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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT ON THE ECONOMY OF EGYPT

July 26, 1949

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Economic Department
Prepared by F. G. Bochenski

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I. SUMMARY AND CONCLUSIONS

1. Stimulated by energies released through the achievement of full national independence and assisted by a concurrence of such favorable factors as a substantial rise in cotton prices, a succession of good harvests and new oil discoveries, the Egyptian economy has recently entered a period of expansion. With a rising output, an increased volume of foreign trade, a none-too serious foreign exchange position and several development projects well under way, Egypt has naturally thought of calling for external financial assistance to sustain and quicken its present rate of development.

2. In the face of these generally encouraging elements it is important not to lose sight of the existing structural weaknesses of Egypt. Any large scale development project should be evaluated from the point of view of whether and to what extent it contributes to the solution of Egypt's basic economic problems. Among such problems of a long term character are: over-population, inequality of income distribution and excessive dependence of the entire economy on cotton. The dollar shortage should be included here, though it may become somewhat less intractable in the future.

3. Whether judged from the point of view of the density per inhabitable or cropped area, the large scale under-employment, or the prevailing standards of consumption, Egypt must be regarded as distinctly over-populated in relation to its existing resources. Nothing indicates that national income increases in proportion to the rapid growth of population and there is even some reason to believe that the per capita income has a tendency to fall. As neither birth control, nor large scale emigration seem feasible at the moment and the

possibilities of enlarging agricultural output are limited by physical conditions, the development of labor intensive industries remains perhaps the most promising solution of Egypt's population problem.

4. Industrial development in Egypt is not only conditioned by the availabilities of raw materials, fuel and power and training facilities for skilled labor but, first and foremost, by the internal purchasing power which, at present, is extremely low, due to the tremendous differences in income levels. An improvement of the standard of living of the masses is therefore not only a social and political, but also an economic necessity. Some Egyptians recognize that a more equitable distribution of land may therefore be one of the steps towards a better economic future. The traditional reluctance of the privileged classes to invest in domestic industries, which is to be blamed for the slow accumulation of productive capital, is admittedly giving way to a more enterprising spirit. This draws more manpower from land into industry, i.e. from low wage into relatively higher wage occupations.

5. Agricultural expansion depends on the increase of the supply of water outside the flood season which can be achieved, centrally, by additional storage involving ambitious projects on the Equatorial Nile or, locally, by pumping underground water. It is calculated that the cumulative realization of both schemes could increase the existing crop area and agricultural output up to 35%. It should be noted however that all the investment as well as current operational expenditure of these schemes is borne by the State, whose general policy is not to charge for irrigation services and only to derive a modest additional income from increased land taxes on irrigated holdings; this means that in fact other groups than the immediate beneficiaries have to carry permanently the main burden of this investment.

6. A combination of excellent climatic conditions, intensive labor and irrigation as well as a generous application of fertilizers gives Egyptian agriculture some of the highest yields, but output per head of the land population is very low. Cotton is one of the most remunerative crops and while supplying the raw material for several domestic industries, represents at the same time about 75% of the total value of exports. Although Egyptian long staple cotton, a product of the experience of generations, has a monopolistic position for some limited uses, its general position in the world markets does not seem to be too secure and its prices undergo rapid fluctuations. The excessive dependence on this one crop is, therefore, regarded as one of the most vulnerable points of the country's economy.

7. While no fruit or vegetables are exported from Egypt at present, it may become possible in the future to develop profitably such exports to nearby European markets, thus bringing about a greater diversification of exportable produce of the land. As to cereal crops, Egypt was almost self sufficient before the war. Since the war these crops fell short of domestic needs. In spite of the fact that returns from extended cultivation in this field as a rule do not compare favorably with other crops, the government's policy is to develop cereals, partly on account of the wartime experience when shortages were acute and also on account of uncertainties as to markets for high return export crops.

8. Far from being influenced by any doctrines or "isms" the Government's role in the country's economy is either dictated by physical conditions of the land — such as the necessity for central management of the only source of water — or motivated by the desire for a further strengthening of Egypt's international position and economic independence. Although Government participation is planned

in some of the new industrial development projects, at present State enterprises are limited largely to transportation and banking; there are neither State-run industries, nor public monopolies while State-operated farms are few and largely devoted to experimental purposes. No nationalization is intended.

9. In spite of the country's backward social structure and partly feudal character, the Government includes a number of people who are not unaware of the existing social and economic weaknesses and of possible remedies, though speedier application of some of the latter may sometimes appear desirable. Many development projects are studied and a number of them have been initiated but a better coordination of these plans would facilitate their execution and fit them more harmoniously into the pattern of the country's economy.

10. While the volume of private investment increases, the prospects of continued public investment seem to be safeguarded by the traditional budgetary surpluses. Unless the Government reserves should be activated too rapidly or large scale internal loan financing should take place, there seems to be no serious danger of inflation. The service charges of the internal public debt are not excessive and represent only about 4% of government expenditure.

11. Externally, the limitations of non-essential imports from hard currency areas must be regarded as fully justified at a time when all the resources of the country have to be mobilized for further investment. The size of the dollar deficit in Egypt's external payments does not compare unfavorably with that of other countries under similar conditions and its alleviation by external loans would permit the country to embark, without delay, on some of the very necessary projects aiming at an increase of the national output.

12. Egypt's departure from the sterling bloc was motivated, apart from political reasons, by the experience in financing Allied war expenditure during World War II, which led to an accumulation of sterling balances; a large part of them is now blocked. Periodic releases of these assets have proved insufficient to cover the current Egyptian deficit on sterling account. Egypt continues to be largely dependent on sterling in both monetary and trade matters.

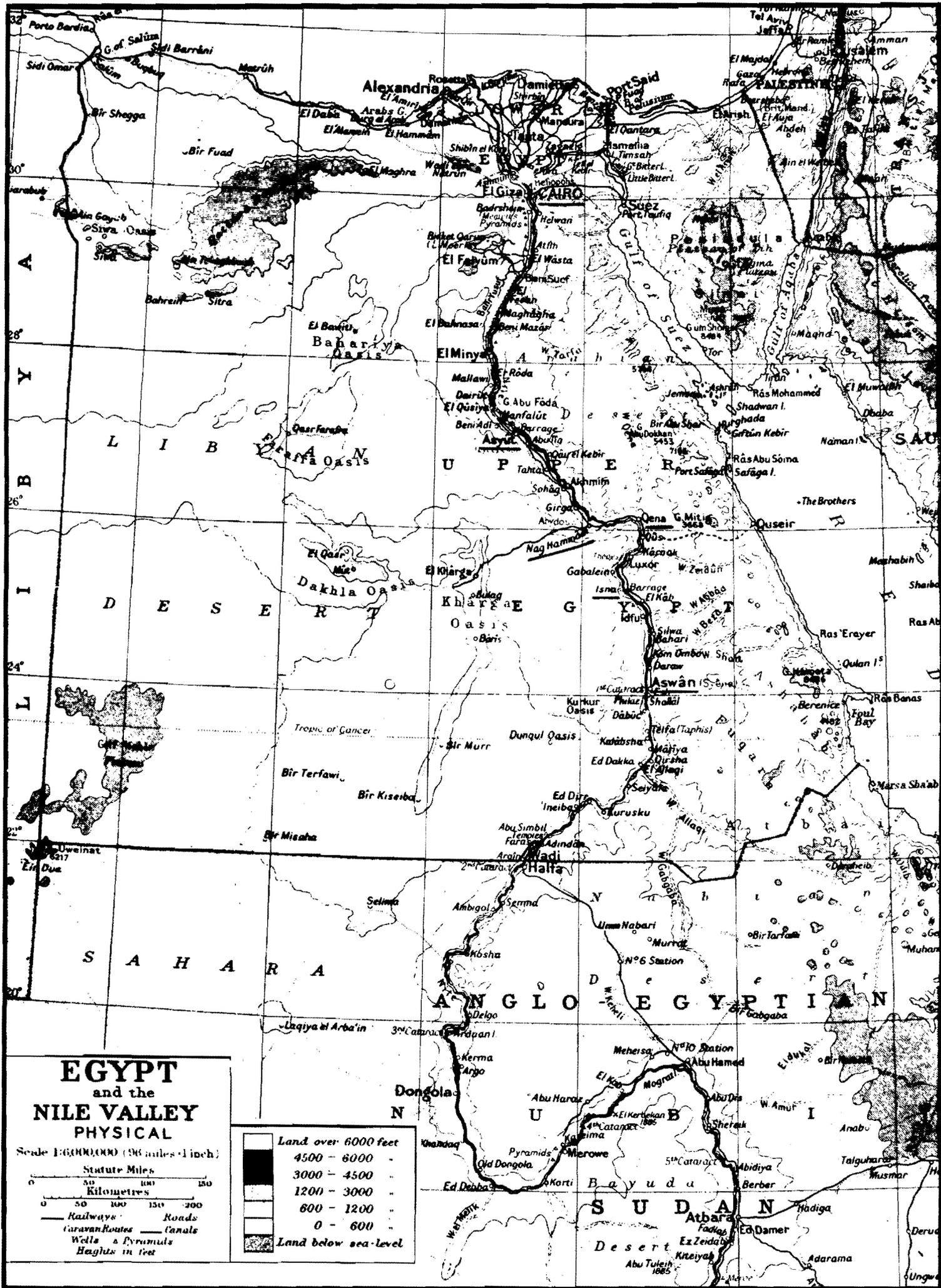
13. An evaluation of the various elements of the country's credit-worthiness shows a preponderance of favorable aspects as far as willingness and ability of the country to service a foreign loan are concerned. With regard to a dollar loan this ability is limited by the volume of visible and invisible exports in hard currencies and the rivalling claims of essential imports and the service of the existing debts. While Egypt's hard currency requirements in 1949 will presumably be covered without difficulties, service charges of Government guaranteed debts as well as of the known private debts in hard currency will tax the available dollar resources rather heavily during the four years between 1950 and 1953. Loan arrangements between the Bank and Egypt could take account of this fact either by restricting the amount of the initial loan or by providing a period of deferment before repayment begins.

14. Of the projects discussed by the Mission with Egyptian Representatives, the one which is mature for immediate financing is the irrigation project of Qena. Its purpose is to provide additional winter and full summer irrigation for some 260,000 acres from underground water by a large number of pumps to be established during the next ten years. The project has many advantages, the most important of which are: a substantial increase of the production of cereals which,

while raising the income of a particularly poor province will also diminish import requirements; an avoidance of all the disadvantages of perennial irrigation, such as disease, gradual exhaustion of the soil and raising of the underground water level; saving of the water supply of the Nile, which would be hardly affected by this operation. These advantages outweigh in terms of national economy and welfare gains, the considerable cost of the creation and operation of pumps.

15. The Qena Project, when carried out, may, by increasing the production of bread grains save some foreign exchange for other purposes; it will provide fuller employment for the population of the province and, as it is located in an area where small owners are comparatively more numerous than in the rest of the country, it may even contribute to a better income distribution. When viewed from the perspective of Egypt's basic economic and social problems, the Qena project must be defined as a step in the right direction, though a very small step only.

16. Industrial developments, discussed in a preliminary way with Egyptian authorities, include projects for a new fertilizer plant, for penicillin and DDT plants as well as projects of a steel and iron industry based on Egyptian iron ore from the Aswan province. These and similar other plans do not seem yet to have reached a stage permitting their economic analysis, but will undoubtedly deserve the closest study especially where labor intensive industries are concerned. The paramount importance of industrial development for Egypt should not, however, lead to investment in such industries where the prices of fuel and power, the transport costs of raw materials, the absence of external economies or other considerations would make production permanently dependent on subsidies or protection.



EGYPT and the NILE VALLEY PHYSICAL

Scale 1:600,000 (96 miles = 1 inch)

Statute Miles
0 50 100 150

Kilometres
0 50 100 150 200

— Railways — Roads
— Canals
• Wells & Pyramids
Baghts in feet

	Land over 6000 feet
	4500 - 6000
	3000 - 4500
	1200 - 3000
	600 - 1200
	0 - 600
	Land below sea-level

II. THE SOCIAL AND POLITICAL BACKGROUND

A. Social Structure

17. On top of Egypt's social pyramid is the group of large land-owners, who for the most part are absentees and spend in towns the rents collected from their estates. They are a comparatively small but highly privileged group which wields considerable economic and political power. The class of Egyptian private industrialists and merchants, although growing quickly, is still small in numbers and politically handicapped by its associations with foreign capital. There is also a lower middle class, consisting of government officials, employees, tradesmen, craftsmen, etc. This group suffered particularly from the increased cost of living, not matched by a proportionate increase of salaries. A certain unemployment among young graduates leads to increased xenophobia on the part of young people who frequently have found the way to promotion barred by foreign managers or by quicker Levantine rivals. The limitation of foreign staff by the new Company Law and the restrictive interpretation of Egyptian nationality, applied by authorities are reflections of these conditions. Together with the University youth, this group is a natural hotbed of fermentation and unrest, resulting from dissatisfaction with its own position and with the inability of successive governments to solve the country's economic and social problems. Any future reform movement would presumably originate or receive strong support from these circles.

