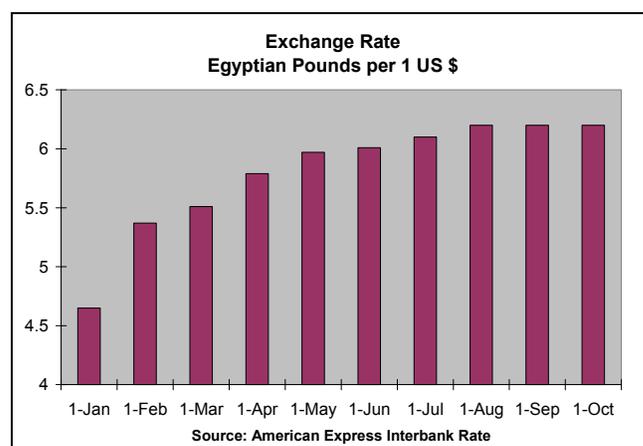


Trade and Investment Dashboard – US-Egypt Business Council

Quarterly Update – September 2003

Positive BOP Numbers --Egypt's balance of payments improved during the 2002/03 fiscal year according to statistics released in September. Net services earnings rose almost 20%, contributing to a tripling of the current account surplus from \$614 million to \$1.883 billion. The overall balance of payments went from a deficit of \$456.4 million to a surplus of \$546 million. Services export growth was led by a 23% increase in Suez Canal receipts and 10% growth in tourism earnings. Goods exports grew by 15% due to a 32% increase in petroleum exports; non-petroleum exports grew only 6%. Imports were up 1.3%, as non-petroleum imports rose 2.8% and petroleum imports fell 6%. The improvement in the balance of payments was particularly noticeable in the first half of 2003. Some believe the growth in non-petroleum imports may mean the economy is beginning to grow again while the depreciation of the pound may contribute to increased exports.



FOREX Woes -- September saw increasing concerns that the managed float of the pound was not yielding expected results. The gap between the official exchange rate and the black market rate grew, with the latter climbing to a record 7.30 pounds to the dollar in early September while the official rate remained at 6.13 pounds. The picture changed in late September; the black market rate fell to 6.8-6.9 pounds to the dollar when the Central Bank took steps to make dollars available to banks. Analysts continue to complain that the government's interference in the foreign exchange market introduces an element of uncertainty.

Inflation a Growing Concern. -- The annual rate rose from under 3% early in the year to 4.4% in July. The government announced in mid-September that in order to address the problem it would release some 1.4 billion pounds as additional credits to maintain supplies of staples and 250 million pounds to rice farmers to deliver their harvest to the mills.

Privatizations May Pick-Up Finally --In September the government approved--in principle--the sale in 2004 of a number of wholly- or partly-owned state enterprises and joint venture banks. The privatization program has almost stagnated: only 13 companies were divested in 2001 and 7 in the January 2002 - May of 2003 period.

Improving Textile/clothing Sector Performance -- According to a recent study of Egypt's textile/clothing sector, in order to meet growing Chinese competition in world markets, Egypt must not only look for arrangements that provide preferential access, such as FTAs, but also address problems of high tariffs on production inputs which inhibit the ability of exporters to take advantage of the depreciation of the pound.

Balance of Payments – Current Account (in millions of US\$)	7/2001-6/2002	7/2002-6/2003*
Trade Balance	-7,516.5	-6,615.8
Exports Proceeds**	7,120.8	8,205.2
<i>Petroleum</i>	2,381.0	3,160.8
<i>Non Oil Exports</i>	4,739.8	5,044.4
Imports Payments**	-14,637.3	-14,821.0
Services (net)	3,878.3	4,889.6
Receipts	9,618.1	10,441.4
Transportation , of which	2,714.9	2,964.8
Suez Canal Dues	-1,819.8	-2,236.2
Travel	3,422.8	3,796.4
Investment Income	938.2	641.3
Government Services	188.4	252.8
Other Receipts	2,353.8	2,786.1
Payments	5,739.8	5,551.8
Transportation	420.1	392.5
Travel	1,207.9	1,372.4
Investment income, of which	842.4	805.2
Interest paid	-688.6	-625.9
Government expenditures	660.4	455.4
Other	2,609.0	2,526.3
Balance of Goods & Services	-3,638.2	-1,726.2
Transfers	4,252.4	3,609.3
Capital & Financial Account	-963.8	-2,733.8
Direct investment abroad	-15.2	-30.0
Direct investment in Egypt (net)	428.2	700.6
Portfolio investment abroad	-3.2	-15.8
Portfolio investment in Egypt (net)	45.3	-187.0
Other investment (net)	-1,418.9	-3,201.6
Overall Balance	-456.4	546

US-Egypt Trade Relations – Multilateral Focus for Now

Recent trade relations between the US and Egypt have revolved around the WTO Ministerial in Cancun, Mexico in September. Egypt was a behind the scenes player that helped resolve a WTO impasse related to intellectual property rules and providing poorer countries access to affordable life-saving drug. Resolving this issue before Cancun was important to the US as it did not want to be considered a hold out.

Egypt's main objectives and concerns at Cancun were related to agricultural trade liberalization issues, including bringing agriculture into the mainstream of the WTO rules-based system. In particular Egypt wanted to limit market-distorting export subsidies that adversely affected crops such as cotton. Also, Egypt as a net-food importing country did not want its food costs to be adversely affected by reductions in domestic supports. Egypt's support for removing market access barriers on industrial products was qualified. It stressed that "many developing countries still need protection and support for industries that have not yet taken hold in their economies".

Egypt shared the reluctance of many developing countries to move forward on the issues of competition policy, transparency in government procurement and trade facilitation, which the US was pushing. Egypt felt the investment and competition policy issues were particularly were not clear enough and it wanted to make sure that needs of developing countries and restraints on their capacity to deal with the issues were taken into account.

The US and Egypt will have a chance to discuss some of these and other issues bilaterally in the context of the US-Egypt Trade Investment Framework Agreement (TIFA). An October 2002 TIFA meeting established four working groups to discuss agriculture, trade facilitation and government procurement, and sanitary and phytosanitary issues. These discussions are ongoing.