

Trade and Investment Dashboard – US-Egypt Business Council

Quarterly Update – June 2004

Economy

The Egyptian economy shows signs of improving after three difficult years. In mid-June, World Bank VP for MENA region, Christian Poortman, said “for the short term, the outlook is good,” but “continuous focus on structural change needs to continue.” US Ambassador to Egypt David Welch also recently spoke of the number of positive developments in the Egyptian economy, including the growth in both goods and services exports stimulated by the floating of the pound. Tourism receipts continue to be especially strong. These developments have resulted in a strong balance of payments performance over the last year. Nevertheless, signs of progress have also led to warnings that sustained growth will depend on continued reforms and a more vigorous pursuit of the privatization program, beginning with full privatization of the four, large state-owned banks.

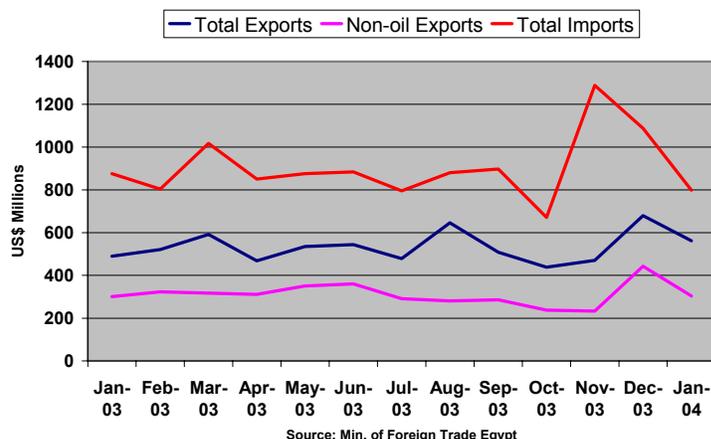
Easing of US Visa Restrictions Possible

Secretary of State Powell on July 2 expressed regret over the number of impediments put before foreigners seeking to visit the United States. He said Homeland Security Secretary Tom Ridge agreed on the need to "start backing off" of some of the more onerous requirements. Powell noted that the U.S. suffers when foreigners cannot study, visit as tourists or get medical treatment in the U.S. He predicted that: "You will see in the months ahead that these policies will get back to a more normal set of standards...but we have to know who is coming into the country."

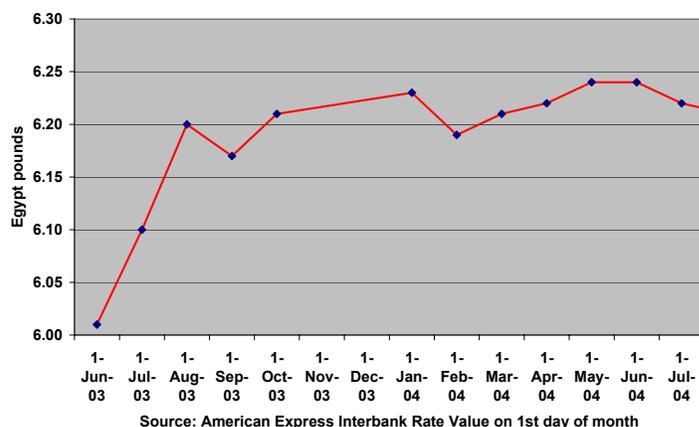
Intellectual Property Rights

In its April 30 annual report on the state of intellectual property rights (IPR) protection around the world, the Office of the US Trade Representative commended Egypt for issuing implementing regulations for three of the four chapters of the 2003 IPR law and for continued enforcement actions against piracy. However, the USTR report also contended that Egypt had granted marketing approval to some pharmaceutical products that were copies of

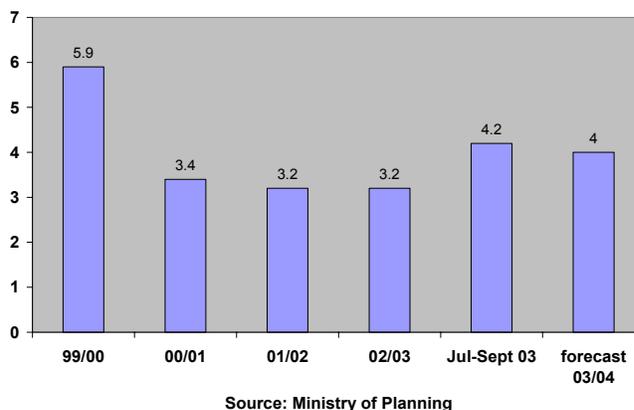
TOTAL EXPORTS AND IMPORTS (\$ millions)



EXCHANGE RATE EGYPTIAN POUNDS per 1 US \$



Real GDP Growth
Percent Per Fiscal Year



patented ones and the approvals were based on U.S. firms' confidential test data. The report also noted continuing IPR problems in the anti-piracy area. Due to these issues, Egypt was moved from the watch list, a category of lesser concern, back to the priority watch list.

