Volume 2 Number 35 – Wednesday, 08 September 2010

Part I

Special Focus: Egyptian Economy

Part II

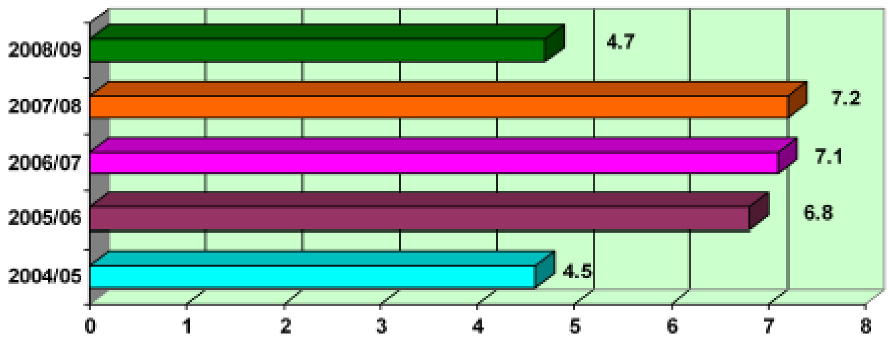
Epicos Newsroom

Up to the late 1990s, the Egyptian economy was highly centralized. However, during 2004-08, the country saw major economic reforms targeted at maintaining high levels of equitable growth and sustainable development. The main goals of the reform were achieved. Several imbalances that were negatively affecting the economic performance were successfully encountered. Furthermore, free market mechanisms were created and a thorough package of financial and tax policies were implemented. Therefore the previous years of economic stagnation were overwhelmed, Gross Domestic Product (GDP) raised and inflation rate was controlled. It is indicative that GDP rose from 3.2% in 2002 to 7.2% in 2008. The global financial crisis has slowed down, but not stopped, the reform efforts and their positive effects as it slowed Egypt's GDP growth to 4.7% in 2009.

Since 2004, the Egyptian authorities had implemented a series of socioeconomic measures. They simplified and reduced tariffs and taxes, improved the transparency of the national budget, revived stalled privatizations of public enterprises and implemented economic legislation designed to foster private sector-driven economic growth and improve Egypt's competitiveness. As a result, during the fiscal years 2007 and 2008 the contribution of investment demand had strengthened significantly and picked up with the contribution of consumption.

Additionally, growth rates accelerated to an average of 7% between the years 2006-2008 whereas unemployment was brought down to 8.4% by the end of 2008 from 11.2% in 2005.

Economic Growth Rate Evolution during the Period (2004/2009)



Source: Egyptian Cabinet

More importantly, the reform program succeeded in creating a different perspective in the Egyptian economy by diversifying the growth drivers away from the traditional naturally-endowed sectors such as oil and Suez Canal to more sustainable sources, such as manufacturing, trade, and telecommunications. Furthermore, the flow of foreign direct investment in the country was increase and peaked to a record of US$ 13.2 billion or 8.1% of GDP in 2008, compared to US$ 407 million or 0.5% of GDP in 2004. The main amount of it went to non-oil green field investments, helping the renovation of the capital base and boosting future growth potential.

However, the world economic recession diverted the positive economic development that the country showcased throughout the last years caused the decrease of the economic growth rate to 4.7% in 2009. Diminishing foreign demand has created a slowdown in exports of goods and services and consequently on the economic growth of the country and a subsequent rise in the unemployment rate. Declining current account receipts coupled with receding foreign investment flows have also rendered the balance of payments in deficit. The main reason behind this was the grim performance in growth driving domains of the economy such as manufacturing, tourism and the revenues from Suez Canal which were hit hard by the global economic crisis. Additionally, the performance rate in transport, construction, telecommunications and information technology decreased but to a lesser extent.

Real GDP (% Growth Rate)

	2005	2006	2007	2008	2009
GDP (%)	4.5	6.8	7.1	7.2	4.7

Source: Ministry of Economic Development

It is noteworthy, however, that the country still had a positive growth even during the global economic recession. Of course the development rate was lower but remained positive. The main reasons behind this are the structural and macro-prudential reforms that the Egyptian authorities enacted during the past few years in the fiscal, monetary, banking, business environment and other areas that created a socioeconomic environment resilient to the economic crisis. Additionally, it is important for the authorities to apply longer-term reforms that will help improve Egypt’s long-term competitiveness and mitigate future risks. By doing this, Egyptian economy will definitely emerge stronger and more resilient from this difficult period.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

The world is continuously witnessing a series of rapid developments and changes regarding the international dynamics of foreign trade relations, something that is creating a perpetual nucleus alteration in the international trade relations of most countries. Egypt is not an exception as new economic entities and blocks have emerged and created a diversified political and economical status quo in which the country had to fit in. However, Egypt manages to cope with this mainly due to the anticipated growing export potential that it has to a large number of sectors of the industry, its lucrative geographical position and its integration in several international economic organizations.