18. The slowly increasing class of town workers is in a slightly better position than the majority of small holders or landless peasants. Some of the larger factories, visited by the Bank Mission, had remarkably modern welfare arrangements and conditions of labour in general did not

seem unfavorable by Middle Eastern standards. Yet the standards of living are extremely low; housing conditions, especially in the slums of Cairo and Alexandria, are incredibly bad and the incidence of disease is very high.

19. The most numerous groups, representing to a certain extent the backbone of the population, are the peasants (called fellaheen - fellah, sing.) who amount to over 13 million people. As about half of the cultivated area is in the hand of large landowners, only a part of the peasants own land and their holdings are extremely small. The landless fellaheen (over 1 million of the male peasant population) depend for their livelihood completely on tenant farming, share-cropping or daily labour. As a result of the enormous populative pressure on land, rents are high and wages low (lower in Upper Egypt than in the Nile-Delta).

20. Minorities and Foreign Elements. The official religion of Egypt is Islam and the bulk of the population are Sunnites. Members of the Coptic Orthodox Church number over one million. Among racial groups, differing from the Egyptian stock, the Bedouins or nomad Arabs have to be named as well as the Nubians of the Upper Nile, around Aswan and Dongola. There is no minority problem of political significance.

21. Foreign elements comprise partly assimilated Syrians and Lebanese, who used to be employed in the government service by the British, but now mainly concentrate on import trade; some 60 thousand Jews with considerable influence in finance, commerce and industry; a similar number of Greeks who form the largest, oldest and most diverse of the European communities; Italians who have provided the country with many skilled artisans; a small French community whose cultural influence is still the greatest and a group of British businessmen, teachers and

technicians employed by the government.

22. Foreigners have in the past rendered great services to Egypt, for which they have been generously rewarded. With the regaining of full political independence, a reaction against the strongly entrenched foreign economic interests has manifested itself, among others in the new Company Law of 1947, requiring a majority of Egyptian capital participation and limiting the number of foreign staff; another example is the proposed new Land Bill which would render the acquisition of land by foreigners very difficult.

B. The Political and Administrative Structure

23. Egypt is a hereditary, constitutional monarchy. The present ruler King Farouk I who, so far, has no son, is a descendant of the founder of the dynasty, Mohammed Aly. The Constitution was established by Royal Rescript in 1923, abrogated in 1930 and reintroduced in 1935. This Constitution stipulates that all Egyptians are equal before the law and enjoy full civil and political rights without distinction of language, race or religion. Personal liberty is guaranteed and the house and property are inviolable. The King is the Supreme Chief of the State and Commander of the Armed Forces. He sanctions and promulgates laws and has the right to dissolve the Chamber of Deputies.

24. The government is nominated by the King, but responsible to the two-chamber parliament. Two-fifths of the members of the Senate are appointed by the King and three-fifths are elected. All members of the Chamber of Deputies are elected. The three main parties are the Wafd, which boycotted some of the previous elections, but is sometimes said to

have the greatest popular support; the Saadist Party and the Liberal Constitutional Party; the two last ones forming the present coalition government. Election issues hover around nationalistic pronouncements connected with Egypt's external aspirations and do not differ very much from each other. Neither is there any deeper difference in the social or economic outlook of the party leaders. While the Wafd is usually credited with slightly more progressive social tendencies, all three parties are represented largely by big landowners and faithful to their interests.

25. There is no organized opposition which would threaten the stability of the regime, but the poverty and dissatisfaction of the people flares up from time to time, taking the form of attacks on foreigners or Egyptian statesmen and politicians, several of whom were assassinated during Egypt's recent history. With the end of the war in Palestine national feeling has subsided and after the death of the head of the Moslem Brotherhood, Hassan el Banna and the arrests among the leaders of this organisation, antigovernment demonstrations seem to have ceased.

26. Although in comparison to all other Middle Eastern countries, with the possible exception of Turkey, Egypt is much better organized and its civil service is more developed, there is, as a natural sequel of the period of independence, some lack of experience. Accusations of graft and bribery are heard from time to time and there is a general complaint about the extreme centralization of power. Provincial Councils and Municipalities are in their beginnings, with the exception of the Municipality of Alexandria, which has shown some enterprise, while Cairo still has no self-government.

C. Current History and Recent Developments.

27. Although Egypt regained independence officially in 1922, in the views of many Egyptians this date should be shifted to 1936, when after the signing of the Anglo-Egyptian Treaty of Alliance, British forces left all of Egypt with the exception of the Canal Zone. Only in this year the special privileges of foreigners, known under the name of capitulations,^{1/} were abolished.

28. Soon after the Anglo-Egyptian Treaty was signed the King dismissed the Wafdist Government, which had led the nation in its struggle for full independence, and from 1937 until 1942 Egypt was governed by civil servants or by minority governments. At the outbreak of World War II some of the Egyptians sympathised with the Axis Powers and among them seemed to be Prime Minister, Ali Maher Pasha, an independent, who was dismissed following a British ultimatum. Between 1942 and 1944 a Wafd government stayed in power; its most important achievement was the conversion of the country's foreign debt into an internal loan. Some reforms were also introduced in the fields of education, health and labour organization.

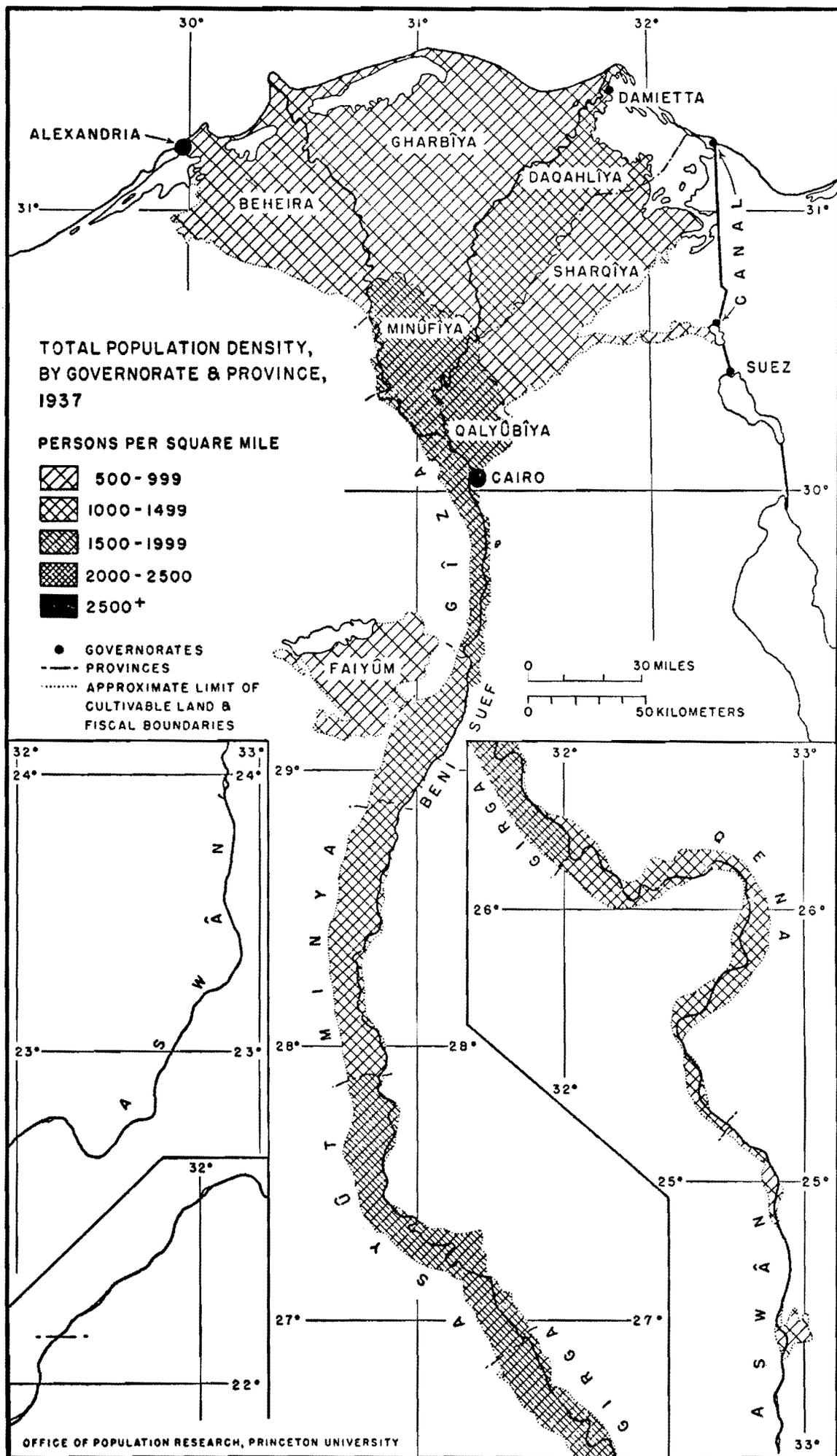
29. After the dismissal of the Wafd Cabinet in October 1944, Ahmed Maher Pasha, leader of the Saadist Party, formed a government; he was assassinated four months later after informing the House of the decision

^{1/} Strictly speaking capitulations are treaties by which one state confers the privilege of extra-territorial jurisdiction on its territory to the subjects of another state. Capitulatory rights in Egypt were possessed by: Belgium, Denmark, France, Great Britain, Greece, Italy, the Netherlands, Norway, Portugal, Russia, Spain and the U.S.A. In Egypt the term capitulation is often used for any foreign privileges, based on treaty obligations.

to declare war on Germany and was succeeded by Nokrashy Pasha. At that time, Nationalist feeling was at its height and manifested itself by demands to review the 1936 Treaty and solve the Palestine problem.

After various disturbances, Nokrashy had to resign in 1946 and was followed by a government of Sidky Pasha, a senior Egyptian statesman, who conducted difficult negotiations with Britain about a number of questions but could not reach agreement over the question of the Sudan. In December 1946 Nokrashy took control once more. He was assassinated in December, 1948 and the present Prime Minister is Abdul Hadi Pasha, the new leader of the Saadist Party. 1/

1/ It was reported from Cairo on July 25, 1949 that, after the resignation of Abdul Hadi Pasha, the creation of a Coalition Government on a broader basis, including the Wafd, was contemplated. The mission to form a new Government has been entrusted to Hussein Sirry Pasha, a well known technician and businessman, who had already once headed a Government in 1941/42.



INHABITABLE PARTS OF EGYPT AND DENSITY OF POPULATION

III. THE MAIN PROBLEMS OF THE ECONOMY OF EGYPT

A. Overpopulation

30. Egypt's basic problem is its considerable overpopulation which deeply affects most parts of the country's economy. As over 96% of Egypt's total area of 386 thousand square miles is a barren desert, practically all of the 19½ million Egyptians live in the narrow strip of cultivable land along the Nile and its Delta or in the few existing oases. The density of population in the inhabitable part of Egypt amounts to about 1,200 persons per square mile, which is about twice as high as the density in Japan or in industrialized countries in Western Europe.

31. This phenomenon is comparatively recent: as a result of Egypt's very high birth rate, the population has nearly doubled the last fifty years, and has continued to increase between 1927 and 1947 (when the last census took place) at the rate of 1.5% per annum. Taking this latest rate of increase as a basis and adding the nomadic population, which is estimated at around 50,000, we can assume a 1949 population of about 19,614,000. Projecting this rate of increase into the future we arrive at an estimate of 30,708,000 in 1979.

32. The Egyptian crude birth rate, averaging over 40 per thousand is among the highest in the world, roughly equal to the birth rates of Ceylon, Puerto Rico and Venezuela, and surpassed only by Mexico (over 44) and by the Palestine Arabs (over 48 annually between 1940 and 1943). Among causes contributing to the high birth rate of Egypt, the influence of cotton must be mentioned, which turns children into financial assets from the age of five as well as early marriages and the prestige and

increased security of mothers. Contrary to some opinions, polygamy does not seem an important factor, as already in 1937 polygamous households among Moslems represented only 3% of the total and their number continues to decrease. The death rate is over 26 per thousand and, except for Mauritius, the highest in the world. Its major component is the appallingly high infant mortality; according to figures collected in Alexandria before the last war, one child out of every four dies during the first year of life.

