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## WHITHER THE EGYPTIAN ECONOMY?

*Rodney Wilson*

The Egyptian economy has changed considerably during the last two decades since the death of Nasser, but opinions vary over the direction in which it is heading. It is no longer correct to classify the country as a primary agricultural producer, since agriculture accounts for less than one-fifth of the gross national product, and over half the population now lives in urban areas. Raw cotton, the dominant export for over one hundred years until the 1960s, earns a mere 10 per cent of visible export receipts. Crude oil replaced cotton in the 1970s as the major visible export with the return of the Sinai oil fields following the Kissinger peace accords, but it is also diminishing in importance, partly reflecting the substantial relative fall in oil prices. Egypt in any case was never a large enough producer to gain admission to OPEC, and today it has only 13 years of reserves left at current production levels.<sup>1</sup>

Industrialization has a long history in Egypt, dating from the ill-fated attempt by Muḥammad 'Alī in the early nineteenth century to establish a mechanized textile industry.<sup>2</sup> The 1920s finally witnessed the opening of successful spinning and weaving plants with the help of finance from Bank Misr,<sup>3</sup> but it was only in the 1950s and 1960s under Nasser that a heavy industrial base was established, with the Helwan steel plant as its centrepiece. Nasser's industrialization was based on an import substitution strategy designed to secure economic independence,<sup>4</sup> a goal that was to some extent achieved despite the tensions with the West and the 1967 war with Israel.

Although a diversified range of industries was established, with reasonable input-output linkages, the state sector plants were much criticized for the poor quality of their output and their lack of price competitiveness by international standards. To some extent the criticism was misdirected, as this was not the objective of the industrial planners who envisaged continuing protectionist measures, including subsidies if necessary, to nurture the manufacturing sector. The gain was in the learning experience of using new technologies, not in providing the lowest cost output to disloyal customers.

*Infiṭāh: a means or an end?*

Under Sadat economic policy changed, with a new outward orientation designed to bring Gulf Arab capital into the country combined with Western

<sup>1</sup> BP, *Statistical Review of World Energy*, June 1992, p.2.

<sup>2</sup> Roger Owen, *The Middle East in the World Economy*, London, Methuen, 1981, pp.69-72.

<sup>3</sup> Marius Deeb, 'Bank Misr and the Emergence of the Local Bourgeoisie in Egypt', in Elie Kedourie (ed.), *The Middle Eastern Economy*, London, Cass, 1977, pp.70-86.

<sup>4</sup> Robert Mabro and Samir Radwan, *The Industrialisation of Egypt, 1939-1973*, Oxford, Clarendon Press, 1976, pp.191-210.

technology and know-how.<sup>5</sup> Though detailed incentives were drawn up to attract investment under law number 43 of 1974—the so called ‘open door’ or *infitāh* policy—it was by no means clear what the economic objectives of the policy actually were. No distinction was drawn between portfolio investment by individuals and institutions and direct investment by multinational companies. With the Cairo stock exchange virtually moribund, no domestic market in Egyptian government paper and a largely inconvertible currency, the former was unlikely. For multinationals these factors also mattered, but the overriding concern was the high perceived political risks in a volatile region such as the Middle East—risks which the peace treaty with Israel enhanced rather than dispelled.

The much heralded five-year plan for the 1978–82 period was a largely meaningless document which talked about establishing priorities, but did not indicate how this was to be done.<sup>6</sup> It was supposed to support *infitāh*, yet the policy is never mentioned in the document. Instead, in an effort to deflect popular discontent following the food riots of 1977, there was an emphasis on a ‘social contract’ between government and people. However, the contents of the contract were not defined, nor indeed its purpose. The authors of the document were clearly out of touch with reality when they stated that ‘Egypt has come into the forefront of the welfare societies of the world’.<sup>7</sup> There is a recognition of past administrative weakness and production inefficiency, but this ‘has been due to the sheer weight of the load which the government shoulders. It has been impossible to maintain quantity or quality in the services which must be extended so widely to so many’.<sup>8</sup>

This failure, which continued and worsened in the 1980s despite the admissions contained in the plan, resulted in Islamic groups providing basic welfare provision independently of government. As a consequence a parallel and growing Islamic economy developed in Egypt, with fundamentalist groups winning increased support from the urban poor and those in the countryside, especially in Upper Egypt. As a long-term strategy to win power from the grass roots up, this makes considerable sense. Government efforts to thwart this have not succeeded and have often been counter-productive. It was hoped, for example, that the collapse of the Al Rayan Islamic investment company, in which many middle- and low-income people placed their savings, might weaken support for Islamic financial institutions. This proved not to be the case: on the contrary, government officials were blamed for spreading rumours which helped destroy confidence in the institution. The government was forced to back-track and allow the state-owned commercial banks to offer Islamic deposit and funding facilities which were free of *ribā* or interest.<sup>9</sup>

<sup>5</sup> Yusuf Ahmad, *Absorptive Capacity of the Egyptian Economy*, Paris, OECD, 1976, pp.108–115.

