

(a) Creating job opportunities for new graduates and unemployed youth;

(b) Further investment in services of a social, health, educational and environmental nature;

(c) Finding mechanisms that will improve the standard of living conditions and protect the affected groups, including the mirror, the child and the elderly;

(d) Involving private NGOs and voluntary associations in the implementation of projects that serve the target groups;

Strengthen partnership with government agencies and all key actors in the decision-making process.

The Fund contributed to the establishment and financing of more than 510,000 small and micro projects with a financing volume of EGP 6 billion, and created 1.2 million jobs, in addition to 500,000 temporary jobs provided by the projects of the Human and Community Development Sector of the Fund.⁶

The Fund's future plan is to expand the granting of loans for the development of small enterprises as one of the important mechanisms to address unemployment, where all facilities and incentives will be provided to encourage the establishment and

⁶ - Secretary General of the Fund at the Youth Forum for Peace, Abu Qir Camp in Alexandria, 4-8-2006.

establishment of small enterprises by young people. The Fund also provides small business owners with many facilities in the fields of training, raising skill levels and marketing their products through the establishment of exhibitions inside and outside the Republic. This is because the development of small, medium and micro enterprises is one of the most important topics that occupy a large part of the issue of social and economic development in Egypt.

External debt problem: Egypt suffers from a large volume of external indebtedness and debt servicing. The Government was striving to address the problem of external debt, with the value of long-term debt in 2004 amounting to about 31. \$09 billion.⁷

V - Challenges facing the Egyptian economy:

What is the real challenge facing the Egyptian economy? Is it to improve the structure of the real economy in kind and develop production structures, directing them towards agriculture, industry and modern high-tech services, expanding the export capacity of the national economy, rationalizing savings and investments between sectors with a high development return, and away from the sectors that Based on speculation and quick profit?

- The real economic challenge facing Egypt:

In the coming years, Egypt should work seriously to improve the conditions of the real economy, increase productivity, improve the efficiency of investment distribution, raise export capacity, and improve the balance and structure of human finance. ITo move from the stage of economic reform to the stage of sustainable development. The fruitful bet is to seek a balance between the growth of the "real economy, on the one hand, and the expansion of the financial sector (financial markets and financial services) on the other. (This requires continuing the Central Bank of Egypt's cautious policy of controlling the scale of the expansion of bank

⁷ - Monetary Fund Arab Unified Arab Economic Report 2006, p. 354.

credit, the distribution pattern of the loan portfolio, and monitoring the movements of short-term foreign capital entering the Egyptian capital market. The development of the debts of the banking sector in foreign currencies, which maintains the discipline of the financial sector and the integrity of its indicators).⁸

Egypt also faced many economic challenges as a result of the political and security turmoil witnessed during the period (2011-2013), and the challenges affected aspects of economic and social life, as all macroeconomic indicators decreased and the standard of living of the citizen declined, and the political leadership realized that there is no development without achieving security and stability, so the Egyptian state declared war on terrorism and raised the slogan of a hand to adopt and a hand to bear arms, and the state plan was based. In building and developing on constitutional entitlements and Egypt's Vision 2030 emanating from the Sustainable Development Goals.⁹

The Egyptian economy faces a number of challenges that need to be dealt with, both economically and socially, the most important of which are: ¹⁰

VI - Economic Development Plan:

The economic development plan is determined mainly by reaching a number of modernization data, such as increasing productivity, achieving a measure of economic and social equality, consolidating modern knowledge and developing productive and service institutions, and it must strike a delicate balance between the

⁸ - See, Features of the Egyptian economy during Period (2014-2021) A study for the Egyptian Center for Thought and Studies, The seventh day, Monday, October 11, 2021.

⁹ - Mahmoud Al , OmarJ, Successes and achievements. Study reveals what the Egyptian economy achieved during the period from 2014 to 2021, the seventh day, Monday, October 11, 2021.

¹⁰ - Engineer Sherif Dalwar An Egyptian businessman who worked as a consultant with the United Nations Industrial Development Organization.

advantages of integration into the world economy and the risks of this openness, especially to the national industry.

