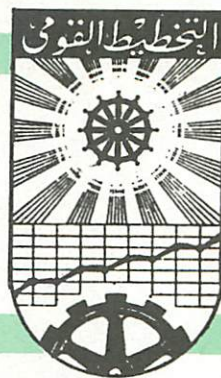


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Economic Reform in Egypt  
(Motives and Orientations)

By

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**" ECONOMIC REFORM IN EGYPT "**  
**( Motives and Orientations )**

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## " Introduction "

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The economic reform in which Egypt is now involved may be described as a determined action looking for solutions to many accumulated socio-economic problems . This reform has become the major objective of the government since 1987 . Its beginning dates back to 1978 when the government adopted gradual measures to rectify the foreign exchange rates and liberate the foreign exchange market in Egypt .

The two most important aspects of the economic reform in Egypt are changing the egyptian economy into a free market economy , and limiting the public ownership to a necessary minimum by extending the private ownership to almost all sectors of the national economy .

It is hard to explain the necessity of the economic reform in Egypt without giving some historical background . Since 1952 socio-economic development has become one of the major interests of successive Egyptian governments . But the way to achieve this goal changed several times between 1952 and 1987 . These frequent changes , on the socio-economic level and on the socio-political level , created many serious problems that made the necessity for a comprehensive economic reform very clear . One of the two major objectives of this paper is to answer why , and how , economic reform has become necessary in Egypt .

It is quite true , as will be shown , that the economic reform is strongly justified in Egypt , but one might ask whether the

orientations of this reform are equally justifiable or not . Despite the fact that economic reform policies and experiences in the last two decades are guided and followed up by the IMF and the World Bank it will be a mistake to speak of a standardized economic reform to be adopted everywhere regardless of differences in the domestic conditions . Thus , the second major objective of this paper is to comment on the orientations of the economic reform in Egypt .

## **I. THE NECESSITY OF ECONOMIC REFORM IN EGYPT :**

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In this section we will try to answer the question why , and how , the economic reform has become necessary in Egypt . To answer this question , a brief historical background , not too far reaching seems to be a good start . But this start should be preceded by conceptualizing the economic reform to have some guidelines for this brief historical background . Shedding some light on the concept of economic reform and on the historical background of the Egyptian economy paves the way for explaining the reasons for economic reform in Egypt . These reasons will be dicussed under two major headings : internal reasons and external reasons .

## **1.1. The Concept of Economic Reform :**

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1.1.1. A country needs economic reform when its national economy faces problems culminating to a point where institutions , policies , and measures adopted cease to be efficient in overcoming , or at least alleviating , these problems . Thus , the concept and dimensions of economic reform are inseparable of the problems facing the national economy . These problems are not only domestic but also international .

1.1.2. Accordingly , we consider the economic reform as a multidimensional process(1) designed to overcome the culminating problems of the national economy . It thus follows that economic reform is not a standardized process applicable everywhere . Even if we agree that economic reform of nowadays generally means giving place to the objective economic laws and to market mechanisms in guiding the decisions of resource allocation , investment , consumption , saving , and the initial distribution of national product(2) , it will be a great mistake to consider the economic reform as a standardized process . A wide margin of liberty of action must be admitted to deal with country differences in socio-economic and political conditions and in the degree of responsiveness to changes necessary for economic reform .

1.1.3. Considering Egypt's economic problems and the willingness of Egyptians to improve their life conditions , the economic reform in Egypt may be defined as the process of exposing

the Egyptian economy to free market conditions , encouraging the private sector to expand its activities and to participate intensively in the socio-economic development , and limiting the direct economic activity of the state to a minimum .

1.1.4. The process of economic reform in Egypt gradually tends to subject all economic activities to the supply and demand laws . The interaction of supply and demand and the active market mechanism represent the objective conditions for the economic laws to guide the efforts of individuals and projects according to rational economic calculus . Thus , the allocation of resources , the kinds of goods and services to be produced , and the distribution of national product whether in place ( i.e. between participants in its generation ) or in time (i.e. between consumption and investment) will all be decided through the market mechanism .