Commodity Imports by Geographical Distribution
2004 - 2009

in million dollars

	2004	2005	2006	2007	2008	2009
EU (27 Members)	3425	4534	4592	6209	14396	14278
Asia without Arabian Countries	2196	3040	3581	4113	12050	10485
Arabian Countries	1460	3187	3950	4843	7437	5048
North America	1426	1898	1727	2745	6318	5251
Africa without Arabian Countries	110	160	98	169	960	598
Eastern Europe (23 Members)	764	2437	1762	2583	5730	5370
South America	790	1163	984	1371	2711	1887
Other	2663	3397	3920	5032	3315	2030
Total	12833	19815	20614	27063	52916	44946

Source: CAPMAS - Data is treated and classified by EITP

As it is already mentioned, the country has a broad range of industrial goods that can export. Of course, the most important of them is oil. Based on the 2007 figures, Egypt was the 55th largest oil exporting country with approximately, 155,200 barrels per day. Nevertheless, the country has a significant amount of oil reserves which can reinforce the place of the country as an oil exporter in the coming decades. Apart from crude oil and petroleum products, the country also exports metal products, cotton, textiles and chemicals. Furthermore, export potentiality is also vivid in numerous service sectors including commercial services, especially tourism, transportation, business services and professional services.

Another important detail we have to highlight is that Egypt has a rather diversified spectrum of trade partners. The country's major partners are the EU and the USA with shares exceeding 30% and 10% respectively. Other important partners include South East Asia and Arab Countries, whereas trade relations with the

developing countries of the African continent have vastly increased during the last years.

Additionally, Egypt is a member of several international economic organizations, such as the World Bank, the International Monetary Fund and the Arab League. Furthermore it participates in several trade alliances. One of them had been signed with the European Union (EU). According to it Egypt's manufactured goods will have duty free access to EU markets and will phase out custom duties on EU products coming into Egypt within 12 years.

Moreover, in January 1998, Egypt began implementing agreements signed with Arab League members in connection with the Arab Common Market treaty of the 1960's. Finally, Egypt joined the Common Market for Eastern and Southern Africa (COMESA) in June 1998. In 1999 the country reduced tariffs with the COMESA partners by 90% and committed to eventually eliminate them entirely.

The final reason why Egypt can easily conform to the new challenges created by the perpetual change of the international scene in the domain of trade is its unique strategic location. It lies at the extreme northeastern corner of Africa, bordered in the north by the Mediterranean Sea with a coastline of about 995 km, in the east by the Red Sea with a coastline of about 1941km, in the northeast by Palestine and Israel with a 265km-long boundary, in the west by Libya with a 1115km-long boundary and in the south by Sudan with a 1280km-long boundary. Therefore, it joins three continents; Asia, Africa and Europe.

Throughout the years Egyptian authorities have systematically tried to eliminate bureaucracy, vitalize markets, encourage and develop local industries. Through this procedure they managed to promote Egyptian exports and boost their competitive edge so as to enable them to access European, Asian, and other markets.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

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Egypt's Political Economy: Power Relations in Development, by Nadia Ramsis Farah

This book deals with the unfolding of the great political and economic transformation of the modern Egyptian state form the appointment of Muhammad Ali as governor of Egypt in 1805 to the era of the President Mubarak, with a special focus on the period 1990-2005, which witnessed a rigorous implementation of structural adjustment policies, the acceleration of economic privatization and liberalization, the emerge of a group of neoliberals within the ruling National Democratic Party, and the consolidation of business interests and representation in parliament and government. The author asserts that the modernization process in Egypt over the last two centuries has been determined by power relations and their articulation, and so she investigates in depth the impact of power relations on development strategies, on political liberalization, n politicized Islam as a hegemonic ideology adopted by the state sine the beginning of the 1970s and on gender relations in development.