1 - The structure of Egyptian industrial production:

It has become necessary to reassess the structure of Egyptian industrial production on the basis of competitive advantages based on knowledge and technology. Egyptian industry must first identify industries with a comparative advantage in the basic factors of production. This axis is the starting point but this does not guarantee continuity or progress, as these industries must be transformed into the stage of innovation, and this therefore makes the choice governed by the group of industries that do not rely heavily on economies of scale (leather industries - textiles - food furniture contractual industries) and then shift to innovation by obtaining the best technology, through global alliances to be able to provide global investment, management and marketing methods.

2 - The problem of unemployment:

The problem of unemployment in Egypt is one of the most important challenges for economic policymakers and society with a family, and the expansion of investments and the promotion of service projects are at the forefront of policies to address the problem of unemployment followed by small industries and crafts, and the new technology will have an impact on the business style and skills required of the workforce, where many professions will be abolished and other professions will be created in new areas, especially in the service sector, which will continue to expand to accommodate the expected growth in the workforce, but the shift to the telecommunications community Information would require an unprecedented set of professions and skills, and new technologies should therefore not be resisted because in the long run that would lead to the deterioration of domestic industry and competitiveness.

(Economic growth rates have been reflected in the employment situation in Egypt ; the unemployment rate recorded 13% in 2013, as a result of the decline in investments, the reluctance of the private sector to increase production, the existence of a state of anticipation of market conditions in light of turmoil and instability, and with the stability of the security and political conditions and the state's orientation towards developing the infrastructure necessary to attract investments as well as the clarification of government investments in Egypt. Major national projects, the unemployment rate gradually decreased from 2014 until it reached 7.9% in 2019. As a result of the repercussions of the Corona crisis and the imposition of precautionary measures, partial closure, reduction of working hours and rotation of workers in different sectors, the unemployment rate rose to 9.6% in 2020, and by following up on the data of the quarterly unemployment rate, it is noted that unemployment rates return to pre-pandemic levels, as the unemployment rate for the quarter of the fiscal year 2020/2021 ranged from 7.2% to 7.4%, after recording 9.6% during the last quarter of the fiscal year 2019/2020. which witnessed the first wave of the Corona pandemic).¹¹

VII - The International Monetary Fund and the Economic Reform Program in Egypt:

In 2016, Egypt began implementing a program for economic reform in cooperation with the International Monetary Fund, according to which Egypt obtained a loan worth \$ 12 billion divided into six tranches to finance the national program for economic and social reform, and therefore the program included main pillars, including:

¹¹ - Features of the Egyptian economy during Period (2014-2021) A study for the Egyptian Center for Thought and Studies, The seventh day, Monday, October 11, 2021.

- The field of monetary reform, seeking to activate the policy of liberalization of the exchange rate of the pound,
- The field of financial reform J, reform of the subsidy system, liberalization of energy prices and raising the efficiency of tax collection,
- The field of structural reforms, creating an investment environment, enhancing accountability and fighting corruption of all kinds,
- The field of social protection has included restructuring the support system and extending the umbrella of social protection to achieve comprehensive development.¹²

– **Privatization:** The program of specialization or privatization in Egypt tends to dismantle the general monopolies in the field of distribution networks, transport, communications, aviation, electricity, gas, postal services and others, and transfer them to the private sector, (and the private sector is better able to manage them provided that there is no monopoly), and then turn to large industrial projects, and the achievement of tangible and rapid results in the service sector when allocated will create confidence among the public in the entire process of specialization. It thus revives money market transactions so quickly that are not as available in the case of industry.

The transfer of ownership of factories and companies from the state to individuals will not be useful if it is not accompanied by the development of management, as Egyptian industrial capitalism is still modern and there have not yet been significant capital accumulations, and therefore the acceleration of the allocation of Egyptian industrial facilities, means that foreign capital is required,

¹² - See, Features of the Egyptian economy during Period (2014-2021) A study for the Egyptian Center for Thought and Studies, The seventh day, Monday, October 11, 2021.

especially in the field of technology transfer and administrative expertise and the opening of foreign markets, but to the extent that it does not eliminate Egyptian capitalism with a focus in the dialogue of specialization on (the problem of management). The advantages and disadvantages of specialization in each case are measured by good management measures.