<sup>6</sup> Ministry of Planning, *Five Year Plan for 1978–1982*, Cairo, 1977.

<sup>7</sup> *Ibid.*, p.17.

<sup>8</sup> *Ibid.*

<sup>9</sup> Elias Kazarian, *Finance and Economic Development: Islamic Banking in Egypt*, Lund Economic Study, no.45, pp.148–149.

The policy of *infitāh* has resulted in some opening up of the formal sector which has benefited the few, but private financial inflows have been modest. Most private capital inflows have been of a short-term nature into the joint-venture banks, largely to finance imports. Although *infitāh* was designed to attract private capital rather than state assistance, many Egyptian officials saw it in terms of the latter. It was not so much a way of internationalizing Egyptian industry, or moving away from import substitution, as a means of building bridges to the West and the United States in particular. Without paying lip service to open markets, and 'playing the game', much less governmental assistance, especially from the United States, would have been forthcoming. Egypt has been by far the largest recipient of civilian aid from the United States in recent years, and in terms of military assistance is second only to Israel.<sup>10</sup> It is in these wider terms that the benefits of *infitāh* must be judged. *Infitāh* was never meant to be an end—indeed, there was little real desire to open up; rather, it was a means to overcome state financing difficulties, and in this it has been successful.<sup>11</sup>

#### *Economic restructuring and privatization*

The Mubarak government has congratulated itself on the way it has made *infitāh* help financial inflows without disrupting the state-sector companies established so painstakingly under Nasser. The debt write-offs as a reward for Egyptian assistance in the allied effort in the Gulf war were particularly welcome, especially as they were without strings—a recognition of past help rather than future intentions. It is clear that Egyptian state sector managers are even more resistant to change than their counterparts in Eastern Europe, and they are highly sceptical about the gains which restructuring or privatization will bring. The usual penalties which a market system brings for failure, bankruptcy, closures and lay-offs, would be unwelcome and politically unacceptable. Yet managers have little confidence that privatization would bring benefits, as it is difficult to see how Egyptian manufacturing could be internationally competitive with Far Eastern producers and maintain domestic market share without protection.

Most of the more buoyant enterprises in the private sector remain geared to the domestic market, and even the entrepreneurs themselves admit that without protection they would flounder. In order to encourage the domestic consumer industry in 1986 the Egyptian government re-imposed restrictions on imports which it was felt could be produced successfully in Egypt. These restrictions virtually stopped the importation of foreign quality casual clothing that had become fashionable amongst some upper- and middle-class youth.

<sup>10</sup> Amounts are recorded in the *Statistical Abstracts of the United States*, Washington. In 1991, for example, US military aid to Egypt was worth \$1.3 billion and civilian aid was worth over \$2 billion. The comparable figures for Israel were \$1.8 billion and \$1.9 billion respectively.

<sup>11</sup> The aid from the United States enabled subsidies to remain in place for longer than they otherwise might, even though the benefits were doubtful. See Iliya Harik, 'Subsidisation Policies in Egypt, Neither Growth Nor Distribution', *International Journal of Middle East Studies*, vol. 24, no. 3 (August 1992), 481–499.

In response a new Egyptian company, 'Mix-and-Match', was established to exploit the captive, though limited, niche market. This proved highly successful, but the designer, Shahira Fahmy, stated that 'when we started it was a monopoly, and that's why we grew so big'.<sup>12</sup> In seven years the company was able to open eleven shops in Cairo alone, but once local competitors appeared business actually contracted.