1.1.5. The economic reform in Egypt , being defined as mentioned above , might give the impression that the State's role and responsibility in the economic life and the social stability will be marginalized . However , this is not true in a developing country , like Egypt , since it is neither possible nor advisable for the State to discharge itself of such role and responsibility . Hence , the State in Egypt will continue to play an important role in the socio-economic life , but the nature and tools of this role must be adapted to changes brought about by the economic reform . Accordingly direct central planning leaves place to indicative planning , and policy administration and market incentives substitute for orders



and bureauratic control . Furthermore , each institution , or project becomes completely responsible for the decisions it takes while the central government policies indirectly guide these decisions and minimize undesirable conflicts between them .

1.1.6. It is quite important to have a realistic view of economic reform and not to jump to the conclusion that it means solving all economic problems a country is likely to face . In fact , all what any process of economic reform aims at is to provide the necessary conditions for the interaction of dynamic forces in the national economy in such a way as to make this economy capable of dealing with different economic problems without having any of them aggravated to a chronic crisis situation(3) . This should be quite clear to all countries undertaking an economic reform policy to avoide socio-economic , and political , instability resulting from exalted and unrealistic aspirations .

## 1.2. Historical Background :

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1.2.1. Since 1952 socio-economic development has become a principal objective for the successive egyptian governments . Between 1952 and 1957 , the private sector continued to assume the major responsibility of economic activity in almost all sectors of the Egyptian economy . The performance of the private sector , during this period , was not bad (4) but it was far from being enough to satisfy the necessary conditions for fast economic development . This

led to the conviction that the private sector will not succeed in achieving economic development (5) .

1.2.2. Thus , in 1957 the State started to interfere directly in the economic activity and arranged to control the key positions in manufacturing , trade and finance . To do so , the government issued , and started to apply , a quinquennial programme for industrialization ( 1957 - 1961 ) . This was accompanied by Egyptianizing most of the foreign investments working in the country by that time . In principle , the process of Egyptianization means the transfer of ownership from the hands of foreigners to the hands of Egyptians . But , practically , this process put most of the foreign investments under the direct administration and control of the government (6) . This paved the way for the emergence of a strong public sector in manufacturing , trade and finance . It thus follows that the role of the private sector in the Egyptian economy started , rather practically than officially , to be largely minimized .

1.2.3. Just before the end of the quinquennial industrialization programme , the Egyptian regime transferred the national economy into a centrally planned one and nationalized all financial institutions and the majority of projects in manufacturing, extraction and trade . Ownership of agricultural land was left in the hands of the private sector , but the agricultural activities were firmly controlled (7) . Thus the government directly assumed the responsibility of achieving socio-economic development through comprehensive central planning and depending on a predominant public

sector . Accordingly , the first five-year plan ( 1960/61 - 1964/65 ) was prepared and put into action .

1.2.4. On the average , the real rate of growth achieved during this plan reached about 6.5% which could be considered relatively a high score(8) . But this relative success was mainly due to the fact that the vast nationalization processes (1960 - 1962) put most of the large and successful projects under the State control and the planning process was mainly based on this fact . These projects were not yet affected by the governmental routine and bureauratic diseases and the collective overemployment policies ; defects that negatively hit the public sector later on .

1.2.5. Since the end of that five-year plan direct comprehensive planning left the place for a kind of indirect planning depending on estimations of resources availability and objectives to be achieved , some governmental administrative measures ( licences , quotas , rigid pricing , credit discrimination ... etc. ) , and annual following-up reports to show differences between planned objectives and effective results . It is not our intention here to evaluate the planning process in Egypt ; what we are actually interested in is to draw the attention to the fact that this process was inseparable of the growth of the size and importance of the public sector and its economic performance .

1.2.6. The predominance of the public sector continued mainly between 1957 ( the year of the Egyptianization of foreigners' investments ) and 1974 ( the beginning of what is known as the open

door policy ) . The public sector played an important role in the economic growth and structural changes of the Egyptian economy during that period . It also assumed the responsibility of supplying the Egyptian society with the means of satisfying basic needs , at least without dramatic bottlenecks , during the three wars in which Egypt was involved ( the Yemen War 1962/67 , and two Arab / Israeli Wars 1967 & 1973 ) .