The policy of privatization of some government banks has confirmed the seriousness of the government in reforming the banking sector, and the efforts of the Central Bank in strengthening the financial positions of banks, whether through increasing their capital or by reducing the proportion of doubtful debts, have been successful.

VIII - Improving the standard of living of the citizen:

The responsibility for improving the standard of living of citizens lies with the private sector and local government, which have the main role in the process of modern development, as the market economy is based on two main pillars (the private sector and the decentralized system of local governance), and therefore the efficiency and effectiveness of the role of the private sector in development cannot be achieved without the development of the central governance system, including the education and health sectors and some types of taxes and exemptions as well in the fields of water, electricity and sanitation services.

1 - Communication and Information Structure:

It seems that invention, innovation and creativity have become the main weapons of economic leadership, and knowledge has become what drives the economy, and this requires a system of communication and information that connects state agencies and various institutions as well as linking them to the outside world and international information banks, which I have termed "super highways" where the communication and information network acts

as highway networks in the era of the Industrial Revolution and thus represents the "electronic nervous system" of the economy of the twenty-first century.

2 - Modern economic management:

The Egyptian economic administration faces a formidable challenge in reshaping its mentality and reorienting it to keep pace with the thinking and dynamism of the global market. Those who manage enterprises must be skilled and skilled in recognizing complex issues, analyzing problems and providing solutions, so business management in Egypt should be entrusted to the distinguished elite in society, and the educational and social system should secure the best Egyptian minds in both the business sector and the government sector.

3. Fiscal Policy:

Fiscal policy needs redoubled efforts to achieve a better achievement with regard to the budget deficit, which has fallen from about 9% to less than 7%, but the current level remains high and has a negative impact on public indebtedness, which is itself high. The burden of servicing public indebtedness, represented by interest rates on this indebtedness, is high and may exceed 15% of revenues. The slight reduction in the budget deficit does not seem to be very reassuring as it has been adopted Some non-recurring revenues through the sale of certain assets may require reforms on both the revenue and expenditure sides of the budget to reach a sustained reduction in the budget deficit and expenditure.

IX - Inflation rate and liberalization of the Egyptian pound:

One of the pillars of Egypt's economic reform program was the implementation of the exchange rate liberalization policy in November 2016, with the aim of eliminating the parallel currency market and maintaining foreign exchange reserves in the safe borders, in light of the instability of foreign exchange flows.

Received from investment, tourism and exports at the time. (It is known that the first effect of the liberalization of the exchange rate is a significant one-time rise in inflation and not gradually, as this decision coincided with the launch of social protection programs to maintain the standard of living of citizens in light of the high inflation rates, which rose from 9.5% in 2013 to 29.5% in 2017. Reining in inflation through the application of an inflation-targeting policy, the following period witnessed a gradual stabilization of the general level of prices until the inflation rate reached 5% in 2020. The monthly inflation rate was 5.7% in August 2021).¹³

(The fixed and managed exchange rate system that was implemented before November 2016 led to a decline in foreign exchange, especially in light of the internal turmoil and the consequent decline in confidence in the local currency, which led to pressure on the cashreserves of the Central Bank of D, and reduced the coverage of commodity imports, as the reserve of Foreign exchange to \$15.9 billion, covering 2.9 months of merchandise imports in November 2014, prompted monetary authorities to take the decision to liberalize the exchange rate in November 2016. The exchange rate of the Egyptian pound has witnessed a clear fluctuation with the liberalization of the exchange rate, reaching 18.1 pounds/dollar in 2016/2017 and gradually declining as confidence in the Egyptian economy is restored. It even reached 16.1 pounds/dollar in 2019/2020, and reached 15.7 pounds/dollar in September 2021.

¹³ - Statement issued about Bank Central Egyptian Apparatus Central For General Mobilization and Statistics.