Making the break into exports has proved far from easy for Egyptian fashion houses. 'Mix-and-Match' exploited its knowledge of Arab tastes by opening two outlets in Kuwait and one in Bahrain. The Sahara clothing company, which has seven 'On Safari' clothing stores and three 'Shirt Shops' in Egypt, saw the potential of exploiting the favourable image of Egyptian cotton in Europe as a result of tourists purchasing from its Egyptian outlets. It opened two shops in Germany, but has experienced tough competition from Turkish garment exporters. Inconsistencies in fabric quality bought from local suppliers remain a major problem for Egypt's fashion houses. Towels and bath robes made from Egyptian cotton which are sold in House of Fraser stores in Britain bearing the 'Alexandria' label are actually manufactured in Canada. The Egyptian-born Al Fayed brothers who own the prestigious *Harrods* store in London have made some efforts to source cotton goods from Egypt but the spinning, weaving and sewing have usually been carried out in Italy.

The World Bank has been highly critical of the slow pace of state sector rationalization and the lack of private sell-offs in Egypt. The public enterprise office which was founded in 1992 has identified 20 small- and medium-sized enterprises for privatization, but some of these are joint ventures with foreign partners in areas such as food processing and textiles. None are heavy industries or large employers, as these are regarded as strategic and therefore outside the jurisdiction of the enterprise office.<sup>13</sup> The most prominent candidates for privatization such as Bank Misr, the National Bank of Egypt, the state insurance companies and Egypt Air have all been excluded as being of strategic importance, though it is difficult to see how this case can be made.

Although the five-year plan for the 1992/93–1996/97 period envisages a substantial increase in the role of the private sector, this is to come from the establishment of new enterprises rather than the transfer of existing public sector companies to the private sector. The reorganization of public sector companies in the 1980s under the control of 27 holding companies introduced a further level of bureaucracy. Indeed, this restructuring could be regarded as a move to at best thwart and possibly block potential privatization, despite the case argued by some Egyptian economists, notably Ibrahim Helmy Abdel-Rahman and Mohammed Sultan Abu Ali.<sup>14</sup> These economists stress the fiscal benefits of privatization rather than the efficiency gains. Experience elsewhere shows that this stress is probably correct, and in the case of Egypt, where the

<sup>12</sup> Ann Hosier, 'The Rag Trade', *Cairo Today*, April 1993, p.80.

<sup>13</sup> Tohy Walker, 'Public Sector Liability for Egypt', *Financial Times*, 18 March 1993.

<sup>14</sup> Ibrahim Helmy Abdel-Rahman and Mohammed Sultan Abu Ali, 'Role of the Public and Private Sectors with Special Reference to Privatisation: The Case of Egypt', in Said El-Naggar, *Privatisation and Structural Adjustment in the Arab Countries*, Washington, International Monetary Fund, 1989, pp.141-181.

large public sector companies are either monopolies or oligopolies, a change of ownership will not by itself ensure competition.

There have only been two minor privatizations in Egypt to date: the sale of the Meridien Hotel in Cairo for \$75 million together with the Hurghada Sheraton, both to Saudi Arabian investors.<sup>15</sup> These, like other major hotels, were franchises, with the multi-national chains providing management service contracts. Such sell-offs involving hotels, which were only partially under Egyptian control in any case, can hardly be regarded as a precursor of widespread privatization.

The private sector has played an increasing role in the economy in recent years, though not as great as that envisaged in the previous 1987/88–1991/92 five-year plan. The construction industry accounts for a substantial part of private sector investment, as it has done since the time of Nasser. Although the five-year plan for 1992/93–1996/97 envisages 58 per cent of private investment being accounted for by the private sector, only a small proportion of this will be in manufacturing. The government and state sector industries are expected to invest £E 75 billion under the plan. This compares with a total private foreign investment of £E 8.5 billion over almost 20 years of *infitāh*,<sup>16</sup> a figure which helps put the contribution of the open door policy into perspective. Far from contracting, the public sector continues to grow, with the state sector industries constituting the backbone of Egyptian manufacturing. The hope of most in the state sector industries, and probably a majority in government, is that if they move slowly enough, the current world-wide fad for privatization will simply fade away.

#### *Egypt as a newly industrializing country*

With its cultivable area largely restricted to the Nile valley and with 97 per cent of its water resources utilized, the potential for greater employment in agriculture remains limited. Water could admittedly be used more effectively, but Egypt lacks the agricultural potential of Iraq or Syria where only 43 per cent and 9 per cent respectively of potential water resources were used over the 1970–87 period.<sup>17</sup> At the same time it is hardly feasible for a country with a population of 56 million inhabitants to become an economy based on service activities such as tourism. Further industrialization would appear to be the only realistic option available in an economy which must somehow create 600,000 new jobs every year.