33. As neither the crude birth rate nor the death rate statistics seem very accurate, the trend of population can probably be better observed from the ratio of children under 5 to females of the childbearing age (15-49). This ratio shows a decrease from 700 children per 1000 women in 1897 to 547 children in 1937. A gradual slackening in the rate of growth of the population visible from the above figures is also indicated by a certain diminution in the proportion of the lower-age groups. As, however, any improvement in the standards of health, hygiene and nutrition will, by lowering the death rate, offset the effects of a decrease in the birth rate, there is reason to assume that the present rate of population increase of 1.5% per annum may well remain roughly unchanged in the near future.

34. It is quite apparent that the area under crops does not increase at the same pace. Data for the last twenty years show that, while in 1929 there were about 1.6 persons per acre of cropped land, this proportion rose to 1.8 in 1939 and to 2.1 in 1949. The physiological density of population in Egypt is therefore considerably higher than in other Middle Eastern countries (1.6 persons per acre of the crop area in the Lebanon,

about 1.0 in Syria and pre-Israel Palestine, 0.5 in Irak).

35. The question arises as to what extent increased yields may counter-balance the deteriorating ratio of people to agricultural land. While no statistics are available covering a period sufficiently long to allow for precise deductions, estimates tend to show that, while the increase of the volume of agricultural production may just keep pace with the growth of the population, the value of this production has shown a downward trend over the last twenty years before World War II; it increased only during the last two or three years.

36. While agriculture alone could thus not support the increasing population, some of this additional burden was carried by the development of industries. Again no sufficient data are available for the more distant past but the three industrial censuses in 1927, 1937 and 1945 indicate that during those 17 years the number of industrial enterprises rose from 70,000 to 129,000 and the number of employed workers from 215,000 to 458,000. While the increase of industrial labor is undisputed it is equally certain that the development of industries does not at present absorb the total population increase and that the number of people engaged in agriculture increased also (from about $3\frac{1}{2}$ million in 1927 to well over 4 million^{1/} in 1937).

37. Similar to other Middle Eastern countries, Egypt has no data to indicate, with sufficient accuracy, the total of all incomes earned in the productive process. The relation between the growth of population and national income trends can therefore be only based on estimates. The most reliable of those indicate a national income slightly above LE 200 million in 1939 and around LE 600 million in 1948. In view of the roughly

^{1/} This figure does not include women and children helping their relatives. The total rural population as of March 1947 is given by the Government as 13.1 million.

three-fold price and cost of living increase between these years, it would seem that the per capita income of the population, which during the same period grew by almost 18%, must have dropped by almost one-fifth.

38. As a further symptom of the country's overpopulation, unemployment may be mentioned. No comprehensive unemployment statistics have been compiled but there is no doubt that there is a considerable number of wholly or partly unemployed people in towns, ranging from unskilled labor to white collar workers. There is also under employment and seasonal unemployment in agriculture. Professor W. Cleland^{1/} estimates that without mechanization but only with better management and the cultivation of larger holdings the number of people occupied in agriculture could be reduced by 2 million and the farm population by some 5 million without affecting the output. According to another estimate, the cultivation of two acres can, on the average, supply full employment for one family with the present somewhat primitive technique. This would mean that up to 1.5 million families at present occupied in agriculture, are superfluous.

39. To sum up one can say that the fact of Egypt's overpopulation is confirmed by whatever approach to the problem we choose and must be regarded as established beyond any doubt. A reduction of the population, while hardly affecting output would increase total returns per head and raise the extremely low standards of living; structural unemployment, and underemployment would disappear, or at least diminish.

40. Among solutions which could reduce the widening gap between the country's wealth and population, the following possible remedies will be reviewed successively: (a) reduction of the birth rate: (b) emigration;

^{1/} Egypt's population Problem. L'Egypte Contemporaine, Janvier, 1937.
A population plan for Egypt. L'Egypte Contemporaine, Mai 1939

(c) increased output.

41. While the teachings of Islam might act as a deterrent to any beginning of a birth control propaganda the prevailing illiteracy would render it largely ineffective. A taxation policy, discouraging people from having large families, would have to outweigh the economic advantages to the parents resulting from the present widespread employment of child labor, particularly in agriculture, and a further legal limitation of the latter may not have much chance to pass through a landowner controlled Parliament.

42. The innate aversion of the average Egyptian to any migration, even within his own country, is reflected in the very small proportion of Egyptians living abroad and in the difficulties experienced in settling newly reclaimed lands with the surplus population from overcrowded provinces. Any large scale emigration would have to be preceded not only by a propaganda campaign supported by proper organization and clear economic advantages in the new settlements but also by international agreements between the countries concerned. It seems that among neighboring areas of similar climatic and agricultural conditions, as well as similar language and religion, Irak, northeastern Syria and parts of the Sudan are the only territories which, with proper investment, might offer possibilities for an influx of new emigrants. Whether these countries would be also willing to open the door for Egyptian farmers or landworkers is another problem which depends on the future of international relationships in the Middle East and on the degree to which middle eastern economies can be integrated. While such a program should never be lost sight of, it represents a solution which does not

promise to be either quick or easy.

43. The increase of agricultural production is clearly limited by the potentialities of the Nile, the only source of water for Egypt. The construction of the Aswan, Gebel Aulia and Sennar retention reservoirs as well as of the several barrages on the Nile permitted a fuller utilization of the normal water supply through perennial irrigation which led to a substantial increase of agricultural output. It is estimated that through a further harnessing of the river by additional reservoirs as well as by "century" storage in the lakes of Tsana, Victoria and Albert, the water supply of Egypt could not only become more stable but also rise from the present summer average (during the period from February to end of July) of 23 billion cubic meters to an average of 34 billion cubic meters, which should permit an increase of the cultivated area by some 1,300,000 acres or by 22%. According to the existing plans, if all goes well, this scheme will be in full operation in about 30 years. If the Egyptian population continues to grow at the present rate it will be around 1980 about 50% greater than it is now. Even if it is assumed that all of the newly cultivated land would come under perennial irrigation, thus increasing the crop area not by 22 but by something like 35% and that a further 5% could be added by a complete conversion of the presently cultivated area to perennial irrigation, the total increase of crops by 40% would still lag behind the increased population, to say nothing of the period after 1980 when the peak of the agricultural potential will have been reached, while the population may continue to grow in numbers. It is clear that the maximum expansion of Egyptian agricultural production, far from improving the existing ratio of men to resources, cannot even prevent it from a further deterioration, although it may slow down its pace.

44. An increase of industrial production, on the other hand, seems to have wider margins. Egypt's industries developed rather quickly during the inter-war period and expanded further as a result of conditions prevailing during World War II. The necessary process of postwar adjustment does not appear to have interrupted their development which has a fairly sound basis in the comparatively cheap labor, as well as in the available agricultural raw materials and mineral resources. It would seem that increased industrial production, achieved particularly through the encouragement of labor intensive industries, bears the best promise of alleviating some of the ill effects of the country's overpopulation. As only very few of Egypt's new industries can hope for export markets, their greatest handicap lies in the small internal purchasing power resulting not only from the smallness of the national income but also from its extremely unequal distribution.

B. Inequality of Incomes

45. Great discrepancies in income levels are neither new nor exceptional phenomena in the Middle East, but conditions in Egypt are particularly striking. With regard to earned incomes Mr. Issawi^{1/} gives the following examples of average annual incomes:

Agricultural laborer	-	LE	10
Industrial worker	-	LE	26
Minister	-	LE	2,500
Bank chairman	-	LE	3,000

The proportion of unearned incomes appears also unusually high in one of the estimates of the national income made for 1939 where land and house rents, together with dividends, account for 27% of the total income. These estimates are confirmed by direct observation of the

^{1/} Charles Issawi, Egypt: An Economic and Social Analysis
Oxford University Press, 1947

standard of living prevailing in most parts of the country.

46. Such discrepancies, though unfavorable and even dangerous socially and politically, could have led at least to an economically desirable quick capital formation and productive investment among higher income earners. Unfortunately, several factors counteract such a tendency. There is, first of all, the habit of all Egyptians, irrespective of class and income, to hoard wealth in gold and jewels. There is also much exorbitant consumption and luxury spending among the richer classes. In conformity with the pattern of almost every underdeveloped area the richer class buys land rather than accepts industrial venture; rents, although slightly lower than industrial profits, are regarded as more secure. Moreover, preference is not given to investment in newly reclaimed areas but to purchases in districts where cultivation is well established. Thus, only a comparatively modest proportion of investment goes into these branches of Egypt's economy which, like industry, mining, etc. show the greatest promise of a quick increase of the country's income.

47. The extreme poverty of some 80 or 90% of the population, apart from preventing the development of an internal market, has, obviously, also other unfavorable repercussions on the economy of Egypt. It is reflected in illiteracy, malnutrition and very low health standards, which in turn hamper training and labor efficiency.

C. Dependence on One Crop

48. Although on the average not more than about one-third of the cultivated area or about one-fifth of the crop area is under cotton, this is by far the most important product of the country. Cotton is not only the most remunerative crop, giving on the average a net profit about twice

as high as wheat or maize, but during the last fifteen years it also accounted on the average for some 75% of the total value of exports. During 1948 more than half of Egypt's hard currency exports consisted of cotton.

49. This great dependence on one crop has its obvious dangers, aggravated by cotton's susceptibility to rapid and wide price fluctuations. Between 1919/20 and 1920/21 the average of cotton prices dropped by 60%; the export value of cotton fell during the above years to less than a quarter while the export value of other Egyptian products fell by less than one half. During the recession of the 1930's the price of cotton dropped from year to year by 40% and was accompanied by a similar decline of exports. Imports were similarly affected. When average cotton prices were \$20-40 per cantar (1 cantar = 99 lbs. = 45 kgs.), between 1921 and 1929, Egypt's total imports stood at LE 45-55 million. When, after 1930, prices sagged to \$10-13, imports went down to LE25-35 million. Although price increases of cotton are also inclined to be steep, the stability of the country's economy suffers from such sudden changes, which can only be partly counterbalanced by government intervention taking the form of crop area restrictions, bulk purchases, etc. Experiments in restrictionist policies, carried out by the Egyptian Government in 1921-23, 1926-29 and 1931-33 were on the whole not very successful and seem to justify the conclusion that there is only a slight correlation between the size of the Egyptian cotton crop and the price of Egyptian cotton. While immediately after the war the demand and prices for Egyptian cotton were very high, concern has been expressed recently from various quarters about an expected considerable deterioration of this position. An appraisal of world cotton trends leads to the

supposition that for some time to come consumption of raw cotton will remain high but that prices may well decline. Present prices of Egyptian cotton are already some 30% below the mid-1948 high.

50. The unfavorable effects of Egypt's dependence on this one crop can only be gradually mitigated by an increased output of other exportable crops, such as fruits and early vegetables for European markets, as well as by the growth of industry. Textiles are already the most important branch of the country's industries but consume at present only about 20% of domestic cotton. Under present conditions it is difficult to anticipate that cotton industries could become an export industry; they could, however, cover domestic needs more adequately.

D. Dollar Deficits

51. As will be discussed later, Egyptian trade policy attempts to reduce the deficit in the balance of payments with hard currency areas. In spite of severe restrictions of imports and the fostering of exports to these areas, as well as the balancing effect of the hard currency revenue from the Suez Canal, Egypt had deficits in its payments with the hard currency areas both in 1947 and in 1948, when it amounted to £E 7.6 million. Although several factors justify the expectation that Egypt's hard currency position in 1949 may somewhat improve and that the imports of essentials in hard currencies will be covered by the convertible sterling from the latest agreement with the U.K., from the IMF credit and other sources, yet the difficulty in financing these imports may remain a feature of Egypt's trade. Possibilities of dollar earnings are limited, and rather than to expect a large increase in Egypt's hard currency transactions, one could probably predict that with a revival of production in the soft currency countries Egypt's requirements will be more fully covered by these areas.

IV. INTERNAL FINANCE AND BALANCE OF PAYMENTS

A. Finance and Investment

Currency

52. The monetary unit is the Egyptian Pound (£E) = 100 piasters tariff (P.T.) = 1,000 milliemes (m'ms). Prior to July 14, 1947, U.S. dollar quotations were based on selling rates for dollars in London converted on the basis of 97.5 piasters per pound sterling. Official buying and selling rates of \$4.140 and \$4.126 per Egyptian pound were established on July 14, 1947 when Egypt left the Sterling Area. The black market rate, as far as it is known, seems to fluctuate around \$3 to £E 1 and has the tendency to follow the pound sterling.

