

The mixed economy of egypt



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Egypt

Egypt, like many other states, has a mixed economy (El-Askhar, p. 101).[1] A mixed economy is an economic system that upholds both public and private sectors in the selected state (Ignacy, p. 16).[2] The concept in which the economic system in Egypt is mixed can be subdivided into two parts. The first one which is a common phenomenon is the participation of both government and private capital in the countries business. The second, who is not applied in most worldwide economies, is the application of both Islamic and non-Islamic sculpts into the business province (El-Askhar, p. 101). 1 There are cultural aspects that shape the economic system in a unique mix. The socialistic, capitalistic and the Muslim fundamentalism elements all shape the Egyptian society. The socialism that was prevalent in the 1950s has faded away considerably; Sadat's " open door" policies have opened up the doors to true capitalism and drifted slowly away from Nasser's socialism (El-Askhar, p. 102). 1 The policy increased the private sectors as opposed to the government sectors considerably, and has brought with it foreign enterprises. The financial sect of the state was no longer exclusive to the government, but has included privately owned Egyptian and non-Egyptian banks. The number of banks has increased from a mere seven to ninety-nine banks from between the 1960s to 1984. The state controlled sectors still existed, but the increase of private sectors merely happened from the broadening and widening of their base. They have been accountable for other varied sectors in the economy as shown in this (El-Askhar, p. 103). 1

Nasser introduced an agrarian reform that was widely controversial. Egypt in the 1960s was an oligarchic country where landless or people with little land

had financial insecurity. The reform redistributed 12% of the country's land. The purpose was to give those people land for the first time in the country's history. But the wealthy people with large amounts of property were seriously severed. Estates bigger than 190 acres disappeared and individuals were limited to owning a cap of 100 acres of land property. The reform was also aiming to drain the surplus from agriculture land into urban growth and industrialization (Bush, p. 1601)[3]. Egypt's GDP distribution of land. bmp almost doubled between 1963 and 1970, schools were built at an average of one school per day and the number of people receiving free education rose from 1.3 to 3.4 million. Since the agricultural sector was very poor, this market liberalization strategized a US farm-type model with an agricultural driven capital and export-led growth (Bush p. 1064)3. According to the World Bank, "the agricultural sector is now a fully private sector, operating in a market - and export-oriented economy" (World Bank).[4]

Egypt has the second largest economy in the Middle East. It has amassed large sectors in the clockworks of its economy, the largest of which is the service sector. The service sector is the fastest growing sector and is responsible for nearly 51 percent of the country's total GDP. The main constituents of the service sector are banking, trade, tourism and the Suez Canal shipping service. Industry follows as Egypt's second largest sector by accounting 32 percent of the total GDP, the rapid growth of this sector has happened thanks to the government's efforts in privatization. Although the public sector accounts for 86 percent of the country's industry, it has only made 15.4 billion/L. E as opposed to the private sectors 99.7 billion/L. E. The agricultural sector accounts for 14.8 percent of the total GDP and has

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steadily decreased since the industrial boom in the 1990s (Egypt in the..., p. 65).[5] As far as the overall GDP growth stands, the private sectors have contributed to more than two-thirds of the total GDP income as opposed to the public ones (Economic Review, p. 2).[6]

There are about 24.6 million laborers in Egypt; however there is an unemployment rate of about 8.7 percent as of 2009. Of these 24.6 million, 51 percent of them work in the services sector, 17 percent work in the industrial sector and 32 percent work in the agricultural sector. Employment grew at a rate of an average 1.744 percent in the last two decades; sectors mostly responsible for this growth are the industrial, constructional and service parts of the economy (Ikram, p. 236).[7] Official statistics said that the number of the unemployed in Egypt rose from 112.535 in 1950 to 5 millions in early 2004, meaning that the number of the unemployed increased at a rate of 4000% in the last 54 years, in case of these statistics is authentic. If the successive governments were serious in confronting unemployment, the unemployed rate would not have risen from 1.2% in 1950 to reach 3.4% in 1970, 7.10% in 1986, 11.1% in 1990 and 13% in 2004. The current unemployment rate in Egypt meant that it exceeded limits, as economic studies agreed that the safe rate of the unemployment in any society should range at 4.3% only (Ikram p. 237). 7

Egypt produces a wide variety of agricultural products; the animal resources it produces are mainly goats, sheep and cattle, while the planetary resources consist of a wide range of vegetables and fruits, as well as beans, wheat, corn, rice and most importantly cotton. The industrial commodities are a

wide range of metals, cement, construction services, hydrocarbons, food processing, pharmaceuticals, and textiles (Ikram, p. 96).[8]