The development success of the newly industrializing countries of South East Asia over the last two decades has been remarkable. How does Egypt measure up to these standards? Clearly, with a per capita gross national product of \$620, Egypt is in a different league from South Korea and even Malaysia with figures of \$6340 and \$2490 respectively. Within the Middle East comparisons are often made between Turkey and Egypt, and the restructuring

<sup>15</sup> John G. Merriam and Anthony J. Fluellen, 'Arab World Privatisations: Key to Development?' *Arab Studies Quarterly*, vol. 14, nos. 2 and 3, p.58.

<sup>16</sup> Vanessa Kent, *Investing in Egypt*, London, Committee for Middle East Trade, 1993, p.17.

<sup>17</sup> *World Bank Atlas*, 25th edition, 1992, pp.26–27.

of the Turkish economy in the 1980s is often taken as a role model for Egypt to emulate.<sup>18</sup> Yet with a per capita gross national product figure of \$1810, it also appears that Turkey is in a different league. Turkey's increasing international competitiveness is a great source of optimism for many,<sup>19</sup> but it is hard to take such a favourable view of Egypt's economic prospects, despite its positive real per capita gross national product growth of two per cent per annum over the 1980-91 period.

The magnitude of the task facing Egypt is clear from the World Bank definition of a newly industrializing country. Such economies are classified in terms of attaining, largely through industrialization, a favourable enough combination of income and growth to become high-income countries within two decades. A high income was defined as \$7,620 in 1990, a goal clearly almost attainable by South Korea, but still some way ahead for the most rapidly advancing economies in the Islamic world, Malaysia and Turkey.

In structural terms the position of Egypt is more favourable, with 16 per cent of its gross national product accounted for by manufacturing in 1990, compared to a mere 8 per cent for Iran, but 24 per cent in Turkey—a higher figure than for many European Community countries, including the United Kingdom.<sup>20</sup> Investment rates are also relatively high in Egypt, at 20 per cent of gross national product in 1991, not far short of the Turkish figure of 22 per cent, though of course the absolute amount in Egypt is much smaller. As future growth ultimately depends on the level of investment, the figure for Egypt is encouraging. The effectiveness and quality of the investment may be questioned, but the indicators are relatively promising. Gross national product growth throughout the 1980s averaged over 4.5 per cent per annum. It was only the continuing high rate of population growth at 2.4 per cent per annum that brought the per capita figure down. With education a relatively low-cost sector in Egypt, and with the five million in school receiving a good basic education, it is important not to underestimate the amount of human capital formation taking place, which is arguably the most important aspect of investment.

#### *An over-expanded service economy?*

As already indicated, Egypt, because of its size, cannot realistically hope to develop on the basis of services, yet it could be argued that this is what has been happening over the last two decades. Much emphasis was placed on developing the tourist industry which was already a significant earner of hard currency, with favourable prospects for much higher revenues. Finance for hotel construction could be attracted from the oil-rich Gulf states, especially for four- and five-star ventures which were of interest to the international hotel management groups so respected in the region. Tourist receipts increased

<sup>18</sup> Bent Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, Oxford University Press, 1991, p.435ff.

<sup>19</sup> Dani Rodrik, 'Turkey: The Best is yet to Come', *International Economic Insights*, May/June 1993, pp.17-23.

<sup>20</sup> World Development Report, *Development and the Environment*, Washington, World Bank, 1992, pp.216-217.

rapidly from £E404 million in 1980 to over £E1 billion ten years later.<sup>21</sup> By 1990 over 2.6 million tourists were visiting Egypt annually, with over half from the European Community, the United States and Japan and forty per cent from neighbouring Arab countries, mainly Saudi Arabia and the smaller Gulf states.<sup>22</sup>

The tourist industry is far from being a stable source of revenue, as Egypt has found to its cost during the 1990s. The Gulf War led to a substantial fall in visitors from the United States and the European Community, even though the war itself was very short-lived and all the action was a considerable distance from Egypt. The fact that the tensions coincided with the booking period for winter holidays was especially unfortunate, and the conflict was over at too late a point to save the 1990–91 winter season. Just as the industry was starting to revive in 1992 there were the actions of Muslim fundamentalists in killing and wounding British and German tourists. These actions were not because of hostility to the ‘infidel’ as such, but rather a way of waging economic warfare against the Egyptian government. In spite of the death sentences passed on some of those involved, and tight security measures to protect tourist buses, confidence has been seriously undermined. Holidays are an entirely discretionary purchase, and potential visitors have plenty of alternative choices. Many European Community visitors have substituted Turkey as a spring and summer destination which also has antiquities, and Morocco and even the Far East as winter destinations.