53. Between September, 1916 -- when the requirement of a 50% gold cover for the note issue was suspended -- and July, 1948, Egyptian Bank notes were almost entirely covered by British Treasury bills and securities; in July, 1948 a new law went into effect, authorizing the Minister of Finance to issue Egyptian Treasury bills up to the amount of £E 50 million as cover for any additional issue. As a result of the same law, the conversion of sterling into Egyptian pounds and vice versa is no longer automatic but is subject to the Exchange Control, like operations in other currencies. By the end of 1948 the note issue was covered by gold as to 3.9 %, by Egyptian securities as to 21.7% and for the rest by British Government Treasury Bills and Securities.

54. During the last war when Allied military expenditure in Egypt between 1942 and 1945 exceeded £E 70 million per annum, the note issue was increasing to cover the needs of Allied authorities and, although sterling assets rose simultaneously, the continued scarcity

of consumers' goods produced a serious inflationary spiral. Between 1939 and 1945 the total money supply rose from £E 61 million to £E 409 million (currency alone from 26 million to 141 million). With the gradual decrease in Allied military expenditure and continued import and budget surpluses, a mild deflation set in during 1945 and 1947 but there was a reversal of the trend in the last quarter of 1947. The currency supply, which had dropped to £E 137 million in 1946 stood again at 154 million per ultimo 1948 which is an all time high and was 151 million in April, 1949 which is 16 million above April, 1948. At the same time, an increase in the monthly average of bank clearings indicates a greater velocity of circulation. While no figures of demand deposits are available yet for 1948 and 1949, so far as can be judged from the balances of banks with the National Bank of Egypt, commercial credits are also running at a considerably higher level than last year.

55. The note bank is the National Bank of Egypt, which was originally British-owned but has now a variety of shareholders, more than half of whom are residents of Egypt. When its charter was renewed in 1940 certain important modifications were introduced relating to the Egyptianization of the Board and staff, the allocation of 85% of the note issue profits to the government, the fixing of the rates to be charged on government credit or debit balances with the Bank and the curtailment of some of the Bank's minor commercial operations. It is still disputed whether the National Bank of Egypt is a central bank in the full sense of the word. It has the monopoly of note issue, acts as custodian for the bulk of the Government's funds and as the Government's financial adviser and fiscal agent, but it lacks the power to influence the volume of the cash basis or to bring about changes in the

supply of money to meet local requirements. As other banks keep balances with the National Bank, the latter seems to perform, to an increasing degree, the function of the Bankers' Bank, particularly since foreign exchange regulations have limited the possibility of European parent banks to accommodate their Egyptian branches. During various banking crises such as in 1914, 1931 and 1939 the National Bank intervened repeatedly with success but aid to the Bank Misr in 1941 came from the Government in the form of a loan and deposit insurance. In general, the situation of the National Bank of Egypt is conditioned by the fact that it is partly foreign-owned. The renewal of its charter in 1940 was passed only after Parliament had been assured that legislation converting the Bank fully into a central bank would follow. There are frequent rumours that the Government intends to nationalize the Bank's Issue Department, or convert it into a central bank or alternatively to establish a new government-owned central financial institute. The National Bank of Egypt operates also as the Central Bank of the Anglo-Egyptian Sudan, where Egyptian currency is legal tender and a varying but comparatively small part of this currency is in circulation.

Credit

56. Egypt's chief short-term credit requirement is for the moving of her cotton crop. Advances made to merchants or, less commonly, growers, reach their minimum in August, rising sharply to a peak in November or December. They are covered either by securities or by cotton deposited in stores. Rates of interest vary from $2\frac{1}{2}$ to 6%. The financing of cotton exports is carried out by means of three month sterling bills which are discounted by the banks at a rate close to that ruling in London. The ensuing note issue expansion comes back to

normal after a few months, as notes flow from the growers to the banks in payment of taxes and the purchase of industrial goods and also as the impact of the seasonal import surplus is increasingly felt. Whereas cotton exports are concentrated during Fall and Winter, showing a favorable trade balance during that period, imports are evenly spread over the whole year. Seasonal movements of the note issue are thus closely correlated with those of the trade balance.

57. A number of foreign-owned land and mortgage banks grant long and medium-term loans secured by mortgages on land and urban property. They deal solely with the wealthy minority of owners, because the law forbids, in general, the foreclosure of holdings of five acres or less. There is a State mortgage bank (Credit Hypothecaire Agricole d'Egypte) and a State agricultural bank (Credit Agricole Egyptien), created in 1931. These two banks lend to small farmers directly or through co-operatives and thus gradually replace financing of crops by cotton merchants, sugar factories or by village usurers who not unfrequently charged rates of about 30%.

58. Industrial banking is the least developed branch of credit in Egypt as industry is the newest sector of the national economy and as it largely practices self-financing. Such steps as have been taken to remedy this deficiency are largely due to the Bank Misr, a private bank which was created in 1920 with a capital of LE 80,000 and has now a capital of LE 1 million and a total of deposits around LE 54 million. Apart from spreading the banking habit among the population, which was facilitated by the fact that Bank Misr is a purely Egyptian institution, its role in fostering industrial development was particularly active and took the form of advances, industrial loans as well as direct

participation in the fifteen Misr companies which represent an aggregate capital of over £E 3 million and cover activities ranging from spinning and weaving to insurance, fisheries, airlines and films.

59. State financial assistance to industry took the form of credit facilities for small-scale industries made available out of Treasury funds through the Bank Misr as well as of small loans to graduates of technological schools. In 1948 an Industrial Bank was established with an initial capital of £E 1.5 million, half of which was subscribed by the Treasury, 30% by the banks and 20% by the public. The main objects of the Bank are participation in industrial concerns, the granting of advances with or without mortgage, and the purchase of debentures of industrial companies. The bank proposes to "follow up" the expenditure of the loans which it grants or guarantees in order to ensure that they are spent on productive purposes.

Saving and Investment

60. Throughout the nineteenth and the beginning of the twentieth century investment in Egypt came largely from the State or from foreigners. State investment throughout the nineteenth century was financed by foreign loan and taxation; more recently only from revenue surpluses. Its main directions were transportation, irrigation and land reclamation. Foreign investment during the nineteenth and early twentieth centuries was substantial. The bulk of foreign capital found employment in mortgage and commercial banking, land and urban development, transport and public utilities; there was comparatively little industrial investment. With the development of Egyptian enterprise and the repatriation of securities held abroad after World War I, the magnitude of foreign investment declined both absolutely and relatively.

Since the end of the war domestic private investment has been revived considerably, primarily as a compensation of the backlog of restocking, repairs, renewals and extensions held up during or immediately after the war. It is likely that since 1947 investment has been absorbing a larger proportion of the national income than before the war.

61. The present century has witnessed a marked increase in deposits with commercial and other banks and in the resources of life insurance companies. Savings were also used to repatriate Egyptian securities held abroad. (Between 1902 and 1934 the proportion of public debt held in Egypt rose from 10 to 59%, that of shares in Egyptian companies from 22 to 46%, and that of debentures from 9 to 58%). There are still no specialized savings banks in Egypt, but savings deposits with the banks and post office savings banks in 1947 amounted to £E 40 million. Direct capital formation by private savers or entrepreneurs as well as the direct investment of retained earnings by companies have for long accounted for the greater part of capital formation in Egypt, where the predominant form of economic organization is still the individual proprietorship and partnership. The Stock Exchanges in Cairo and Alexandria are rather narrow and highly sensitive to any shocks.

Prices

62. The price increase in Egypt during World War II reached its peak in 1945 when the index of wholesale prices stood at 318 and the cost of living index at 299,^{1/} the basis in both cases being the year 1937 = 100. The gradual fall, which reached its low in June 1947 with 292 for wholesale prices and 272 for the cost of living was interrupted in 1948. Index figures for that year show 316 for wholesale prices and

^{1/} It may be interesting to note that in the U.K. during the same year the indices of wholesale prices and of the cost of living stood at 155 and 152 respectively.

287 for the cost of living. The first quarter 1949 compared to the first quarter 1948 shows a slight drop.

63. The wartime increase does not require much explanation. At the time when, as a result of military expenditure, the increase in foreign exchange reserves and balance of payment surpluses the total money supply showed a nearly seven-fold increase, it is almost surprising that prices did not rise much more than three times. This is partly explained by Government counter-measures, consisting of price controls (which were only partly effective), rationing and subsidizing the price of bread and popular textiles, but is partly also due to the misleading picture resulting from the limitations of the underlying statistics. As black market prices for rationed kerosene and sugar are two or three times higher and as prices actually paid for clothing and imported commodities are also higher than prices quoted officially, some sources estimate that the official indices may understate the real price picture by as much as 50 points.

64. The new upward move of the wholesale price index is largely caused by the considerable rise in cotton prices and smaller rises of fertilizers and metals; other components of the general index remained fairly stable. The increase of the prices of fertilizers did not hit the farmers very much as it coincided with the recent cotton boom. Cotton which forms such an important constituent of Egypt's income, represents only a small fraction of expenses and hardly affects the cost of living index. Reasons for the latter's slight increase have therefore to be looked for elsewhere. Among contributing factors, mention must be made of the money supply which remained high in the absence of a large import surplus which would absorb purchasing power. The deferred demand

for investment created by wartime scarcities became a source of inflationary pressure, through the activation of accumulated Government, corporate and private cash holdings as construction material and equipment became increasingly available. Finally, due primarily to the increase in appropriations for military purposes, there was more government spending in 1947 and 1948, which partly was financed by loans or reflected in the decrease of Government cash balances with the National Bank of Egypt. It would seem that, with the continued high level of currency circulation and banking deposits, Egyptian price levels are not likely to decline appreciably even in the face of slightly increased imports or improved local production. On the other hand, the rise in prices seems to have run its course particularly in view of the virtual stability of wages and individual incomes at low levels.

Wages

65. Data supplied by the Egyptian government show an increase in the general wage index from 100 in 1938 to 220 in 1947. The cost of living index increased during the same period from 100 to 283. It appears therefore, that wages in general have more than doubled but did not keep pace with the rising cost of living. Spot inquiries of the Mission indicated agricultural wages at between 7 and 12 P.T. daily and industrial wages of skilled labor in textile, chemical and metal industries at around 20, 30 and 50 P.T. respectively. Statistics of the Ministry of Finance show that 65% of industrial workers earn weekly wages from LE 0.4 to LE 2, which in case of all year round employment, would correspond to yearly incomes between LE 30 and LE 100. Agricultural workers who mostly work less than 180 days a year receive money wages estimated to be between LE 12 and LE 21 annually.

66. While these are standards of male adults, wages of women and youngsters are lower. This may not be too important in industries, where only about 15% of the labor force are minors and about 10% are women. In agriculture, however, where child-labor is more widespread and the age at which employment begins is considerably lower, production costs are lowered by mass employment of minors, which in the cultivation of cotton and rice exceeds the labor force of adults. According to the calculations of the Ministry of Agriculture the annual total of man working days in agriculture is 247 million for laborers over 15 years of age and 137 million for laborers under this age.

B. Public Finance

Budgets and Taxation

67. The main characteristic features of Egyptian public finance are: budget surpluses and a large Reserve Fund; the preponderance of indirect over direct taxation; the inelasticity of the Budget, which has its source in the insufficient links between taxation and income; the large expenditure on salaries and pensions; the inability to spend annual allocations for development projects, explained partly by shortages of material and equipment.

68. Budgets. During the last years before the second World War, Egyptian budgets were balanced in the neighborhood of £E 40 million, excluding the State Railway budget. The 1946/47 and 1947/48 budgets were around £E 103 million each, but the latter was in fact larger as it covered only 10 months -- in connection with the change of the beginning of the fiscal year which now starts on the 1st of March instead of the 1st of May. The 1948/49 budget was £E 133 million (or £E 171 million if railways are excluded). Actual figures for this year, as far as is known, were actually smaller and amounted to about £E 169 million each

of revenue and expenditure. The rapid increase over the 1947/48 figures was accounted for mainly by an almost fivefold increase of military expenditure. The 1949/50 budget was not approved by the Parliament at the time of the Mission's visit. The total figures were given by the Government at around £E 147 million. Latest information indicates that these estimates were subsequently raised by some £E 30 million, the total increase being apparently devoted to national defense.