The Impact of Financial Liberalisation on Portfolio Shifts: The 1990s Experience with Particular Reference to the Egyptian Economy, by AYMAN HENDY

The McKinnon-Shaw framework directs attention to the return on financial liberalisation as being an increase in the rate of economic growth. The 1990s experience indicates that there is a risk factor associated with financial liberalisation (i.e. financial crisis) might surpass the return of economic growth. Peculiar to the 1990s financial crises has been portfolio capital flows which played a role in most of the affected LDCs. Both the return and the risk of financial liberalisation have been investigated in this thesis, in the context of the 1990s experience. Financial liberalisation programmes have lead to portfolio shifts, shifts in both the return and risk factors of financial investment, in the short-term. However, the issue is more crucial in a long-term basis. Where financial assets are claims on the real sector, the question is whether financial liberalisation leads in the long-term to portfolio shifts.

France still confident on Russian warship deal

France remains "confident" it will win a deal to supply helicopter carriers to Russia, Nicolas Sarkozy's office said Tuesday after the French president met with Russia's foreign and defence ministers.

"The latest contacts are encouraging," it said in a statement. "We are continuing our discussions with a lot of confidence. That is the message of both parties."

Sarkozy told Russian Foreign Minister Sergei Lavrov and Defence Minister Anatoly Serdyukov during the Paris meeting that he "understood" Moscow's decision to throw open to tender the construction of the helicopter carrier.

Russia had been in exclusive talks with France to buy two 21,300-tonne Mistral-class amphibious assault ships and Sarkozy had previously promised French shipyard workers that a deal was imminent.

But last month, Serdyukov announced an international tender, due to take place in September, for two ships and said that the producer of the Mistral -- France's STX shipyard in Saint-Nazaire -- would be allowed to bid.

In June, Russian Prime Minister Vladimir Putin told AFP the deal would only go ahead if France agreed to transfer the advanced military technology which French versions of the vessel are equipped with.

The deal is reportedly worth around 600 million euros (765 million dollars) and would secure jobs in French yards, but France's NATO allies have expressed concern about arming Russia with modern Western weaponry.

Source: 2009 AFP, Agence France-Presse (AFP)

NATO eyes 2,000 extra troops for Afghanistan

NATO may send 2,000 extra troops to Afghanistan, mainly to train Afghan security forces, following a request from war commander David Petraeus, a NATO official said Monday.

The mission, which would include 750 trainers for Afghan forces, is in addition to the troop surge strategy, said the official, who requested anonymity.

"There is now a discussion under way for additional resources, principally trainers, that could be sent to Afghanistan to bolster the mission," he said.

The US general's request was relayed to the transatlantic alliance's 28 members and it is up to individual governments to decide on whether to make contributions, the official said.

"That discussion will play out over the coming weeks and months and will be led by NATO's military authorities," he said, adding that a CNN television report that the troops could leave in the coming weeks was "not realistic."

The war is nearing the end of its ninth year, with international troops at almost full strength of 150,000, from the United States and NATO.

The deployments include 30,000 US troops ordered up by President Barack Obama last December as part of a new counter-insurgency strategy aimed at speeding an end to the war.

Getting Afghan security forces trained so they can take over security responsibilities is a paramount condition for the withdrawal of foreign troops from the war-scarred nation.

NATO chief Anders Fogh Rasmussen, who will meet Obama at the White House on Tuesday, said last week he hoped that foreign troops can begin to gradually hand security responsibilities to Afghan forces next year.

Source: 2009 AFP, Agence France-Presse (AFP)

Russia to complete delivery of Su fighter jets to Indonesia by mid-September

JAKARTA, September 6 (RIA Novosti) - Russia will deliver the last of six contracted Su fighter jets to Indonesia on September 7 and 16, an informed source said on Monday. Under a $300 million contract, signed in 2007, Russia is to complete the delivery of three Su-30MK2 and three Su-27SKM fighters to Jakarta by the end of 2010 in addition to two Su-27SK and two Su-30MK fighters purchased in 2003. The third Su-30MK2 jet was delivered in January. Russia's An-124 transport plane will deliver two Su-27SKM planes to the air base in the city of Makassar in Indonesia's South Sulawesi province on Tuesday, the source said. The other Su-27SKM plane will be delivered to the same base five days later. The planes will be sent to Indonesia earlier than scheduled following a request by the Indonesian military authorities, who would like the aircraft to take part in a military parade dedicated to Armed Forces Day on October 5, he added. Indonesia earlier said it needed at least one squadron equipped with 16 Sukhoi fighters to replace part of the outdated fleet of U.S. F-16 fighters.