After the foreign exchange reserves recorded \$15.9 billion in November 2014, it took an upward trend to reach \$40.6 billion in July 2021 despite the impact of the coronavirus crisis.¹⁴

1- Monetary Policy:

Monetary policy has played an important role in stabilizing the exchange rate, restructuring the banking sector and strengthening the financial centers of the rest of the banking sector, but there are challenges that the Central Bank needs to deal with efficiently, especially in the field of combating inflation, achieving price stability and working to continue improving financial intermediation services for the banking sector.

2 - Floating the Egyptian Pound:

At the beginning of 2003, the Egyptian government issued a decision to float the Egyptian pound against the US dollar and other foreign currencies, which means that a significant actual depreciation could be inflicted on the Egyptian pound towards foreign currencies. On the first day of the floating pound, the banking market witnessed a great rush by individuals, especially travelers to perform the Hajj. In a first-of-its-kind first in 12 years, banks responded to all the orders they had poured in to buy foreign currency. According to sound economic standards, the new system will push dollar holders to get rid of what they have, leading to the flow of dollar proceeds to banks again, but the dollar rate rose on the first day of the implementation of the decision from 4.62 pounds to 5.35 for purchase and 5.39 for sale, bankers considered this elevation as normal as the beginning of a new system. However, fears of a major collapse of the Egyptian currency dominated yesterday among ordinary citizens, who are not concerned with

¹⁴ - Features of the Egyptian economy during Period (2014-2021) A study for the Egyptian Center for Thought and Studies. The seventh day, Monday, October 11, 2021.

banking policies, except in what affects their lives and their already low standard of living.

The decision to float the Egyptian pound against the dollar obliged exchange companies to set their prices according to the rate decided by commercial banks in this regard. Under the new measures, commercial banks are obliged to inform the Central Bank of Egypt every hour of the change in exchange rates.

The experts' assessments and expectations of the new decisions varied. Some considered that the time is not right to take the decision to float the pound for several reasons, foremost of which is that the market suffers from the lack of availability of hard currency through the banking system, due to the imbalance between supply and demand, in addition to the high demand in the current period due to the Hajj season and the increase in demand for the dollar and Saudi riyal.

Emphasis should be placed on reconciling success in some economic indicators such as high growth rate and increased investment with achievement with regard to social indicators such as the level of poverty, unemployment, the level of education and other services. In light of these data, it seems that Egypt needs to move forward in this direction to deal with a range of options that may not be easy.

First, how to improve the standard of living of the poor classes and rationalize subsidies to alleviate the budget deficit.

Second: How to increase spending on infrastructure and social projects and reduce the budget deficit.

Third: How to accept the continuous improvement in the purchasing power of the pound without harming the competitiveness of Egyptian and tourism exports.

Fourth: How to raise the interest rate to combat inflation with the need to reduce the burden of costs of servicing public indebtedness.

Fifth: How to raise the interest rate to combat inflation with the need to increase the rate of economic growth.

This means that reform efforts in Egypt must lead to a tangible improvement in the standard of living of individuals, especially the poor classes, the reduction of poverty and unemployment, the narrowing of class disparities, and a more equitable sharing of the fruits of reform and economic recovery among different segments of society.

X - Improving the investment environment to encourage investors:

The investment environment in Egypt has witnessed a remarkable development starting from 2014; after the issuance of new legislation to encourage investment, automate the services of the Investment Authority, activate some services electronically, develop investment links, and simplify procedures through direct communication with investors to overcome the obstacles facing them. Coordination between the competent ministries and government officials, (as well as work was done to resolve investor disputes through the Ministerial Committee for the Resolution of Investment Disputes, in addition to the opening of a number of investor service centers in the governorates to reach a total number of investor service centers in Egypt 12 centers, and the development of freezones that There were 9 public free zones, in addition to adopting an integrated plan to repair infrastructure, launch many major national projects and build roads and facilities to attract and facilitate investments. As a result, the total investments implemented increased significantly, reaching a maximum of 922.5 billion pounds in 2018/2019, and then decreased in 2019/2020 as a result of the impact of the Corona crisis and its negative

repercussions on the flow of investments, the cessation of economic activities and the high degree of risk).¹⁵

1- General budget and size of public debt:

The total deficit of the state budget in 2013/2014 was recorded at up to 12%, then the state budget deficit gradually narrowed through the implementation of policies that would increase public revenues and reduce public spending, mainly the replacement of sales tax with VAT in October 2016, and energy subsidies were gradually lifted. The implementation of the automatic pricing system, as well as the reform of the subsidy system and the exclusion of undeserving groups, which led to an increase in state revenues on the one hand and ensuring that subsidies reach those who deserve them on the other. These policies have borne fruit, as the first surplus was achieved for the first time in 2017/2018 amounting to 1% of GDP and increased to 2% in the draft budget for 2020 /2021, as well as the reduction of the total deficit in the country. In the budget for the year 2019/2020 and reached 7.2%, and continued its decline in the draft budget of 2020/2021 for mereached 6.3%.

The performance of the state budget has been reflected in the public debt, as it is noted that the public debt increased significantly during the period from 2013/2014 to 2016/2017 as a result of the expansion of the state in major national projects to raise economic growth rates and stimulate domestic and foreign investment, and despite the fact that the domestic debt rate reached 94.5% of GDP in 2016 /2017, it quickly took a downward trend. In addition, it has

¹⁵ - The seventh day, Monday, October 11, 2021. Features of the Egyptian economy during Period. (2014-2021) A study for the Egyptian Center for Thought and Studies.

achieved the desired goal of raising employment rates, stimulating investment and driving economic growth.¹⁶

In mid-May 2004, the Egyptian parliament approved the imposition of new duties and tax increases on cars, restaurants, travel abroad and cellular services, making it clear that Egypt has been living for years at a higher level than its potential with the growing public budget deficit financed by internal debt, an ongoing problem for the government that experts have divergent opinions on ways to solve it.

The steady increase in the budget deficit, which is rising at a rate greater than GDP, is increasing the burden of internal debt. This debt amounted to about 370 billion pounds (\$59.6 billion) in 2004-2003, of which 266 billion pounds were debts owed directly by the government and the rest by public institutions. Egypt's external debt stood at \$28.7 billion at the end of June 2003.¹⁷

According to experts, state resources (taxes, customs, duties and profits of public companies) are expected to remain below current expenditures (wages, commodity support, debt services, etc.), leading to the increase in the size of government debt. Thus, a thousand parchments between resources and expenditures have reached a thousand. About 20 billion pounds in 2004-2003.¹⁸

Because of the thousand parchments between resources and expenditures, the state is forced to borrow to cover basic needs, which calls for the fact that "Egypt lives above its means." This means that the state no longer contributes to national savings but rather contributes to "passive savings" by borrowing from the

¹⁶ - Features of the Egyptian economy during Period (2014-2021) A study for the Egyptian Center for Thought and Studies, The seventh day, Monday, October 11, 2021.

¹⁷ - According to Mr. Medhat Hassanein, Minister of Finance Egyptian.

¹⁸ - According to Professor of Economics at Al-Azhar University, Dr. Mohamed Abdel Halim.

savings of individuals and companies to spend on their needs at the expense of investment.¹⁹

2 - QIZ Qualifying Industrial Zones:

Egypt signed a protocol providing for the establishment of Qualified Industrial Zones (QIZ), whose products must include 11.7% of the Israeli component in order to be able to export their products to the American market without customs duties, and the number of Egyptian factories within these zones reached 680 factories, including 203 factories. Most of the products of these factories are concentrated in ready-made garments and textiles, while food companies, especially dryers, have expressed their desire to join the protocol to exempt them from customs on their products if they enter the American market.

On 9/10/2007, the QIZ Protocol was amended so that the percentage of the Israeli component would be reduced from 11.7% to 10.5%. This reduction will contribute to increasing the productivity of Egyptian companies and increasing the number of Egyptian workers as well as increasing exports within the framework of the QIZ agreement.

A joint letter was also signed by the Egyptian and Israeli sides that will be addressed to the offices of the U.S. Trade Representative to request approval to include the governorates of Upper Egypt, Fayoum, Beni Suef, New Valley, Minya, Assiut, Sohag, Qena and Aswan, 8 new governorates to the Protocol of the Existing Eligible Zones.