69. If the roughly threefold increase of prices is considered, postwar budgets around £E 120 million would not represent an increase of public expenditure as compared to prewar years. Such expenditure would absorb about 20% of the estimated national income, which under conditions in Egypt should not be regarded as an excessive burden. In fact, the 1947/48 figures, even if revised so as to cover twelve months, represent an increase within the above limits; were it not for the larger military expenditure the 1948/49 and 1949/50 budgets would represent in real terms only a very moderate increase over the prewar level. A budget of £E 180 million, however, absorbing up to 30% of the national income must be regarded as very high. If revenue of this magnitude were to be derived exclusively from taxation, its effects on the economy of the country and the levels of consumption and private investment might be unfavorable. If financing through further bank loans or money issue were to take place, the inflationary pressure on prices would increase.

70. Such fears are somewhat alleviated by Egyptian fiscal tradition according to which actual revenue sometimes and actual expenditure frequently remain below budgetary estimates, a practice which, combined with the traditional budget surplus, contributed to the creation of the

Reserve Fund. Egyptians like to point out that, historically, the Reserve Fund originated under conditions of limited financial sovereignty when the existence of "capitulations" only allowed for taxation of immovable property. As the yield of the land tax, which was the main source of revenue, depended to a certain extent on the harvest and underwent considerable fluctuations, budget estimates had to be cautious and there was the necessity to provide for lean years. Budgetary surpluses created by increased cotton production and increased cotton prices went into the State Reserve Fund, which at various times reached considerable amounts, such as £E 17 million in 1919, £E 40 million in 1930 and £E 76 million in 1948.

71. It should be understood, however, that this is to a large extent an untouchable reserve. Of the Reserve Fund given by the government at over £E 77 million as per end of February 1949, over 31 million are earmarked for loans, advances, as well as IMF and IBRD contributions, while of the rest the largest part is set aside for development projects, redemption of public debts, etc. The Fund is either kept in cash in the National and Misr Banks or has been invested in British and Egyptian securities which means that releases from the Fund are bound to put pressure on the monetary circulation. Since at the end of the financial year 1947/48 the free reserve actually amounted to £E 38.3 million, the present amount held in cash or easily marketable securities will presumably not be below £E 30 million and probably higher; some £E 20 million of it are earmarked for the Five Year Plan.

72. A closer analysis of the 1948/49 budget shows that among expenditure about £E 47 million were for salaries, pensions, etc., about £E 44 for administration (general expenditure excluding salaries), £E 37

million for investment (including carrying out parts of the Five Year Plan), £E 16 million were for subsidizing prices of some consumer goods (bread and popular textiles). Among sources of revenue the 1948/49 budget estimates anticipated £E 57 million from customs, about £E 23 million from various taxes on income (including taxation of excess profits), only £E 5 million from taxes on land and buildings and about £E 11.5 as gross receipts of the State railways (which still left this State enterprise with a deficit of over £E 2 million). Approximations given by the government as to actual receipts indicate that most of the discussed sources of revenue yielded according to expectations, with custom receipts slightly above, income tax receipts slightly below the estimated level. It would seem that greater clarity would be obtained in the Egyptian budgetary system by a separate handling of ordinary and investment items. This view is confirmed by the Egyptian State Audit Report on the 1947/48 final accounts, which points out, among others, that proceeds of sales of State lands should not be considered as ordinary receipts but should be credited to the Reserve Fund.

73. Five Year Plan. What is known under this name in Egypt is not so much a coordinated plan for the economic development of the country as a variety of projects selected from the point of view of deserving public financing. As various items of this so-called Plan appear in budgets or are charged against the Reserve Fund, it seems more suitable to discuss the Plan in this connection considering that the source of financing seems the main common link among its components. The Plan was first formulated in 1946 and was subject to subsequent modifications. From long lists of projects submitted by various Ministries, those were selected which, while promising "to contribute to an

increase of the national income and the maintenance of a high level of employment", would at the same time not yield quick results. The main categories of anticipated investment and its allocation are as follows:

	<u>Millions of LE</u>
Aswan hydroelectric plant	10.5
Irrigation	8.0
Agriculture	1.7
Housing for workers	4.6
Schools and hospitals	1.6
Industry and commerce	1.5
Railways	4.7
Roads	4.6
Other public works	3.3
Health	<u>7.5</u>
Total	48.0

While LE 37.5 million were to be drawn from Reserve Funds, it is now planned to cover the remaining amount of LE 10.5 for the Aswan hydroelectric plant from a special internal loan. According to the Ministry of Finance, up to the end of February 1949, the amount of about LE 13 million had been spent already on the execution of the various projects, of which LE 2.8 million and LE 2.3 in 1946/47 and 1948/49, respectively; no specification is available.

74. Taxation. The burden of taxation in Egypt is very unevenly distributed. While the ratio of indirect to direct taxation, in spite of some improvement in recent years, is still 3:1, a very large part of the former, in fact about 20% of the total State revenue, is provided by customs and excise duties on such articles of popular consumption as tobacco, sugar, kerosene, alcohol and matches. Agriculture is very lightly taxed by the land tax, which is fixed at 16% of the rental value of the land, estimated and periodically revised by special commissions. Maximum taxation, according to prewar provisions which were not changed in spite of the increases of prices and rents, is 164 P.T. per acre.

As the average rental value of land in Egypt has been recently estimated at over £E 18 per acre, this maximum will in most of the cases remain well below the 16% rental value; it thus gives a premium to owners of rich land.

75. Industrial, commercial and financial profits are taxed at 12%, salaries and wages up to 7% with a minimum exemption of £E 60 per annum. A tax on Excess Profits (in industry, trade and finance) was introduced in 1941 as a war measure. Since war profits have come to an end, this tax is bitterly resented by the business community and is expected to be abolished soon. There are also some minor taxes such as the tax on buildings (1/12 of the rental value) on movable capital (interest on loans), etc. as well as various stamp duties on deeds, transactions, advertisements, etc. A step forward towards a more equitable distribution of taxation is the introduction of a new income tax, which will go into effect in 1950. This tax is progressive and has a sliding scale starting from 5% on annual income not exceeding £E 1,500 to 50% on incomes over £E 100,000. This first serious attempt to tax the higher income brackets should bring additional revenue to the State from a source hitherto largely untapped. Although the new tax is sometimes criticized in connection with the comparatively large amount of income which is tax free and the small rate at which the scale increases, it must be remembered that this is a new type of taxation for Egypt and that a more gradual approach to it may diminish evasions.

Public Debt

76. In the past, developments of Egypt's public debt have strongly affected the country's international position and have contributed to the limitation of its independence. The rapid economic development of

Egypt under Mohammed Ali, who rebuilt Alexandria, constructed railways and canals, started steamship lines, industries and work on the Suez Canal, left Egypt with a foreign debt of £98 million, most of which was obtained at a discount of between 20 and 35% and at rates of interest from 7% upward. By 1876 the foreign debt had risen to £100 million and Egypt's finances, shattered by expensive wars and the squandering of her rulers, were hardly in a position to meet these obligations, even though, two years before, the Khedive Isma'il had sold his Suez canal shares to Great Britain for £4 million. In April, 1876, Isma'il therefore ceased payments of interest on his state and private debts. This default on Egypt's external debt service started a chain of developments, which through an increasing degree of foreign control led to the occupation of the country by Great Britain which lasted from 1882 until 1936.

77. A discussion of the development of Egypt's foreign debt during this period would be of purely historic interest as in 1943 the entire foreign public debt was transferred into domestic debt (National Loan). Although a very small proportion of the National Loan seems to be held by foreigners this debt is payable in Egyptian pounds. This operation was made possible by the fact that Egypt during World War II accumulated considerable sterling balances and thus could purchase sterling securities from holders who would not accept the domestic bonds paid in Egyptian currency. The present total of Egypt's internal public debt amounts to about £E .156 million, which apart from the National Loan of £E .83 million redeemable between 1955 and 1973, includes also the two £E .15 million loans for the cause of Palestine, issued in February 1949, the remainder of the 1946 Cotton Loan and

and Treasury Bills. Interest rates range from $\frac{1}{2}\%$ (Treasury Bills) to $3\frac{1}{2}\%$. During 1949 the total government expense on servicing domestic public debt amounts to LE .6 million.

78. There are, however, some external Egyptian debts guaranteed by the State and payable in foreign currencies. These loans are listed below:

	<u>Issued</u>		<u>Outstanding</u>	
	<u>Pounds Sterling</u>	<u>Expressed in U.S.\$</u>	<u>Pounds Sterling</u>	<u>Expressed in U.S.\$</u>
	(000's omitted)			
Sterling Bonds (Guaranteed) Alexandria 4%, 1902-63	513	2,066	244	983
U.S. Government Debt Export-Import Bank Outstanding 6/30/49				4,688
Unutilized				2,412
O.F.L.C. $\frac{1}{A}$				<u>859</u>
Total Government or Guaranteed Debt				8,942

$\frac{1}{A}$ surplus property (O.F.L.C.) loan now outstanding in the amount of \$859,000. Details on this loan are limited but it is our understanding that it is payable in Egyptian pounds or in real property. No interest seems to be charged on the loan.

79. The above loans call for the following interest and amortization payments, on the assumption that the unutilized portion of the Eximbank credits will be used up in 1949/50:

Interest and Amortization Payments on External Public Debt
of Egypt
(in thousands of U.S.\$)

	<u>Outstanding</u>	<u>Amortization</u>	<u>Interest</u>	<u>Total</u>
1949	5,723	52	123	175
1950	8,083	835	287	1,122
1951	7,249	2,423	244	2,667
1952	4,826	2,425	159	2,584
1953	2,401	1,645	75	1,720
1954	755	63	30	93

Interest and Amortization Payments on External Public Debt
of Egypt
(000's of U.S. \$)

	<u>Outstanding</u>	<u>Amortization</u>	<u>Interest</u>	<u>Total</u>
1955	692	65	28	93
1956	627	68	25	93
1957	559	71	22	93
1958	488	74	19	93
1959	415	76	17	93
1960	338	80	13	93
1961	258	83	10	93
1962	176	86	7	93
1963	90	90	3	93

The present debt thus calls only for very small payments except during the period 1950/53. ^{1/}

C. Foreign Trade

80. The post war years show a rapid upsurge of the value of Egypt's foreign trade, with £E 158 million of imports and £E 141 million of exports in 1948. As during the last years before the war the country's imports and exports stood on the average around £E 35 million each, it is obvious that the present increase by four and a half times goes far beyond the simultaneous upward movement of prices. While prewar imports represented about 16% of the estimated national income, the 1948 imports may have risen to some 25%. Although this expansion is particularly strong on the side of imports which have exceeded exports during the last ten years, a passive merchandise trade balance should not be regarded as abnormal in Egypt in view of the country's expanding economy. If a passive trade balance in Egypt's past was an exception rather than a rule (in fact during the 56 years between 1887 and 1938 it occurred

^{1/} The foreign exchange burden arising from debts owed by Egypt is, however, not limited to public debt. If private debts were added, the total 1949 service burden in hard currency would probably approximate \$3 million.

only 14 times), this reflected only conditions under which Egypt could not afford to finance an import surplus; such possibilities exist now thanks to a surplus of invisible exports and accumulated foreign assets. The negative aspects of Egypt's foreign trade are linked with its excessive dependence on cotton and the uncertainties which this commodity has to face in world markets.

Trade by Principal Commodities

81. The general structure of exports is rather simple. Cotton, cotton-seed and their by-products form up to 80% of the total value. Then comes a group of foodstuffs and agricultural raw materials (rice, onions, eggs, flax, etc.) followed by a group of minerals (oil, phosphates and manganese). Cigarettes were the only manufacture exported on a larger scale before the war and their importance has declined recently. Postwar trends can be seen from the following figures of the main categories of exports during the years 1944-1948.

	(Millions of LE)				
	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947</u> ^{1/}	<u>1948</u> ^{1/}
Cotton and Textiles	26.3	32.7	47.2	69.7	114.7
Agricultural Products	3.0	5.1	10.0	9.1	19.5
Mineral Products	1.4	1.0	1.6	1.0	2.0
Chemical & Pharmaceuticals	1.0	1.0	1.1	1.7	1.4
TOTAL	31.7	39.8	59.9	81.5	137.6

82. Imports were obviously more varied. While textiles held traditionally the first place among imported manufactured goods, they lost the position of the leading import item in 1948. to agricultural products, which consisted largely of wheat and corn brought from the

^{1/} Figures for these years are based on customs returns and, for reasons explained later, require adjustments for balance of payments purposes.