1.2.7. Yet , the Egyptian experience with the public sector was not without serious problems . The most important of these problems were : a) the rigid organization and behaviour of the public sector enterprises , b) the overemployment due to governmental policies motivated by socio-political factors rather than economic considerations , c) the monopolistic position and overprotection which resulted in modest productivity and inefficient use of available resources , d) the application of governmental pricing policies which were far from being properly based on cost/benefit analysis and have nothing to do with market conditions ; thus black market operations became a daily practice , e) the great shortage of self-financing sources and techniques due to the financial interdependence between the public sector and the State Budget , and f) the bad management and technological sterility .

1.2.8. Because of these , and other , problems , the public sector in Egypt never succeeded in providing the necessary prerequisites of self-sustained growth for the Egyptian economy . Moreover , the predominance of the public sector did not stop the

aggravation of serious problems like the balance of payments' deficit , the State Budget deficit , inflation , the infrastructure deterioration , housing shortage , and the insufficiency of financial resources required for social services .

#### 1.2.9. The Open Door Policy (9) :

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A) In an attempt to alleviate the above mentioned problems , the Egyptian policy makers thought of attracting Arab and foreign investments to participate in the growth of the Egyptian economy . Thus , by the end of 1972 the Egyptian government started to relax the severe foreign exchange control through establishing what was then known as the " Parallel Foreign Exchange Market " . We consider this arrangement as an introduction to the measures that were taken , and the decrees that were issued , between 1974 and 1977 , under the heading of what was then termed " The Open Door Policy " .

B) Officially , the main objective of this policy was to encourage Arab and foreign capital inflows to invest directly in different projects that were needed for alleviating the pressing problems of the Egyptian economy . But , practically speaking , this policy was designed to encourage the inflows of the convertible foreign currencies ( regardless of the nationality of their sources , Egyptians or not ) to be invested in establishing productive projects or to be used in financing imports . It was clear that such inflows

were impossible unless being under the auspice of a well protected , and a well guaranteed , private sector .

C) One might consider the " Open Door Policy " as an attempt to reform the Egyptian economy because it took the first steps towards a free foreign exchange market and encouraging the private investments . However , this policy was far from being well integrated in the national economic policy which continued to be subjective in accordance with intensive direct interference of the State in the economic activities .

D) Thus , the " Open Door Policy " did not help in alleviating the major problems of the Egyptian economy ; on the contrary , this policy aggravated the most important of these problems ( the State Budget deficit , the balance of payments deficit , the external and internal indebtedness and the inflationary pressures ) .

1.2.10. However , the above mentioned evolution led the government to the conviction that a comprehensive economic reform is badly needed . This reform should be based on limiting the direct economic activities of the State to a minimum , leaving the market forces and mechanisms free to determine prices and to guide the economic decisions in all fields of economic activities , and providing all necessary facilities to the private sector to invest in any projects that seem to be profitable according to the market indicators . But , for social and political reasons , governmental policies and measures , in these directions , were not decisive until

1987 when the government started to consider the accomplishment of a comprehensive economic reform as its principal task. Since then economic reform policies and measures have been gradually applied .

### 1.3. Motives and Justifications of Economic Reform :

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Generally speaking , the above historical background explains why , and how , the economic reform of the egyptian economy has become a must . Yet , this explanation still needs to be specified and this is what we are going to do in the following paragraphs . For simplicity of illustration , we will try to specify the motives and justifications of the economic reform in Egypt under two major headings : the internal justifications , and the external justifications . But attention should be drawn to the fact that these two types of justifications are inseparable and interrelated in reality .

### 1.3.1. The Internal Justifications :

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Here , we might distinguish between economic justifications and socio-political ones .

First : The economic Justifications :

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1- The internal disequilibrium of which the most important aspects were :

a) The serious , and chronic , State Budget deficit which amounted to 27.1% of GDP in 1987/88 (10) .

b) The shortage of total supply which manifested itself in :

- Inflationary pressures : The annual average increase in the wholesale price index amounted , during the period 1985 - 1990 , to 22.1% (11) .