Egypt has the largest market in the Middle East and the Arab world with a population of 83, 000, 000. It has a lot of growth potential and financial stability with a stable banking sector and a currency that stood quite well during the financial crisis. The real GDP growth rate has been almost always on the rise since the 1970s, and according to the Economist Intelligence Unit, the GDP growth of Egypt has dropped slightly but still a huge improvement over the rest of the Middle East, or the rest of the world which since the crisis have taken the turn for the worse.[9]

Poverty has always been the main problem for developing countries. Poverty is globally measured with a number of things, mainly the consumption of edible and non-edible material, the value of the housing asset, income, expenditure on fuel, schools, clothing and other miscellaneous objects. From these statistics a poverty line is drawn under the WHO standards and is given to every country to measure the population under this poverty line. In 1997, there were 15. 7 million Egyptians living in poverty, or 26. 5 percent. It has slightly dropped in 2005 to be approximately 20 percent of the total population which is still absurdly high (Datt, p. 208).[10] Let's take the 1990s poverty trend as an example. The urban versus the rural poverty trends are quite interesting, although the number of poor people has definitely increased, the Rural parts of Egypt have decreased as opposed to the major increase in the Urban areas. This could be explained by the following method, the higher unemployment rate in the urban as opposed to the rural which started from the decrease of the agricultural sector and the rise of the

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industrial one in the rural and urban parts respectively (p. 62).[11]

Concerning poverty, The World Bank report in 2001 indicated that 52% of the Egyptians were living with less than two dollars daily (p. 63). 11

Egypt's legal system is found on two different grounds, civil and Islamic law concepts with some Western and European influences of law. The system is a bit complex and sometimes bureaucratic and thus ineffective. While the current administration is aware of the importance of foreign and non-foreign investments, this will be an issue if a lesser business friendly government comes to power. The court consists of three levels, a summary and a primary appeal, and the cassation court, besides those are another system of courts that deal with special cases such as the administrative court and the Supreme Constitutional court. The delays somewhat of the commercial cases take a long while to conclude, taking nearly five years. The unresponsive commercial court is a disadvantage to the foreign investors and the whole private sector. The legal system provides moderate protection for property, although buying real estate can be lengthy, confusing and highly complex. Hernando de Soto calculated that in the year 2000, the process in which one wishes to register a piece of desert land takes between 6 to 14 years to complete. However, the government has taken procedures to encourage private investment. By reducing the costs of property registration from 12 percent of the value of the bought property to 3 percent, and introducing a flat fee of only 1, 000 LE per contract, it is focusing on a private reform process. There is no restriction to foreigners owning a non-agricultural real estate. Foreigners have the right to establish private investments in the country and engage in the economy (p. 39)[12]

Corruption in the low-level is widespread in Egypt. Egypt has scored an unimpressive 2.8 out of 10 in the Transparency International's 2008 Corruption Perceptions Index setting it number 115 in the corruption/country ranking. Although there are no reports of this corruption affecting foreign investors, it has significantly affected local private sectors. During Mubarak's ruling, the development rate dropped 2% currently against 4.6% two years ago. Depression dominated the Egyptian markets while citizen's purchase ability decreased. The interest rate problem led to the retreat of the Egyptian pound against the dollar. Competition increased between local products and those imported ones in addition to the few foreign investments in the country. The UNCTAD report on the international investment reported that the foreign investment decreased in Egypt from \$600 million to only \$200 millions. Egypt was one of the most developing countries that were able to attract investment in the 1980s.[13]

According to the BMI, "Egypt faces substantial challenges over the coming decade, but as long as the prevailing economic policies remain broadly in place, the future looks bright" (p. 24)[14]. Since the government of Ahmed Nazif, the outlook of the Egyptian economy is improving from its former state. The administration of Nazif has lowered taxes, made foreign investments easier and improved the business environment overall. Egypt will get boosted by the energy sector in particular, although the oil exportation won't last long, Natural gas production is the main aim to be the country's leading energy export. Analysts suggest that production will rise from 55bcm to 106bcm in 2019. The government is currently targeting 1,295bn worth of investment of which only 15% will be state-controlled

investments while the rest is up to the private and foreign investors. And according to the privatization reforms, it doesn't seem to be a hard target to hit (p. 25). 14

Not only that, but the GDP per capita, which is a very good sign of the country's economy, is approximated to double becoming 5, 538 USD by 2018. The Egyptian government continues to look broadly pro-business, although this is yet to reduce poverty levels, and the un-amusing perceptions of corruption, it will continue to make some of its policies unpopular. However, if Gamal Mubarak and the technocrat government he reportedly supports remain in place, then the private sector and banking system should continue to flourish (p. 2).[15]

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