Evidence from elsewhere suggests that tourist memories are short, and if there are several incident-free months then tourists will return. Egyptian hoteliers have dropped their rates to try to encourage more bookings, and holidays to Luxor are now cheaper than many to Spain. Discounting room rates means less revenue per tourist, however, and it may be a doubtful strategy for Egypt to market itself as a cheap destination. Nearby Cyprus has managed to attract over two million tourists per year even though its currency is tied to the Exchange Rate Mechanism and prices are generally much higher than mainland Greece.<sup>23</sup> Egypt does not even benefit from the travel element, as most tourists from Europe arrive on charter airlines owned by the tour companies from their own countries.

It is important not to over-exaggerate the significance of tourist earnings for the Egyptian economy. Suez Canal transit fees are a more reliable and valuable source of revenue worth over £E 2.6 billion by 1991. These have depended less on tanker traffic in recent years as Sumed, the Suez-Mediterranean pipeline, has become more important. This also earns revenue for Egypt, the oil coming in shuttle tankers from Yanbu’ on Saudi Arabia’s Red Sea coast, which is the terminal of the trans-Arabian pipeline. The majority of shipping in the Suez Canal is now container vessels carrying Far East exports to European Community ports. The net tonnage of such vessels amounted to

<sup>21</sup> National Bank of Egypt, *Economic Bulletin*, vol.44, no.3, Cairo, 1991, p.233.

<sup>22</sup> Central Bank of Egypt, *Economic Review*, vol.31, no.3, Cairo, 1990–91, pp.157–158.

<sup>23</sup> Rodney Wilson, *Cyprus and the International Economy*, London, Macmillan, 1992, pp.99–115.

over 250 million tons in 1990 compared to 158 million tons accounted for by tankers.<sup>24</sup> The larger Japanese and Korean container vessels and car carriers sail around the Cape of Good Hope but Chinese, Taiwanese, Indonesian and Thai vessels transit through the Canal, as does most shipping from the Indian sub-continent.

Remittances are another valuable source of revenue for the Egyptian economy, but it is extremely difficult to estimate their worth as many do not pass through the formal banking system. The World Bank valued remittances into Egypt at \$3.7 billion in 1990 compared with a figure of \$2.8 billion a decade earlier.<sup>25</sup> This may well be an under-estimate, even though the 1990 figure exceeds the value of visible exports, which was just under \$3 billion. Most remittances come from the two million Egyptian workers in the Arabian peninsula states and Libya, though some are sent by well-educated professionals such as doctors resident in the European Community and the United States, and some even come from the Coptic Christian community in Australia. Egyptian workers in neighbouring Arab states return home for visits at least every two years, and many once a year or more frequently. Often they travel back with large amounts of cash or consumer goods for their relatives in Egypt. Such transfers are not counted in official figures, nor are funds transferred through money-changers in the Gulf states such as Al Rajhi of Saudi Arabia. It is these transfers that fuelled the growth of the informal Islamic investment houses in Egypt whose activities are not monitored by the authorities.

As with tourist earnings, remittances have an uncertain future.<sup>26</sup> Egyptians working in Kuwait virtually all left following the Iraqi invasion, and few have returned since. In Saudi Arabia many of the positions occupied by Egyptians in the educational system and public administration are being increasingly filled by local nationals. Egyptians resident in Europe or the United States often bring out their relatives to join them, and the remittances gradually fall away. It is difficult to see how the current value of remittances can be sustained over the coming decade.

Remittances have certainly improved the living standards of the families of the migrants remaining in Egypt, but the wider social benefits have always been problematic. Much of the earnings went into real estate which drove up property values beyond the reach of the poor. The purchase of imported consumer goods did little to help the Egyptian economy. Often the best educated

<sup>24</sup> National Bank of Egypt, *Economic Bulletin*, vol.44, no.3, Cairo, 1991, p.232.

<sup>25</sup> World Bank, *World Tables*, Baltimore, Johns Hopkins University Press, 1992, pp.238-239.

