

Nothing to Write Home About

Egypt's Economic Report Card for 1989 5 Feb. 90

from 1989, and in 1990 they will grow to \$5.8 billion if Egypt fails to come to an agreement with the IMF. Thus, Egypt is desperate to reschedule these debts to avoid shortfalls in its investment budgets or in the purchase of needed basic goods.

The IMF has been unwilling to come to terms with Egypt primarily because of its deteriorating trade and current accounts balances. They are insisting that the government further devalue the Egyptian pound in order to stimulate exports and to curtail imports in the hope that this will lower the trade balance deficit in 1990. Egypt has been

World Bank that it would implement a number of major structural reforms in the economy over the next five years, which will include further deregulation in agriculture, decreased subsidies on electricity and fuel, public-sector reform steps.

The government has certainly promised the World Bank much, but it has yet to deliver on any of its major promises. The World Bank's attitude is simple: reforms first and money second. The government had hoped for the exact opposite.

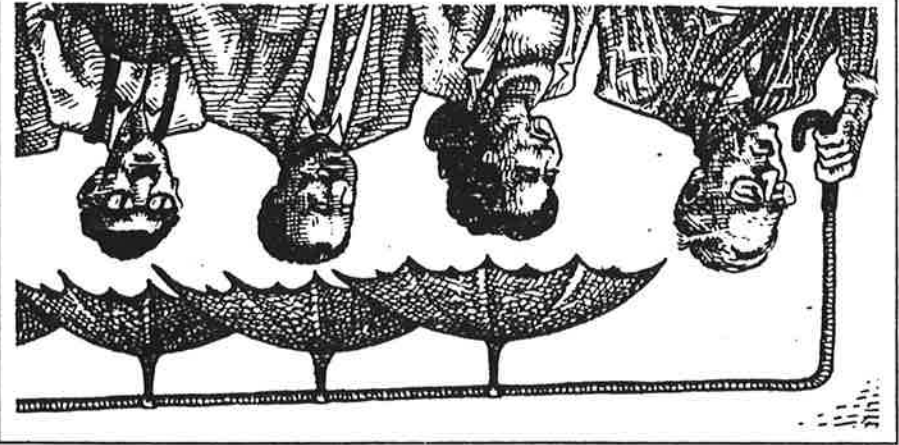
All in all, Egypt's economic performance in 1989 has shown obvious signs of further deterioration. The government budget deficit in 1988-89 was estimated by the IMF to have reached E£13.4 billion and the deterioration of the pound on the foreign exchange markets is continuing.

This is truly frightening. One hopes that in 1990 Sidki's wish of coming to terms with the IMF and the World Bank will actually take place. If Sidki's premonitions should fail to become reality Egypt will likely face even harder times in 1990.

Put in layman's terms, Egypt is behaving like a household whose breadwinners are not maximizing the number of hours that they can work per week and are not making full utilization of their capabilities because they are in the wrong line of work. In addition, the breadwinners are spending more than they earn and borrowing the difference.

For how long can Egypt continue to spend more than it earns in foreign exchange? Only as long as the country has the lenders who make overspending possible. And how are these lenders reacting to Egypt's growing balance-of-trade and balance-of-payments deficit? From the trends of 1989, the obvious answer is that they are not very happy.

Egypt has been unable to come to terms with the International Monetary Fund (IMF) over its outstanding debts, amounting to over \$45 billion, and has failed to finalize an agreement with the World Bank. Roughly \$4.3 billion in accrued arrears are left over



By Khaled Fouad Sherif
Special to the Middle East Times

CAIRO — With 1990 now at hand, one can safely say that Egypt's economic performance during the past fiscal year is nothing anyone would want to write home about.

Just look at the trade figures. According to Central Bank of Egypt calculations, Egypt is continuing to import more, export less and to spend more foreign exchange than it earns.

Exports fell from a high of \$3.274 billion in 1987-88 to only \$2.546 billion in 1988-89, a decrease of approximately 22 percent. In addition, imports rose from \$9.841 billion in 1987-88 to \$10.079 billion in 1988-89, an increase of 2.5 percent. The trade deficit thus went from \$6.567 billion in 1987-88 to \$7.533 billion in 1988-89, implying an increase of 14.7 percent.

Additionally, the current account deficit in the balance of payments, excluding transfers, went from \$4.626 billion in 1987-88 to \$5.697 billion in 1988-89, an increase of approximately 23 percent, caused mostly by the deteriorating trade balance.

Including transfers — workers remittances and international donor assistance — the current account deficit increased from \$545 million in 1987-88 to \$1.457 billion in 1988-89, an increase of 168 percent. Inflation is also on the rise, reaching a high of 31.2 percent in 1988-89, the highest level attained in the 1980s.

Why is this happening? Primarily, because the economy has yet to overcome a number of structural problems inherent in its resource allocation system.

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