USSR in barter for cotton. Machinery and fertilizers are other important positions; they are followed by coal, oil, metals, timber, tea, coffee and other foodstuffs which cannot be obtained locally. The trend of import trade since the introduction of a protective tariff in 1930 has been to shut out a number of locally produced goods and to substitute industrial raw materials for finished goods. The following figures show the postwar development of the main imports.

(In Millions of £E)

	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947^{1/}</u>	<u>1948^{1/}</u>
Agricultural Products	5.7	8.7	8.5	8.5	35.0
Product of Food Industries	9.6	11.0	9.1	7.6	8.5
Mineral Products	13.3	12.4	9.2	9.0	10.4
Chemicals & Pharmaceuticals	8.9	8.8	9.0	11.1	17.0
Textiles	4.5	5.4	14.6	20.1	28.8
Common Metals	1.9	2.9	6.8	7.9	12.2
Precious Metals & Coins	1.3	2.5	4.2	5.6	13.8
Machinery	1.5	2.4	6.8	10.3	17.0
Transport Equipment	0.6	1.1	2.8	4.4	8.4
TOTAL	47.3	55.2	71.0	84.5	151.1

^{1/} Figures for these years are based on customs returns and, for reasons explained later, require adjustments for balance of payments purposes.

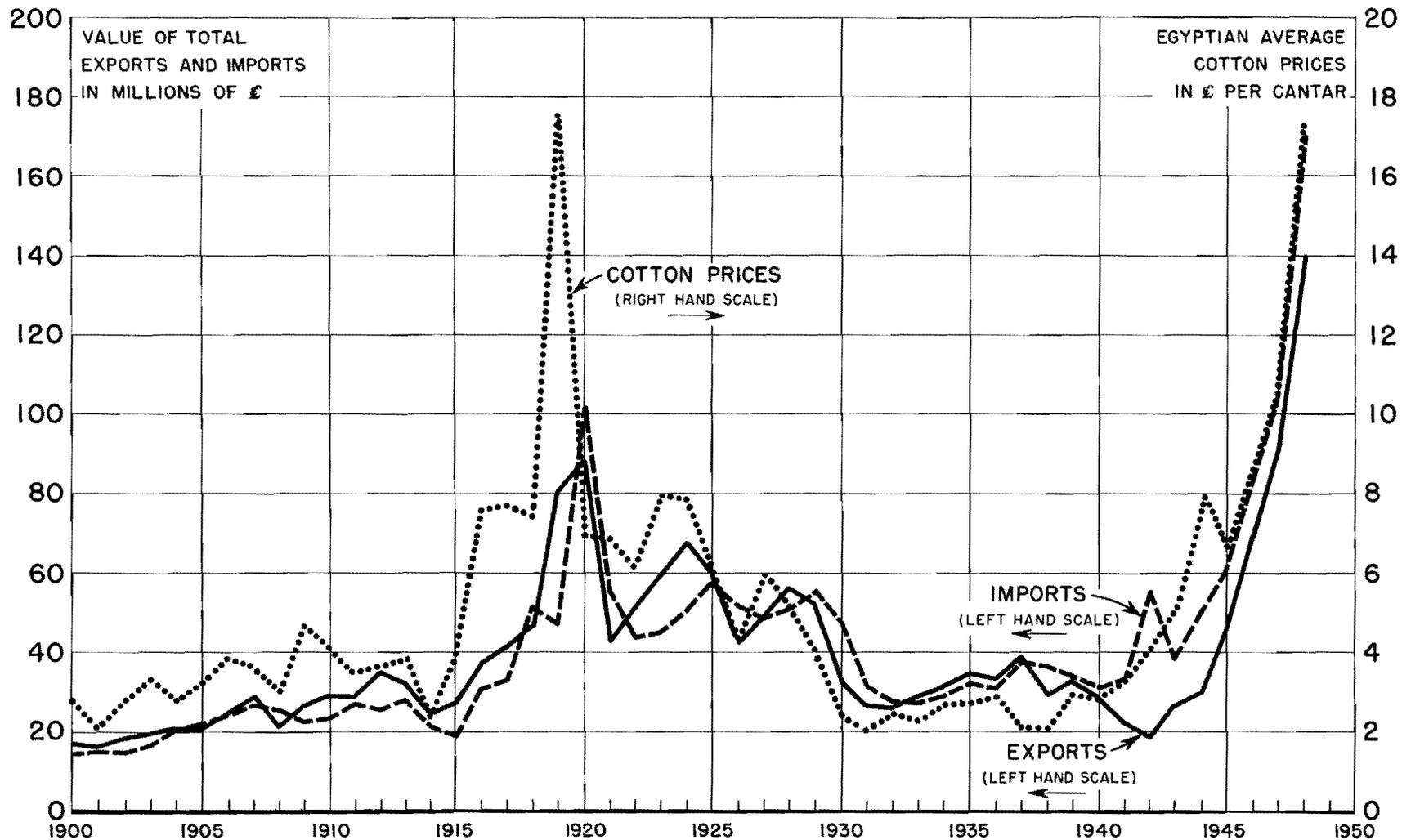
Principal Markets and Suppliers

83. Before the war roughly a third of the total value of Egypt's exports was absorbed by the U.K. While this share was reduced in 1947 to 15%, it rose again to 29% in 1948; there was, at the same time, a considerable increase of trade with other countries in the sterling group. India took 15% of Egypt's exports in 1948. While three of Egypt's important prewar customers, Germany, Greece and Japan are no longer significant, exports to countries with which trade and payments agreements were concluded increased, in the case of USSR, from practically nothing in 1947 to about 8% in 1948; in the case of France there was an absolute increase (from £E 10.7 million in 1947 to £E 14 million in 1948) but a relative drop (from 13 to 10%).

84. Exports to hard currency countries, such as the U.S., Belgium and Switzerland recently decreased slightly in value and considerably in volume, which is explained partly by the higher prices for Egyptian cotton which hard currency countries were reluctant to pay. As individual exporters could not be expected to export to these countries at a lower price so long as they had to surrender all the foreign exchange proceeds at the official rates, the Egyptian Government decided in the summer of 1948 to offer at cheaper prices but only against hard currencies, its own stock of cotton, accumulated in previous years as a result of the Government's intervention on the internal market. Of Egypt's exports to the U.S.A., Belgium, Germany, Switzerland and Japan, all payable in hard currencies, 50% consisted of cotton, 30% of rice and the balance of onions, cottonseed oil, medicinal herbs, wool, etc.

85. An analysis of imports according to their sources reveals a considerable absolute increase in imports from countries accepting sterling from Egypt. Similarly imports from countries with which Egypt concluded trade and payments agreements increased appreciably. Imports from the U.S. remained practically on the same level in 1947 and 1948, while the total of imports

EGYPT: FOREIGN TRADE AND COTTON PRICES, 1900 - 1948



NOTE: 1 cantar = 99 lbs

SOURCE: National Bank of Egypt

I.B.R.D. - Economic Dept.

from the hard currency area increased only slightly and not in proportion to the general increase of Egyptian imports. This relative shift from dollar to sterling imports is generally considered a healthy development in view of the existing restrictions on sterling convertibility of Egypt's large sterling balances and of her traditional ties with sterling sources of supply and their proximity.

86. Trade with the Sudan in 1948 showed an expansion of nearly £E 1 million in imports from and of £E 1.6 million in exports to that country.

(In Thousands of £E)

	<u>Imports from the Sudan</u>	<u>Exports to the Sudan</u>	<u>Balance</u>
1948	2,700	3,708	+ 1,008
1947	1,720	2,082	+ 362

The main articles imported from the Sudan were cotton and oil seeds with a value of £E938,000, followed by livestock worth £E434,000. The main articles exported to the Sudan were silk, cotton piece goods, sugar and confectionery and rice. Exports of silk, amounting to over £E1 mill. account for 30% of total exports.

Gold Trade

87. As in the case of other nations of the Middle East, the Egyptians have a great interest in gold and Cairo is one of the centers of gold trade. Known imports of gold, largely in the form of ingots from Holland and gold coins from Saudi Arabia, increased in 1948 to the value of over £E 12 million. They were largely financed through the crediting by Egypt of sterling transferable accounts of Holland or those countries in the transferable account area, who bought sovereigns in Saudi Arabia and sold them in Egypt. A continuation of this procedure may have become more difficult due to the Anglo-Egyptian monetary agreement of March 31, 1949 and its restrictions on financing indirect imports with transferable sterling.

88. A part of the imported gold is hoarded. There is no doubt, however, that a considerable if not the greater part of all the gold imported into Egypt in recent years, is eventually reexported. Exports of gold coins and gold ingots are forbidden. Exports of gold jewelry are permitted if the exporter can prove that he had previously imported in ingots at least twice the amount he wishes to export. With the exception of 1947, when gold jewelry exports amounted to £E 1.2 million, there is hardly any mention of gold exports in trade statistics. Gold which is smuggled out seems to serve mainly to finance imports for which no foreign exchange was allocated. Some of it may be traded on a purely speculative basis, although Cairo is secondary to Beirut as an international gold trading center.

Trade Policy and Regulations

89. Two things from the past should be remembered when Egyptian trade policy is considered; until 1930, owing to the existing treaties, Egypt had its hands tied as regards its Custom Tariff, which was only to provide a certain income without regard to any considerations of the country's economy; the year 1947 was the first in which Egypt, having officially left the sterling bloc, was in a position to pursue an independent commercial policy.

90. The principal problem is Egypt's inability to balance the trade with its important hard currency area suppliers. As a consequence strict import licenses for non-sterling purchases were introduced. Following substantial releases of sterling from balances held in the U.K. requirement for licenses was rescinded for goods originating in any country or area accepting sterling payments. At the same time the difficult hard currency situation occasioned the continuance of licensing for all exports and the exercise of more positive government action to channel as many shipments as possible toward hard currency takers. Cotton cake, for instance, is only exportable against payments in dollars: rice can be exported for dollars or in exchange

for bread grains. Other considerations have led to a number of further export restrictions. The export of grains and pulses is absolutely prohibited and the same applies to sugar, as the authorities hope to meet fully domestic requirements and to stop rationing sugar. Exports of cement, as well as of fruits and vegetables, are prohibited in order to keep the domestic supply sufficiently high.

91. The Government's policy of import restrictions was partly circumvented by the somewhat complex forms of trade with the U.S., involving a web of trans-shipments and participation in free and black money markets both within Egypt and abroad in addition to the normal pattern of exports and imports cleared through working balances held by banks. In 1948 Egyptian authorities outlined a list of commodities considered essential to Egypt and procurable only, or at least at advantageous prices, from the U.S. This import program did not envisage the import of a great number of consumer goods. U.S. automobiles, canned food, clothing, cosmetics, etc., were specifically excluded. Licenses for such items were issued without dollar allocations; the procurement of hard currency was left in these cases to importers who often took recourse to rather intricate patterns of transactions. Some American products were apparently also imported via Beirut, which accounts for the surprising phenomenon of an unfavorable trade balance for Egypt with Syria and Lebanon during 1947.

92. Another part of U.S. goods found their way into the Egyptian market at relatively high prices, through import licenses for the import of goods of U.S. origin from third countries with the price stated in sterling. Needless to say, these transactions involved considerable discount on the sterling, and indirectly the Egyptian pound, at rates which during 1948 ran about PT 30-40 equal \$1.00, against the official PT 24 equal \$1.00. In this connection, it is necessary to analyze import figures in the light of the

fact that in some cases imports of U.S. goods were listed by the customs under the country from which the trans-shipment was effected. This is particularly important in the case of Italy, which country instead of replacing the U.S. as the second supplier of Egypt, should be much further down the list.

93. A number of important trade agreements were recently entered into by Egypt. The agreement with the USSR, effective March 1948, involved the barter of long staple cotton in exchange for wheat and corn. A clearing agreement was signed with France in June 1948, providing that transactions between the two countries for the space of one year be conducted through accounts in the currency of the two countries rather than subject to sterling transfers as had been previously the case. In the agreement with Switzerland, signed in September 1948 and extended for 6 months, beginning May 1, 1949, certain government stocks of cotton were envisaged for sale to cover some Fr.S. 13 million worth of imports including machinery, chemical products, dairy products, watches, etc. Fr.S. 9.5 million were apportioned to cover Aswan project imports while the amount of Fr.S. 8 million was calculated as required for invisibles including arrears on Swiss investment in Egypt. More recently, trade agreements were also concluded with Anglo-American Bizone authorities in Germany, with Poland and India.