- An important , and increasing , trade balance deficit ; between 1985/86 and 1990/91 , this deficit increased from L.E 6336 millions to L.E 21953 millions (12) .

c) The insufficiency of active domestic savings to match the financial needs of capital formation . For example , domestic savings only covered 30.1% of the investment operations' deficit in the 1987/88 State Budget . Despite the increase of this ratio to about 57.7% in 1988/89 (13) , domestic savings still fall short of investment financing requirements .

d) The disequilibrium between the increase in the supply



of money and the real growth rate of GNP : Whereas the annual average of this growth rate was 5.2% during the period 1985/86 - 1989/90 , money supply increased by an annual average rate of 8.8% ( when this supply is defined as M1 ) or 19.6% ( when this supply is defined as M2 ) (14) .

e) The deformation of prices because of the governmental subsidizing and pricing policies : This was one of the most important causes of bad resource allocation , of the public sector losses and shortage of self-financing sources , and the reluctance of the private sector to invest in commodity producing sectors .

2- The large internal indebtedness of the State and the related high debt servicing burden : Thus , in the years 1986/87 , 1988/89 and 1990/91 the State's total public domestic loans amounted , successively , to L.E 4785 millions , L.E 8130 millions and L.E 6870 millions in order to cover the State Budget deficit . These loans successively represented 53.0% , 70.8% and 97.3% of the total investment uses in the State Budgets of these years (15) . It should be noted that , since January 1991 , the Egyptian government has started issuing Treasury Bills to finance short term deficits of the State Budget by real sources . The direct impact of such Bills manifested in increasing the internal debt servicing charges from L.E 6140 millions in the 1990/91 Budget to L.E 8845 millions in the 1991/92 Budget (16) .

3- The growth of the sectors of the national economy reflected structural disequilibrium : Thus the national economy became heavily

dependent on four highly uncertain sources of income ; namely the Suez Canal , tourism , petroleum and the workers' remittances from abroad . Between 1986/87 and 1989/90 , income from these externally determined sectors increased by an annual average of 14.0% whereas the same average for GNP was only 5.4% , and 5.1% for agriculture together with industry (17) .

4- The aggravation of the problems of financing most of the public sectors' projects : These projects became , for several reasons , unable of self-financing and this was translated into large dependence on the State Budget subsidies and increasing indebtedness to the banking system . During the period 1987/88 - 1990/91 the State Budget supplied the public sector projects with net financing ( i.e. over and above the public sector's surplus transfers to the State Budget ) of about L.E 23500 millions(18) , and by the end of that period the accumulated debts of this sector , to the banking institutions amounted to L.E 14916 millions (19) .

5- The modest performance of the public sector due to government's interferences in its activities and management , governmental pricing policies , the excessive manpower employment imposed by the government , and the shortage of the financial resources necessary for replacements and innovations . Out of the 116 public sector industrial companies only 38 realized , in 1986 and 1987 , net profits ; whereas the aggregated income account of all these companies showed net losses amounting , respectively , to L.E 267 millions and L.E 228.8 millions(20) .

6- The exhaustion of all opportunities of additional manpower employment either in the business public sector or in the public administration bodies due to overemployment in both of them. This situation is mainly explained by the manpower employment policies that were followed in the sixties and the seventies. For political and social, rather than economic, considerations, these policies concentrated on minimizing explicit unemployment but neglected the rapid increase of diguised unemployment. Thus, overemployment became one of the major problems in the business public sector and most of the government institutions. This has forced the government to reconsider its employment policy and to stop, since the early eighties, collective recruitment of the new-comers to the labour market in the public sector projects and the government institutions. Accordingly, explicit unemployment became one of the major problems in Egypt. It is estimated that the unemployment ratio ( of the total labour force ) increased from 6.6% in 1983 to 14.9% in 1986 and amounted to 20.0% by the beginning of the 1990s (21) .

7- The limited capacity of the State Budget to go on subsidizing the unprofitable public sector projects and, at the same time, to finance the necessary expansion of the infrastructure projects to absorb the ever-increasing demand for their services while providing them either free or at prices lower than the real economic costs. This situation, together with the chronic State Budget deficit, gave strong reasons for :

- Privatization of the public sector.,

- Encouraging the private sector to invest in education , health , transportation and communication , and

- Charging the consumers of the services of most of the infrastructure projects with their real economic costs .