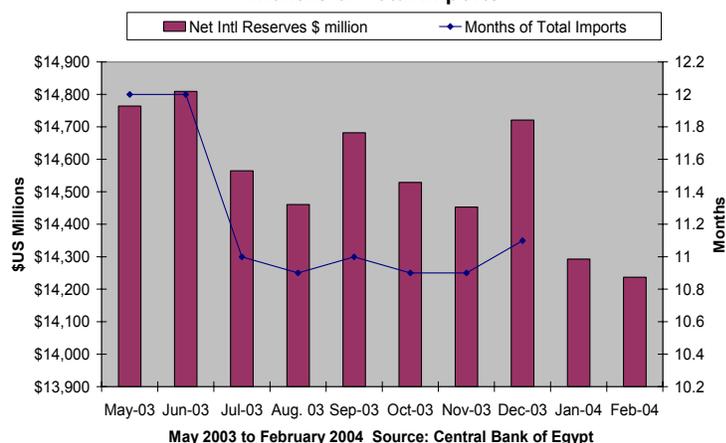
US-Middle East FTA - after one year

One year after U.S. President Bush announced a proposal to establish a U.S.-Middle East Free Trade Area by 2013 (See June 2003 Dashboard), the US has concluded FTA negotiations with Morocco (March 2) and with Bahrain (May 27). The Moroccan agreement was signed on June 15, and implementing legislation will be submitted to the U.S. Congress in early July and may be passed by the end of the summer. The US has also concluded Trade and Investment Free Agreements (TIFAs) with 10 Middle East countries: Algeria, Bahrain, Egypt, Kuwait, Oman, Qatar, Saudi Arabia, Tunisia, the United Arab Emirates (UAE) and Yemen; TIFAs are often precursors to negotiations for an FTA. All of the TIFAs, except the ones with Algeria, Bahrain and Egypt, were signed since the initiative was announced.

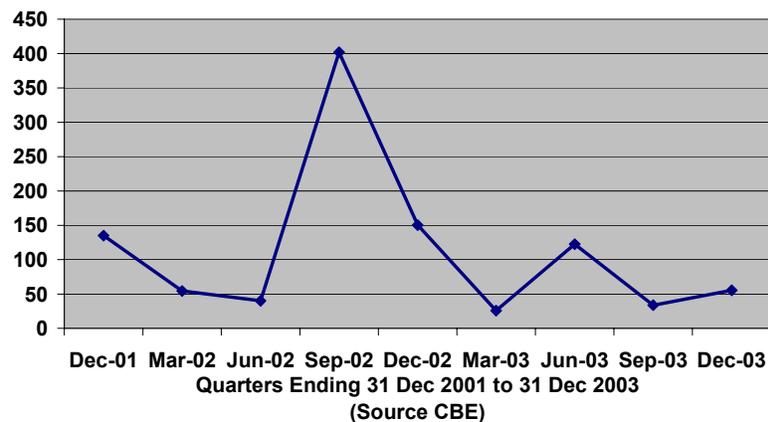
New IT Developments

The Egyptian Parliament approved on April 17, 2004 a new E-Signature law, which will allow the use of electronic documents by the government and by businesses. The law also establishes an Information Technology Development Authority to stimulate growth in the Information & Communication Technology (ICT) industry in Egypt. In May, President Mubarak announced a three-year "Broadband Initiative." The initiative is part of the national "e-readiness" plan which seeks to provide all citizens with Internet access and to close the digital divide. The first two stages of the plan included the "Free Internet" initiative and the "PC for Every Home" program.

Net International Reserves & Reserves as No. of Months of Total Imports



Net Foreign Direct Investment (In millions of US \$)



**Balance Of Payments
1st - 3rd Quarters 2002/03 and 2003/04
(US\$ millions)**

	July 02 to March 03	July 03 to March 04*
Trade Balance	-5,335.8	-5,402.7
Exports	5905.4	7404.1
-- Petroleum	2,279.6	2,850.5
-- Non-petroleum	3,625.8	4,553.6
Imports	-11,241.2	-12,806.8
Services (net)	3,521.5	5,379.2
-- Receipts	7,747.1	9,629.3
-- Payments	4,225.6	4,250.1
Balance of Goods & Services	-1,814.3	-23.5
Transfers	2,584.9	2,721.5
Current Account Balance	770.6	2,698.0
* Preliminary		

Source: CBE