Source: RIA Novosti

Yanukovych to discuss Ukraine's EU entry bid in Brussels

KIEV, September 6 (RIA Novosti) - Ukrainian President Viktor Yanukovych will visit the European Union's headquarters in Brussels on September 13 as part of the country's euro-integration bid, a Ukrainian Foreign Ministry spokesman said on Monday. Ever since replacing pro-Western Viktor Yushchenko as president in February, Yanukovych has made "euro-integration" a priority. He has also however vowed to stay out of Western military blocs. Yanukovych wants Ukraine to be an EU associate member before the year is out. Experts say though that Ukraine is unlikely to achieve this ambition in the next two years. Yanukovych and EU officials will discuss a range of issues including the speeding up of the signing of the EU-Ukraine Association agreement, the creation of a free trade zone and visa-free travel between the EU and Ukraine, Oleg Voloshin said.

Source: RIA Novosti

Boeing Projects $700 Billion Commercial Airplanes Market in North America

MONTREAL, Sept. 2 /PRNewswire/ -- Boeing (NYSE: BA) forecasts that air carriers in North America will take delivery of about 7,200 new airplanes over the next 20 years at an investment of $700 billion.

New airplane deliveries in Canada and the United States will be driven largely by the need to retire older, less fuel-efficient single-aisle airplanes and regional jets, as airlines replace them with new-generation, more fuel-efficient models. (For the purposes of the Boeing forecast, the North America market consists of the U.S. and Canada. Mexico is included in Boeing's forecast for Latin America.)

"North America is a large, mature market, and we expect passenger traffic for the region to grow at a modest rate of 3.4 percent," said Randy Tinseth, vice president of Marketing, Boeing Commercial Airplanes, who released Boeing's 2010 North America market outlook today in Montreal. "The fast-paced lifestyles in Canada and the U.S. require rapid, frequent and reliable coast-to-coast and interregional transportation. Driven by this demand, nearly three-quarters of the new deliveries over the next 20 years will be single-aisle airplanes."

Taking retirements of airplanes into account, the North America fleet will grow from 6,590 airplanes today to about 9,000 airplanes by 2029.

Boeing forecasts that single-aisle airplanes will grow from 56 percent of the total North America fleet today to 71 percent of the fleet by 2029. Airlines are increasingly focusing on airplane age as fuel-thirsty, older airplanes weigh increasingly on earnings. Increased attention to aviation's impact on global climate change also will be a factor in selecting airplanes that produce lower carbon emissions.

Newer airplane types such as the Next-Generation 737 offer significant advantages in environmental performance as well as improved capabilities, fuel efficiency and maintenance costs.

"After several years of losses among the region's air carriers, we're seeing signs of improvement and airlines are beginning to implement fleet renewal plans as they look to the future," Tinseth said. "To help meet this demand, Boeing Commercial Airplanes will continue to work closely with our more than 500 suppliers and partners in Canada. Boeing imports parts and services from Canada amounting to more than a billion U.S. dollars a year, more than $625 million of which is associated with Boeing Commercial Airplanes."

Twin-aisle fleets will evolve in the region as airlines continue to expand international point-to-point services to a wider range of airport pairs and frequencies. Small- and mid-sized twin-aisle airplanes will grow to represent 19 percent of the North America fleet by 2029.

Within the North America market, Boeing sees a demand for 1,180 new, efficient twin-aisle airplanes such as the 787 Dreamliner. Twin-aisles will account for only 16 percent of total airplane demand in the region over 20 years but will have a proportionally higher share of delivery cost, at 37 percent of the overall investment.
Large airplanes (747-size and larger) will not see significant demand in North America, with only about 40 units (all freighters), or one percent of the total investment.

Boeing also forecasts declining demand for regional jets in North America as airlines shift to more fuel-efficient turboprops or larger jetliner models. High fuel prices, intensified competition and the superior efficiencies of larger single-aisles will take a toll on the economics of small regional jets. This category will account for just 4 percent of the total investment for new airplanes, with only 800 new regional jet deliveries over the next 20 years, nearly all for replacement.

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More information on the North American market forecast can be found at: http://www.boeing.com/commercial/cmo/north_america.html

Source: Epicos, Boeing