## Second : The Socio-Political Justifications :

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The above mentioned historical background reveals that , since 1957 and upto very recent time , the State assumed the responsibility of satisfying almost all the human needs of the Egyptian society . Successive governments really did great efforts to accomplish this hard task , but the results were not promising either on the economic level or on the the sosio-political level . Thus , we can trace some socio-political justifications for economic reform in Egypt :

1- The people's excessive dependence on the State for almost all affairs of life : In addition to its traditional functions , the government had to provide education and training services , health care , dwellings , transportation and communication means , water , electricity and gaz , drainage , enough job opportunities , and the government also had to supply stores with durable and non-durable consumer goods . Accordingly , most of the Egyptian people became dependents of the State and they didn't feel necessary to take risks of innovations and creative actions and the entrepreneurship talents became frustrated in most fields of the economic activity and lost in

some others .

2- Most of the people became disinterested in the public affairs so that their participation in elections , or referendums , slightly changes around 12% of those who have the right of voting . This disinterest manifests itself in many other fields like : the scarcity of public discussions of the political parties' programmes , and the concentration of the majority of newspaperes' readers on crime and sport news and on TV , cinema and theatre programmes announcements .

3- The obstacles to democratic changes in the Egyptian society . Most of these obstacles are difficult to remove if the political authority and the economic power continue to be concentrated in the hands of the State . Some of these obstacles arise from many people misunderstanding democracy ( and this might be a direct result of people's being dependents of the State ) as rights to be claimed and not responsibilities to be assumed .

### 1.3.2. The External Justifications :

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Egypt's economic reform is mainly justified by internal conditions that have to be improved . Such conditions and the way of changing them are not , and can not be , isolated from what is going on , economically and politically , on the international scene . Changes on this scene , in addition to developments in Egypt's international economic and political relations , add more reasons for reforming the Egyptian economy . The most important of these reasons are :

1- The dismantlation of the Two-Polar International System to give place to a New International Order : Despite the fact that such Order is still in the stage of restless formation , no one can deny that the world is moving towards a system in which economic progress, competition in domestic and international markets , innovations , and technological progress will be of prime importance to all countries . Given these international changes , freeing the Egyptian economy from governmental routine and bureaucracy became a must . It also became necessary to readjust Egyptian international economic relations in such a way that makes the Egyptian economy enjoy real comparative advantages . Government interference , through export subsidies and import restrictions , imposed artificial comparative advantages to the Egyptian economy but the net result was the exhaustion of the Egyptian real resources , inflation , and the accumulation of debts .

2- The rapid and successive changes on the international scene made Egypt's exports either lose most of their traditional markets , mainly in Eastern Europe , or , at least , be severely exposed to competition in these markets . Two important consequences may be attributed to this change : Egypt's international economic relations have become totally subject to the conditions prevailing in the international commodity , and money and credit , markets . Moreover , Egypt has to undertake structural readjustments in its national economy to develop real comparative advantages that make it able to deal with its international commercial partners on cooperative , and mutual interests , basis .

3- The external disequilibrium of the Egyptian economy is directly related to its internal disequilibrium through the trade balance . Egypt's trade balance is always in large deficit . This deficit is considerably alleviated by the surplus of Egypt's invisible trade balance . But most of surplus items of this invisible trade ( e.g. workers remittances and tourism ) are quite uncertain . On the other hand , the Egyptian current accounts' deficit continues to be of considerable importance. Because of this deficit , external debts , and the debt servicing charges , leveled up to dangerous limits . In 1989 the external debt/ GNP ratio was 159.0% and the external debt/total exports ratio was 333.6% . These ratios decreased in 1990 to 126.5% and 300.8% respectively . Between the same two years , the ratio of the debt servicing charges to the total value of exports increased from 20.5% to 25.7% (22) .