XI - The Egyptian economy during the period of security and political turmoil witnessed by Egypt since (2011-2021):

(In late 2019, the Coronavirus swept through all countries of the world, affecting various developed and developing economies, and

¹⁹ - According to Dr. Ibrahim Al-Issawi, an expert at the Institute of National Planning.

despite its impact on the indicators of the economic economy, the structural reforms carried out since 2014 enabled the Egyptian economy to withstand the negative repercussions of the Corona pandemic, and this was reflected in the confidence of international institutions in the ability of the Egyptian economy. Egypt and the IMF agreed on a 12-month Credit Readiness Agreement (SBA) that would allow Egypt to receive the equivalent of 3.76 billion SDRs (about \$5.2 billion or 184.8 percent of its membership share). The program aims to help Egypt adapt to the challenges of the COVID-19 pandemic by supporting the balance of payments and the general budget, and has helped protect economic stability. The kidneys that have been achieved over the past three years, as well as supporting health and social spending to protect vulnerable groups, and promoting structural reforms in order to move towards the path of continuous recovery with higher and more comprehensive growth for all segments of society and job creation in the medium term.

As a result of the repercussions of the Corona crisis and the imposition of precautionary measures, partial closure, reduction of working hours and rotation of workers in different sectors, the unemployment rate rose to 9.6% in 2020, and by following up on the data of the quarterly unemployment rate, it is noted that unemployment rates return to pre-pandemic levels, as the unemployment rate for the fiscal year 2020/2021 ranged from 7.2% to 7.4%, after recording 9.6% during the last quarter of the fiscal year 2019/2020, which He witnessed the first wave of the Corona pandemic.²⁰

²⁰ - Features of the Egyptian economy during Period (2014-2021) A study for the Egyptian Center for Thought and Studies, The seventh day, Monday, October 11, 2021.

XII - Syrian-Egyptian Economic Relations:

Syrian-Egyptian trade relations witnessed a significant development during 2006 as Egyptian exports to Syria increased from \$259 million in 2005 to about \$550 million, according to statistics from Syria's Central Bureau of Statistics. In contrast, the total value of Syrian exports to Egypt in 2006 amounted to about 383 million US dollars compared to 135 million dollars in 2005. Egypt imported about 700,000 tons of Syrian wheat during 2006/2007 in exchange for Egypt exporting 150,000 tons of rice to Syria.

This increase led to an increase in the volume of trade exchange between the two countries during the said period, reaching for the first time \$ 933 million during the year 2006 compared to \$ 394 million for the year 2005, an increase of \$ 539 million estimated at 136.8 percent, and the trade balance during 2006 achieved a surplus in favor of Egypt of \$ 167 million, an increase of 34.7 million percent from the same period in 2005.

Egyptian exports to Syria include rice, vegetables and fruits, essential oils, cheese, soap, detergents, fertilizers, aluminum, cement, solid and rolled products, while Egypt's imports from Syria are wheat, lentils, Qamar al-Din, cotton yarns, leather, olive oil, bakery products, linens, furnishings, unprocessed clothing, anise seeds and cumin.

With regard to Syrian investments in Egypt, the statistics of the General Authority for Investment in Egypt showed that the value of these investments amounted to 929.84 million Egyptian pounds until the end of 2007 for 431 companies distributed between textiles, food, chemical, agricultural, manufacturing and tourism industries, in contrast to the value of Egyptian investments in Syria amounted to about \$ 22.4 million in the fields of transformers, electrical cables

and cement and is expected to reach more than \$ 50 million by the end of 2007.

The Egyptian Economic Relationship regulates a number of agreements, including the Economic Cooperation Agreement of 1990, the Protocol for Coordination, Cooperation and Agricultural Integration in the same year and the Protocol for the Promotion of Investment between the two countries in 1997. A memorandum of understanding for cooperation in the field of WTO agreements between the Syrian Ministry of Economy and Trade and the Egyptian Ministry of Commerce and Industry in 2006. The last cooperation agreement was signed between the Cairo and Damascus Chambers of Commerce on 8/9/2007. ²¹

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²¹ - Damascus – SANA Thursday, March 20, 2008, Ambassador Ismail.

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