THE ECONOMY OF EGYPT AND PROSPECTS FOR
TRADE RELATIONS WITH ITALY

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Egypt is the most populated country in the Middle East, with 86
million people. It is therefore a large consumer market that can also
count on a sizeable, specialised labour force at competitive costs of
27 million people. Egyptians aged between 15 and 44 make up 50% of the population.

Thanks to a series of preferential agreements signed with the
European Union, the United States, Arab nations, Comesa in Africa
and Mercosur in Latin America, Egypt is a gateway to international
markets. On the basis of each agreement, Egypt enjoys preferential
access to the signatory countries in terms of duties and tariffs.

Real GDP rose 1.2% during the first half of the fiscal year 2013-14. The value of net international reserves amounted to USD 16.9 million, a level generally considered as safe. Foreign direct investments totalled USD 2.8 billion in the first half of 2013-14 in comparison with USD 3 billion for the entire previous fiscal year 2012-13. This increase of around USD 1 billion is due to well-established investment strategies and positive investor experience that confirm global confidence in the Egyptian economy.

Unemployment reached 13.4%, an unacceptably high level that the Egyptian Government is addressing with a raft of labour-intensive investment projects.

Exports totalled USD 57.5 billion during 2012-13 and recorded a 7.7% increase during the first half of 2013-14.

Imports amounted to USD 57.5 billion in 2012-13 and fell 6.6% during the first half of 2013-14.

The Country had a balance of trade surplus of USD 2 billion in the first half of 2013-14.

Principal high-growth sectors during the first half of fiscal 2103-14 were building and construction, telecommunications, transport, retail trade and property.

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Significantly, at the end of October 2014, Moody’s revised its outlook for the Egyptian economy from negative to stable.

The Egyptian Government has adopted a series of reforms in areas such as finance, the stock market, trade, exchange rates and economic growth all aimed at improving the economic climate in general. The Government’s road map establishes the timescale for both urgent and long-term projects, particularly in infrastructure, and has launched a series of stimulus packages for investments totalling 63 billion Egyptian pounds (6 billion euros) to kickstart the economy; a large slice of this budget is destined to building and infrastructure.

Furthermore, the Investments Ministry has drawn up, in collaboration with other Ministries and Governorates, an initial phase of investments covering 278 projects across various sectors.

Examples of these projects include property development schemes in Giza and Cairo (including the construction of shopping centres, offices and other properties), technological parks and districts in Alexandria, Assuan, Assiut, Menofeya and Beni Suef, and steam-, wind- and solar-power plants.

The Egyptian Government is also encouraging a new approach to public-private sector partnerships (PPP) through the passing of a law that regulates relations between the two sectors; 8 projects illustrate this form of cooperation: the Industrial Port of Safaga, the Cairo Contact Centers Park, the Nile River Bus, two desalination plants in Sharm El Sheikh and Hurgada, the new Heliopolis Cairo underground and specialised university hospitals in Suez. This follows the success of three previous PPP projects: a sewage treatment plant and two hospitals with 200 beds each.

There are another six national projects, such as the Suez Canal Corridor, an integrated national project that will transform the area around the Suez Canal into an international trade and logistics hub. These projects also foresee the creation of industrial parks and residential areas.

The Government recently announced the possibility of new investment opportunities for the private sector in the renewable energy sector (sun and wind) through a power supply tariff scheme that aims to reach 4300 MW in the next three years generated by small, medium and large-sized photovoltaic (PV) installations and wind turbine plants.

Italy is Egypt’s primary EU-trading partner and third at world level. With regards to bilateral trade between Italy and Egypt, there was a significant fall in Egyptian exports towards Italy in
2013, mostly caused by a sharp drop in oil products bound for Italy. Non-oil products, however, rose 9% in the same year and 6.6% in the first half of 2014.

There are 910 firms in Egypt with Italian participation, with Italian investments accounting for USD 1.5 billion out of a total of USD 2.7 billion.

These investments are concentrated in the industrial sector (280 firms), building and construction (101), service sector (295), tourism (188) and finance (6).

Key Italian investment players include Alex Bank, owned by Intesa San Paolo; Italcementi, with five cement works in the Country; ENI, which is involved in major projects in the petroleum sector, Pirelli Tyres; Italgen, in the wind power sector; and other largescale investments in the building and tourism sectors.