4- Given the real investment opportunities in the Egyptian economy and the size of the Egyptian market, Egypt's capital absorption capacity is considerably important to be attractive for Arab and foreign capitals. But this capacity was negatively influenced by the State direct interference in the economic activities, the public sector's monopoly of key production areas, the government pricing policies, the foreign exchange controls, the discouraging legal rules organizing investment activities, and some other political factors like the insufficiency and the ambiguity of some rules of democratic practices in Egypt. Given the leading role of Egypt in the Arab World, all these factors also explain, though partially but importantly, the failure of Arab economic integration attempts.

5- The rapid and successive political changes in the Middle East put emphasis on economic and technological progress, market competition and socio-political dynamism to be the main tools of self-defence and peaceful conflict between the countries of the region. Economic reform is one of the necessary changes to prepare Egypt for this new regional environment.



## II. Orientations of Economic Reform in Egypt :

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II.1. The concept of economic reform and the reasons for it , as elaborated in the above sections , suggest that the Egyptian socio-economic and political system gradually becomes oriented towards :

1- A free market economy in which the State's role will be limited mainly to indirect guidance of the economic activities through a package of fiscal , financial , monetary , price , and trade policies .

2- New economic and social organization , in conformity with the free market economy , where private initiatives and private undertakings take the lead of the socio-economic change .

3- More intensive economic relations with the rest of the world whether on the inter-Arab level or on the international level .

4- Internal political changes where more democratic developments will be needed .

5- External political relations changes open to uncertainty and different possibilities .

II.2. These orientation could be favourable to Egypt's socio-economic and political development under certain conditions :

a) Honest and fruitful competition should prevail in the market. Monopoly , destructive competition , and bad exploitation of economic and political power relations should be excluded. Clearly , this necessitates deep legislative reform in order to minimize the number

of laws and measures regulating the economic activities and to simplify their application . Also , an anti-trust law should be issued and sincerely applied to guarantee the free action of market forces .

b) Given the changes brought about by the economic reform , development management requires a restructuring of the governmental institutions , especially those which are directly concerned with the economic activities . Efficient training , and even educational , programmes are also necessary to provide the government employees with concepts , tools and measures suitable for dealing with the questions of planning , policy management and indirect control of the national economy under free market conditions .

c) A free market economy doesn't exclude the application of the infant industry principle whenever necessary . It thus follows that protection should be accorded to new projects expected to enjoy real comparative advantages within reasonable period of time . This period elapsed , protection should be annulated . We also think that the process of privatizing the public sector's projects , either through passing into private ownership or through management privatization , could be largely accelerated if this protection is extended to such projects during the period of transition .

d) A great enlightening effort should be done to make the public understand that private ownership is not necessarily a tool of exploitation of man by man . The legislative framework organizing the economic activities must be decisive in preventing the use of private

ownership for exploitation of man by man and , thus , avoiding the accentuation of social alienation and conflict . It should also be understood , especially by capital owners and entrepreneurs , that the private ownership should be a tool for better organization and more efficient employment of available resources .

e) The private ownership should , also , be considered as a social function with social and human development objectives and not only a means of maximizing owners personal profits .

f) The planning functions , and tools , for the national economy should be confirmed , but readjusted , on the basis of indicative planning working through market mechanisms and efficiently employing policy tools and compensatory market operations to guide indirectly the economic decisions and actions away from socio-economic crisis .

g) The fiscal system should be modified in such a way as to guarantee social justice , increase the efficiency of tax collection and provide the necessary social services and social insurance for poor and unemployed persons .

h) Comprehensive economic research work and diplomatic effort should be done to find out common areas of cooperation between Egypt and other Arab countries ; and between Egypt and other countries , like Poland , Hungary , and the ex-Soviet Union republics , that are also experiencing economic reform and structural readjustment . With these countries , there is a good room for economic cooperation based on real comparative advantages and on mutual interests .

h) Democratic changes in Egypt have to be strengthened and go

farther . What have been realized in this field is incontestably important and positive ; but further steps should be taken to achieve :

- full people's participation in elections and referendums , in the decision taking processes , and in the political supervision of the governmental activities ,

- peaceful and constructive employers/employees' negotiation methods , and .

- full liberty for people to form political parties expressing and defending their common interests .

These steps will provide solid basis for social and political stability ; and this will help Egypt to build up external economic and political relations on firmer grounds .