D. Balance of Payments

Egypt's Sterling Balances

94. As a result of Allied war expenditure in Egypt, financed by notes issued against sterling, this country accumulated during the second World War considerable sterling balances which, at their peak, were estimated at £ 425 million. These balances represented the country's chief monetary reserves and its first line of defense against an adverse trade balance. These assets are not the property of the Egyptian Government and should not be dealt with like an inter-governmental debt. A large part of them is held by the National

Bank either as cover for the note issue or as the counterpart of its liabilities to depositors. Most of these balances are held in British Treasury Bills, which bear an interest of one-half per cent per annum.

95. The utilization of the Egyptian Sterling balances was regulated successively by the three Anglo-Egyptian agreements of June 30, 1947, of January 5, 1948 and of March 31, 1949. The first of these agreements marked a turning point in the international financial position of Egypt as it provided for its departure from the Sterling Area. The second agreement provided Egypt with 25 million U.S. dollars for the payment of current transactions with countries which might refuse sterling and the equivalent of 4 million dollars in gold which Egypt was required to subscribe to the IMF and IBERD. Provision was also made for the release of further amounts of sterling; these proved amply sufficient. Under the terms of this agreement during 1948 Egypt's sterling balances were reduced by a net amount of £ 3.9 million; that is to say, Egypt was able to utilize in full her current sterling earnings (including the interest received on the sterling balances) and to reduce her capital claims by a little over 1%. As per December 31, 1948 the Egyptian sterling balances amounted to £ 343.2 million. Of this amount, £ 72.9 million were on Account No. 1, which means that they were available for payments in the sterling area as well as in the transferable sterling countries without previous consent of the U.K. The remainder of £ 270.3 million, on Account No. 2, is blocked for all practical purposes, until released by the U.K.

96. The 1949 financial agreement is a slightly modified version of the two agreements previously negotiated. Egypt remains outside the sterling area as one of the transferable sterling countries. The dollar release for the year amounts to the equivalent of £ 5 million. As regards sterling, a minimum immediate release of £ 12 million is provided for from No. 2 Account to the No. 1 (transferable) Account, and if necessary new releases will be

made so as to ensure to Egypt a working transferable balance of not less than £ 45 million. As the Egyptian No. 1 balances stand at around £E 73 million, it seems unlikely that the additional releases will be required in the current year but the facility may be of value in the future and is important as an indication that the U.K. is prepared to release No. 2 sterling if required to maintain a reasonable balance of transferable sterling. Since Egypt is interested in the releases of sterling and dollars mainly for the purpose of imports, an assurance has been given by the British side, that goods to the extent of £ 47 million or more will be available for exports to Egypt. Finally, as a further relief to Egypt in meeting her dollar difficulties, £ 5 million worth of oil products will be made available to her against sterling. There is, however, one important innovation in the agreement, relating to the transferability of sterling. Hitherto sterling was freely transferable to any country within the transferable area and might be transferred, with the approval of the British authorities, to countries outside the sterling area, for any current transactions. Under the new agreement, the right to use transferable sterling in settlement of payments within the transferable area and countries not belonging to the scheduled territories is limited to payments in respect of direct current transactions. This provision intends to prevent triangular transactions, especially those involving hard currency goods.

Balance of Payments in 1948

97. Egypt's balance of payments in 1948 shows that, as in the preceding years, the deficit arising from the passive balance of trade was partly covered by a surplus of receipts from invisible items and for the rest by transactions on capital accounts. Its main characteristics were a continuing trade deficit with the hard currency area, a favorable balance with the sterling area proper which, however, was more than offset by a

deficit with other soft currency countries accepting payment in sterling. On the other hand, there was an accumulation of surplus balances with other countries outside the transferable sterling area, largely achieved through the operation of bilateral trade and payments agreements. Government policy is aimed at shifting imports from the hard currency area to other areas. Although exports to hard currency countries declined slightly as compared to 1947, total exports against payment in hard currency increased due to sales against dollars to non-dollar countries (rice to Japan, cotton to Western Germany). The Government made also a great effort to employ sterling in payment for goods and services wherever possible, even on unfavorable terms.

98. The National Bank publishes annually over-all balances of payment figures, based on the operations of the Foreign Exchange Office. The following table is based on the above source and, of a better illustration, has been subdivided into three principal groups covering transactions in hard currencies, sterling and other soft currencies.

Estimate of Egypt's Balance of Payments 1948

(Millions of Egyptian Pounds)

	<u>Transactions in</u>			Total
	Hard Currency	Sterling	Soft Currency	
<u>RECEIPTS</u>				
Exports	11.8	106.8	14.0	132.6
Invisibles	5.3	56.8		62.1
Transit trade		1.4		1.4
Suez dues	4.5	13.9		18.4
UK Army expenditures & proceeds of disposal of stores		23.1		23.1
Interest, dividends, etc.		3.7		3.7
Net £ receipts from Sudan		3.5		3.5
Other	0.8	11.2		12.0
	<u>17.1</u>	<u>163.6</u>	<u>14.0</u>	<u>194.7</u>
<u>PAYMENTS</u>				
Imports	20.2	131.9	10.4	162.5
Invisibles	4.5	39.9		44.4
Transit trade	0.5	4.3		4.8
Government expenditures	2.1	4.4		6.5
Tourists and pilgrims	0.3	7.0		7.3
Interests, dividends & other	1.1	5.7		6.8
Capital remittances	0.1	8.3		8.4
Other	0.4	10.2		10.6
	<u>24.7</u>	<u>171.8</u>	<u>10.4</u>	<u>206.9</u>
<u>BALANCE</u>	-7.6	-8.2	‡3.6	-12.2
Accounted for as follows:				
Foreign exchange balance: increase				-3.6
£ balances, private: increase				-2.8
£ balances, banks; decline				‡6.7
Non-resident accounts: increase				‡10.5
Unrecorded items				‡1.4

99. The values of exports and imports with the hard currency area shown in customs statistics, do not reflect accurately the triangular and more complicated transactions which took place in hard currency. A substantial amount of cotton, for instance, was sold from governmental stock against dollars in transactions with non-dollar countries at lower than internal market prices. On the import side, certain oil imports from the sterling area were paid for in dollars. The actual payment deficit on sterling trade account of approximately £E 25 million was substantially reduced by a net surplus on invisibles of £E 17 million. The remaining balance on current account of about £E 8 million was partly covered by a net reduction in sterling balances of £E 4 million and partly absorbed by an accumulation of surplus balances on non-residential accounts. Trade in soft currencies other than sterling (mostly French Francs) showed a favorable balance of £E 3.6 million and accounts for the corresponding increase in surplus balances other than sterling.

Balance of Payments Prospects for 1949

100. Egypt's hard currency position in 1949 may be expected to improve as several factors tend to reduce hard currency requirements. Substantial increases of imports of oil payable in sterling and of nitrates from Chile against transferable sterling will reduce hard currency imports of these commodities. The same applies to wheat and corn, large quantities of which will be obtained under renewed barter deals with the USSR and by supplementary imports from Syria. As a result of increased production capacity in Europe, an increased supply of essentials may be expected from European countries. Finally, further hard currency savings may be expected now after the postwar restocking of hard currency durable goods in Egypt has largely been accomplished. On the other hand, in accordance with the U.K. agreement, no further hard currency imports to Egypt against payments in transferable

sterling will be possible. This, however, should not necessarily constitute an additional strain on Egypt's dollar funds as these imports principally consisted of non-essentials. While the Egyptian government did not supply sufficient data for an estimate of the foreign exchange requirements in 1949, some conclusions may be drawn from the available information. The service of the already discussed government guaranteed debts will require \$175,000 in 1949, but around \$2 million annually between 1950 and 1953. There are, in addition, some private external debts which call for interest and amortisation payments. The known annual service of these debts amounts to about \$3 million annually and consists almost entirely of hard currency payments. On the credit side Egypt will in addition to the \$20 million from the agreement with the U.K., receive \$3 million from the IMF credit and a number of smaller receipts, such as the undisbursed part of the Eximbank credit (\$2.4 million). It seems, therefore, safe to conclude, that Egypt should be in a position to cover all her essential payments in dollars during 1949; to what extent the following 4 years may become more difficult, depends on the amounts which will be required for the servicing of Egyptian private debts in hard currency.

101. Considering the 73 million of Egypt's transferable sterling on No. 1 Account with the U.K. and the margin for further releases of £ 18 million, Egypt's sterling position may be regarded as assured. The accelerated utilization of these funds will be facilitated under the U.K. agreement which provides for an increase of imports from the U.K. from £ 36 million in 1948 to £ 47 million in 1949.

V. EGYPT AS A CREDIT RISK

102. As most of the various aspects of Egypt's credit-worthiness were discussed in the preceding sections, it remains now to sum up those political and economic factors which most directly provide the answer as to the qualifications of Egypt as a credit risk.

103. If psychological factors can be included, the following three elements might well be considered; Egypt's leading position in the Middle East; the nation's pride of her newly regained independence; the memory of efforts made by generations of Egyptians to cope with the excessive burden of foreign indebtedness which finally had been redeemed. These factors should tend to remove any doubts as to the willingness of Egypt to repay the debts, which the Government may incur.

104. Political and economic stability appears to be greater in Egypt than in many other countries of that area. None of the existing and briefly described social and economic tensions threatens to erupt into a sudden overthrow of the present structure of the country; which is also an element to be considered in long term financing.

105. The ability of the country to service a foreign and, more particularly, a dollar loan, is a function of its internal and external financial position and must be assessed from the point of view of:

- a) price and cost trends;
- b) the state of public finances;
- c) the foreign exchange position;
- d) the existence of other commitments.

106. In spite of the continued high volume of circulation, for which war expenditure is partly responsible, the general level of prices remains comparatively stable and may even in the near future, follow the latest downward trend of cotton. Inflationary pressures from increased circulation and investment will be presumably offset by the deflationary effects of

expected further budget surpluses, unless excessive military expenditure or large scale internal loan financing should continue..

107. While the Egyptian system of taxation definitely requires reforms, some of which have been initiated and while the liquid Treasury reserve amounts probably to less than half of the nominal balance of the Reserve Fund, the existence of such reserves as well as the continued surpluses resulting from very conservative housekeeping justify confidence in the availability of at least this part of the development expenditure which is to be covered in local currency.

108. Egypt's foreign exchange position hinges largely on the fate of her accumulated sterling assets. It might be considered as excellent if sterling should approach convertibility; it is fraught with difficulties at present, although alleviated annually by reasonably satisfactory arrangements with the U.K. Sources of hard currency do not cover essential import needs but the remaining gap which is not exorbitant, has been so far successfully bridged by a category of receipts which may be available for a few more years, until a larger proportion of hard currency imports can be covered from soft currency areas, with which Egypt has a surplus of payments on current account. Should such hopes not materialize, then the first effect of an accentuated scarcity of hard currency would be most probably a slowing down of the development projects requiring foreign equipment.

109. The servicing of the known public and private hard currency debts seems to require in 1949 some \$3 million, but possibly twice this amount annually between 1950 and 1953, which would represent less than one-half of the present Suez Canal revenue in hard currency. Expenditure on this account is anticipated to decrease after 1953, which might well be considered in drafting the repayment plan of an IBRD loan.

110. Taking into account all these factors and assuming, (a) that excessive military or other government expenditure will not release new inflationary forces; (b) that prices for Egyptian cotton will not suffer a catastrophic fall, comparable to that after World War I; (c) that the present pattern of financial arrangements with the U.K. will be continued for a number of years; (d) that a certain influx of capital from hard currency areas will continue to contribute to the covering of the remaining hard currency deficits (which development would be greatly assisted by a clearly positive attitude to foreign business and investment);

there is reason to expect that Egypt should be able to provide a ~~yearly~~ loan service of about \$1 to \$2 million annually without undue strain.

ANNEX TO THE REPORT ON THE ECONOMY OF EGYPT

AGRICULTURE, INDUSTRY AND DEVELOPMENT PLANS

I. Agriculture and the Food Supply

A. Cultivable Land and Irrigation

1. Of the total area of Egypt amounting to 1,000,000 sq. km. (386,110 square miles) less than 4% are cultivable, the rest being barren desert. A distinction has to be made between the cultivable land, the actually cultivated land and the cropped area; owing to the practice of double cropping, the cropped area is always larger than the cultivated land. According to the latest available figures, these areas were related to each other roughly as follows;

Cultivable land	7,200,000 acres ^{1/}
Cultivated land	5,900,000 "
Crop area (1948)	9,440,000 "

While the crop area increased considerably since 1912 (when it only amounted to 7,950,000 acres) in connection with shifts from basin to perennial irrigation, the cultivated area increased only imperceptibly. It is understood that land reclamation on a larger scale could be undertaken if the water supply were increased.