<sup>26</sup> There is an extensive literature on labour migration from Egypt dating from the work of Stace Birks and Clive Sinclair in the 1970s. See J.S. Birks and C.A. Sinclair, *International Migration and Development in the Arab Region*, Geneva, International Labour Office, 1980, pp.43-46. They took a somewhat negative view of Egyptian migration, but others were more positive. See for example Naiem A. Sherbiny and Ismail Serageldin, 'Expatriate Labour and Economic growth: Saudi demand for Egyptian Labour', in Malcolm Kerr and El Sayed Yassin (eds.), *Rich and Poor States in the Middle East: Egypt and the New Arab Order*, Colorado, Westview Press, 1982, pp.225-257.

migrated, which meant a brain drain and skills shortage.<sup>27</sup> There was also a fiscal loss, as those employed abroad did not pay tax in Egypt, although they had to pay for exit permits. The monetary loss occurred where conversion of Saudi Arabian riyals or dollars into Egyptian currency was delayed as long as possible, as with constant depreciation, the longer the lag, the greater the amount of Egyptian pounds obtained. More broadly it can be argued that the tradition of migration and remitting funds turned at least part of the Egyptian economy into a consumer society. Egypt became associated with rest and recreation rather than work. It was not that Egyptians did not produce, it was simply that they expended a large part of their efforts in other countries where the rewards were higher.

*An outward or inward economic orientation?*

Given the uncertainty over tourist earnings and the services which are dependent on remittances, should Egypt be trying harder to strengthen its productive base? Free market protagonists, including those in the International Monetary Fund, would argue that as long as Egypt's exchange rate is allowed to float at a realistic level, then the country's comparative advantage should become obvious. The abolition of the complex multiple exchange rate system in 1991 was seen as a move in the right direction, though substantial non-tariff barriers remained which allegedly penalised exports as well as imports because of regulations governing imported inputs.<sup>28</sup> Whether the removal of these would indeed bring gains is a debatable point. Any move towards a less interventionist policy would be counter to thousands of years of Egyptian history, as the historical power of government derived from its economic control of the irrigation system. The IMF is arguing for further fine tuning, as it has done for over a decade, when in the view of many the problems are fundamental. There is little point in trying to cure the symptoms, if the patient is in danger of dying.

This may be too dramatic a position, but it is clear that Egypt's fundamental economic problems are not being addressed, and perhaps the Mubarak government will never be capable of addressing them. The commitment to liberalization is half-hearted, but it is far from clear that this is the answer in any case. The economy is not generating sufficient new jobs for the increasing population, yet the escape valve of emigration is closing.<sup>29</sup> Agricultural exports are in steady decline,<sup>30</sup> and employment in rural areas, already declining in relative terms, may soon start to fall absolutely. The fall in agricultural exports was originally because raw cotton was used for the domestic textile industry, but now it is exacerbated by European Community restrictions on

<sup>27</sup> Ibrahim M. Oweiss, 'The Migration of Egyptians', in A.B. Zahlan (ed.), *The Arab Brain Drain*, London, Ithaca Press for the United Nations, 1981.

<sup>28</sup> Hanaa Kheir El-Din and Ahmed El-Dersh, 'Foreign Trade Policy of Egypt, 1986-91', in Said El-Naggar (ed.), *Foreign and Intertrade Policies of the Arab Countries*, International Monetary Fund, 1992, pp.206-241.

<sup>29</sup> Nagwa Aly Khashaba, 'Trade Strategy for Employment Growth in Egypt, 1960-86', *L'Egypte Contemporaine*, vol.81, nos.421-422, pp.5-34.

<sup>30</sup> Sami Baroudi, 'Egyptian Agricultural Exports', *Middle East Journal*, vol.47, no.1, Winter 1993, pp.63-76.

early vegetables and citrus produce. Preference is being given to Turkey rather than Egypt, in so far as concessions are being made to non-Community states.

It is often assumed that Egypt is becoming increasingly outward oriented, but recent economic indicators belie this fact. Although the ratio of imports to gross national product rose significantly over the 1970–80 decade from a mere 19 per cent to over 45 per cent, it has subsequently fallen back to 44 per cent. One option could be for Egypt to pursue an inward oriented development strategy like Iran, paying its way in the world but curtailing imports of western goods. The trading situation could be used to justify such action, even if it was internationally unpopular. The visible trade deficit is huge, with export receipts covering less than one quarter of import payments. Although the overall balance of payments has been less of a problem because of remittances, tourist earnings and assistance from the United States, there are now large questions over all of these. Visible exports are not going to take off, as although manufacturing is the best way forward, this is a long-term solution. A period of inward consolidation may be appropriate, so that the country can deal with the outside world from a position of greater economic strength rather than weakness. A begging bowl approach is not an economic policy, and it is inappropriate for a country with such a rich economic history and proud traditions.