Footnotes :

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(1) Economic reform is a multidimensional process because of its requirements internally and externally . Internally , economic reform requires , and causes , changes in all aspects of life whether economic , social , political , institutional , juridical , or behavioural . Externally , economic reform requires , and causes reorientation and restructuring of the country's international economic and political relations .

(2) cf. World Bank : " World Development Report 1991 "

Translated into Arabic by Al-Ahram Center  
for Translation and Publishing .

Cairo 1992 . p.p. 13 - 14 .

(3) It should be noted here that we intend to make difference between the well-known temporary business cycle crisis situations and a continued crisis situation which reflects the failure of the socio-economic system to cope with national and international , changing circumstances .

(4) For example , between 1952 and 1957 , the average annual real growth rate of GNP was 3.8% and excluding 1953 ( the year just after the revolution ) this rate increases to 4.6% , the industrial production increased by an annual average of 6.4% and the agricultural production increased by an annual average of 3.5% ( cf. The National Bank of Egypt : " Economic Bulletin " 1961.Vol.XIV No.1 p.p. 108 - 109 & 1966.Vol.XIX No.1 The Statis. Appen. Table 7/1 .

(5) It seems unfair to us to jump to this conclusion given that :

a) the period 1952 - 1957 was a transitional short period between two different regimes and it was characterized , particularly in the field of economic activity , by ambiguity , anxiety and restless ;

b) most of the private sector , especially in manufacturing and trade and finance , was either owned by foreigners or under their direct control ( cf. AMER Abd-El-Salam A. : " Industrial Capitalism in Egypt 1957 - 1961 " ( in Arabic ) . The Egyptian Public Authority For Book , Cairo 1993 p.p. 11-25 ) ; and

c) the socio-economic changes brought about , by that time , were authoritatively imposed without being democratically discussed and agreed .

(6) cf. AMER Abd-El-Salam : *ibid.* p. 29 .

(7) It is quite true that the Agrarian Reform Laws ( of 1952 and 1961 ) expanded the social base of private ownership of agricultural land , but it is also quite true that agricultural activities became severly controlled by the same laws ( government monopoly of providing major inputs , compulsory membership of cooperatives , compulsory crops delivery , and central pricing of outputs ; in addition to the irrigation system which represents a powerful tool for the central government to control agriculture ) .

(8) We have estimated this rate from data published by the National Bank of Egypt : " The Economic Bulletin " Different Nos. between 1968 and 1972 .

- (9) A detailed critical analysis of the " Open Door Policy " is to be found in : ABD-EL-HAI M. & Other : " Evaluation of The Arab and Foreign Investments in The Seventies " I.N.P. Memo. 1326 . Cairo , June 1982 .
- (10) cf. ELBATESH Amira M.H. : " The Role of The Banking System in Development Financing and The Public Debt Administration in Egypt " .  
I.N.P. Memo. for the Diploma of 1992 .  
Cairo , Dec. 1992 . p.67 .
- (11) We have calculated this average from the National Bank of Egypt's Economic Bulletin ; Vol.45 , No.1&2 . Cairo 1992 . p. 128 .
- (12) cf. Nat. Bank of Egypt : Ibid. p. 145 .
- (13) Calculated from the State Budget Reports on the above mentioned fiscal years .
- (14) Calculated from the Nat. Bank of Egypt : " Econ. Bulletin " op.cit. p. 105 & p. 112 .
- (15) cf. Nat. Bank of Egypt : op.cit. p.p. 124 - 125 .
- (16) Nat. Bank of Egypt : " Economic Bulletin " Vol. 44 , No.3 p.235
- (17) Calculated from the Nat. Bank of Egypt's Economic Bulletin ; Vol.45 , No.1&2 p.p. 104 - 105 & p. 112 .
- (18) Ibid. p. 124 .
- (19) Ibid. p. 127 .
- (20) cf. The " Annual Report 1990 " of the Union For Industries in Egypt .

(21) Al-Ahram Center for Political and Strategic Studies :

" Arabs' Strategic Report 1991."

Cairo 1992 , p. 543 .

(22) cf. World Bank : "The World Development Report " 1991 & 1992"

Tables 24 on total external debt ratios .