2. Egypt received practically no rain during the whole of the year; the small amounts of precipitation in the northern and southern parts of the country are of no importance for agriculture which depends on water from the Nile. During the seasonal flood between July and October the average rise in the level of the river is $7\frac{1}{2}$ meters at Aswan and $4\frac{1}{2}$ meters at Cairo. Since time immemorial great banks of earth were raised, transversal to the river, dividing the land into basins which retained the water a little longer and increased the deposit of the fertile silt. The moisture thus preserved is sufficient to grow one crop, soon after the recession of the flood waters. This system of basin irrigation, still practiced in parts of Upper Egypt, has, by ensuring a regular flow of water and an annual fertilization of the soil, made Egyptian agriculture one of the stablest in the world, but does not provide sufficient means of existence for the rapidly growing population. It has, therefore, been replaced by the system of perennial irrigation which actually staves off the flood from the fields by dykes and supplies water all year round through feeder canals thus making it possible to have several crops during a year on the irrigated area. In order to bring the water into the fields it has to be either pumped from the river or the level of the stream has to be raised by the

^{1/} Higher estimates of cultivable land (up to 9 million acres) given by some sources can probably be disregarded for the time being, as they would not only require more water than is available now, but also such investments as a syphon tunnel under the Suez Canal, as well as a large supply of cheap power in Lower Egypt necessary to lift irrigation water from 5 to 20 meters.

construction of barrages. Apart from these barrages of which several have been constructed at fairly regular intervals on the Nile and in the Delta, there are three dams for storing water during the flood: the Aswan Dam in Egypt, which after its third heightening has now a storage capacity of 5 billion cubic meters and the Gebel Aulia and Sennar Dams which, although situated in the Sudan, are under Egyptian administration, and have a storage capacity of 2.5 and 0.6 billion cubic meters respectively. Thus, the average Nile water supply available to Egypt between the beginning of February to the end of July, is composed of:

Some 15.4 billion cubic meters from the normal flow of the river.

Some 8 billion cubic meters from storage in Aswan, Gebel Aulia and Sennar.

Total 23.4 billion cubic meters (as measured by Aswan discharges)

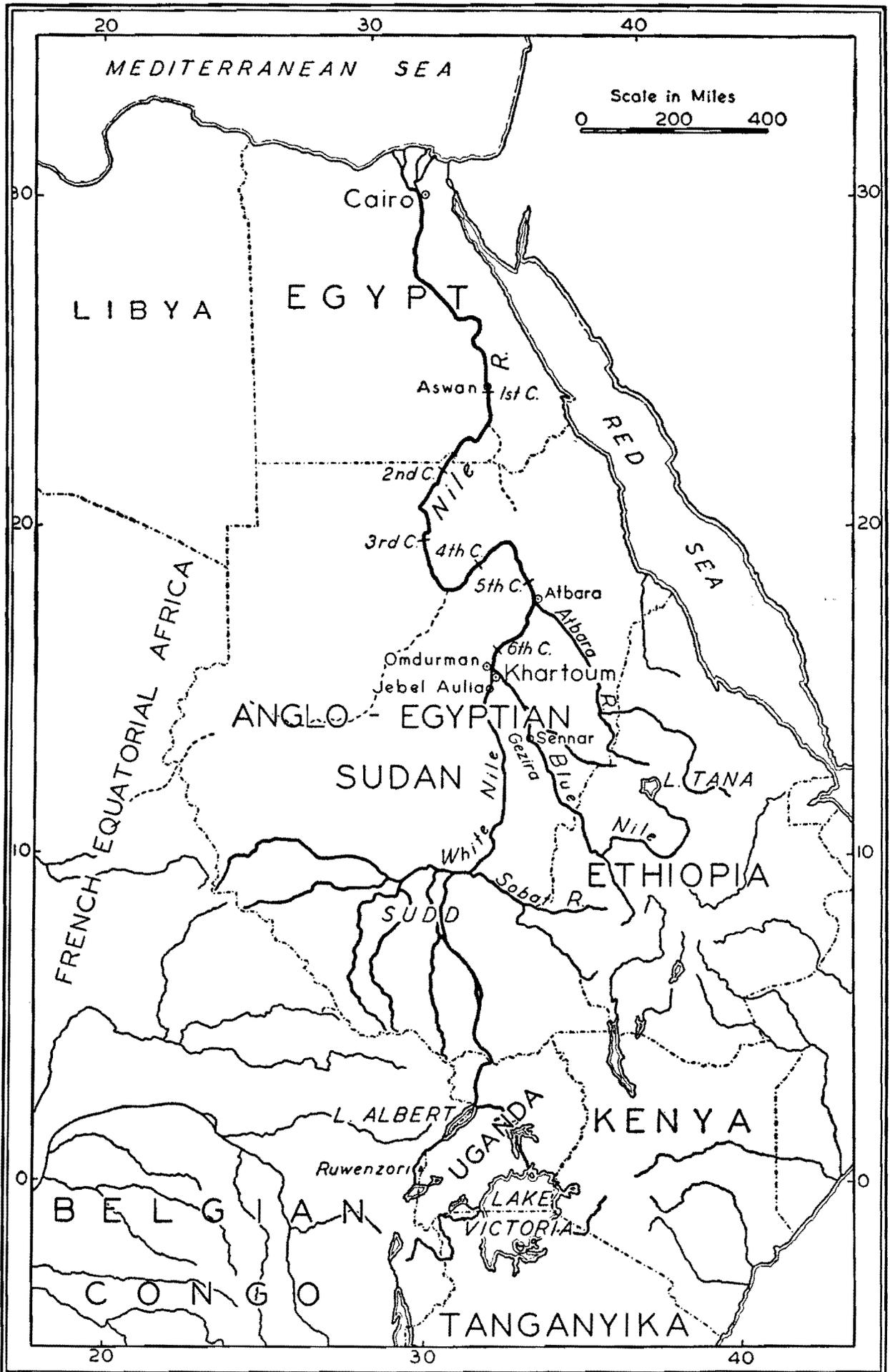
If the water requirements of Egypt are calculated for 7.2 and those of the Sudan for about 2.0 million acres, the total water supply of 23.4 billion cubic meters falls short of the total requirements of both countries by about 6 billion cubic meters. As allowance has to be made for a reserve connected with very low years and with possible errors in forecast of river discharges, the additional total water requirements are usually taken as between 10 and 12 billion cubic meters.

3. To provide this additional supply of water and also to protect Egypt against floods in years of exceptionally high discharge, it is necessary to harness the Nile more completely, thus avoiding any waste of water during the flood period and providing a more even supply over all of the year. In order to achieve all these purposes a very ambitious scheme has been worked out which would include the following, largely interdependent, constructions:

- a) A new Main Nile reservoir in the region between Atbara and Wadi Halfa for flood protection and summer storage:
- b) A reservoir for over one-year storage in Lake Albert, combined with a regulator on Lake Victoria:
- c) A diversion canal in the Sudd region (also called the Jonglei bypass) to avoid losses of water in the Sudd marshes:
- d) A reservoir for over one-year storage in Lake Tana.

While projects (a) and (c), even though located in the Sudan, would be largely Egyptian affairs, projects (b) involving also Uganda, Tanganyika and the Belgian Congo and project (d) involving also Ethiopia, anticipate a higher degree of international cooperation and the sharing of costs.

4. It is estimated that Egypt's expenditure on these projects would amount to a total of LE 67 million, of which over LE 14 million would be required for imported equipment. A financial schedule has been worked out which divides this expenditure over the next 25 years in the following way: LE 5 million in 1950; from 1951-54, 7 million annually; 5 million in 1955; from 1956-64, 2 million annually; from 1965-75, 1 million per year. As an addition or partly as an alternative to the above schemes, it has been also



SOURCE: THE MIDDLE EAST JOURNAL

The Nile Basin

contemplated to make use of the Wadi Rayan, a barren valley in Egypt, where flood waters could be stored and the water pumped back into the Nile for summer irrigation.

5. The increased water supply would enlarge the crop area by permitting the reclamation of some 1,300,000 acres as well as the transformation of the 900,000 acres which still remain under basin or combined perennial-basin irrigation into perennially irrigated land. But it should not be forgotten that perennial irrigation has some serious disadvantages, the most important of which are:

- increased danger of damage from high floods, which previously were partly absorbed by basin irrigation:
- the spread of endemic diseases, particularly bilharzia and ankylostoma, among peasants who work in irrigation ditches and health deterioration following the consumption of stagnant water:
- decreasing fertility of the soil which under the perennial regime has to yield more than one crop while it is deprived of the deposit of silt carried by the floodwaters:
- rising of the underground water table, which in many cases can be avoided only by expensive drainage:
- loss in crop area through ditches and drains which in some cases occupy up to 16% of the surface.

6. As a new solution it is now proposed to develop on "basin" land additional irrigation with water pumped from the subsoil, where considerable quantities of water remain after the floods and as a result of seepage from the Nile. Against the disadvantage of the initial expenses connected with the installation of the pumps, this system, having none of the faults of perennial irrigation, promises to improve health standards by supplying clean water and also avoids drawing on the limited Nile water supply. It is the basis of the Qena irrigation project, for which Bank assistance is sought.

B. Land Tenure

7. According to the last agricultural census (1939) out of about 2.5 million of landowners in Egypt, over 1.7 million own holdings of 1 acre or less, while another 0.6 million own holdings between 1 and 5 acres each. The proportion of land owned by these 93.5% of Egypt's landowners is only 22% of the total. While the group of medium landowners (5-50 acres) represents only about 6% of the owners but 40% of the area, the remaining 38% of agricultural land is the property of some 12,000 people. Comparisons of these figures with data from 1896 indicate that while the area belonging to large landowners remained unchanged and medium proprietors suffered a slight loss, the whole increase in cultivated land went to the small owners, whose average size of properties, however, decreased farther, as a result of continuous splitting up by inheritance.

8. About 61% of the cultivated area is leased. Lease contracts follow varying local customs. The most popular method, applied mainly in

leasing the land of the Government, Wakfs^{1/} and big estates, involves money payments. Under another system the owner advances expenses which are deducted from the value of the crop, the remainder being divided between owner and lease holder; the latter receives from one-fifth to one-half of the produce, depending on whether or not or to what extent the owner had supplied the working capital. Rentals vary, of course, greatly, according to the quality of soil and location and also according to the type of crop raised. Sugar cane commands the highest rents and is followed by cotton, rice and cereals. In general, rents, like the price of land, are extremely high, which reflects the great pressure on land as well as the high returns from some of the crops. Investigations made in some 250 villages prove that the average rent per acre for average cotton land increased from LE 7 in 1939 to LE 24 in 1948, which corresponds roughly with the over three-fold increase observed also in the rent for other than cotton land during this period. As agricultural prices during the same time increased somewhat less and yields remained unchanged, there is reason to suspect that the position of the tenants has further deteriorated.

9. Land is seldom leased for more than two or three years; annual leases are more common and very often the land is let for the duration of one crop only. The shortness of the leases combined with the poverty and ignorance of most of the tenants has a disastrous effect on the land and livestock. The tenant, having no incentive to preserve the fertility of the land, exhausts land and beasts. This factor, together with the cheapness of labor, is also responsible for the extraordinarily small use of agricultural machinery and implements; working capital per acre in Egypt is estimated by some sources^{2/} to represent only about 25% of what it should be and only about 15% of what is needed in European agriculture.

C. Agricultural Methods

10. Many of the implements in popular use are still of the type depicted in Ptolemaic temples. The example of a few experimental modern farms indicates that yields could be improved with the application of advanced methods of sowing and tilling. Some limitations are, however, imposed by the very small size of individual plots as well as by the nature of some of the crops which, like cotton, do not lend themselves easily to mechanization. Some efforts to improve the agricultural techniques are made by the inspectors of the Ministry of Agriculture, operating in the

1/ Wakfs, known all over the Middle East, are foundations for the benefit of families or for charitable, educational or religious purposes. Over 10% of Egypt's cultivated area belongs to this mortmain property.

2/ J. Anhoury. "Les grandes lignes de l'economie agricole de l'Egypte", Egypte Contemporaine, 1941.

field as well as by cooperatives which, however, are not yet highly developed.

11. Crops distinguished according to the period of their vegetation are either winter crops, sown in November and harvested in May (chiefly wheat, barley, beans, onions and lentils) or summer crops, grown between March and September (cotton, millet, rice) or flood crops sown in August and harvested in November (corn). Although all these crops tend to overlap, it would be physically possible to grow three crops in one year, were this rate of cropping not too exhausting. Practically a biennial rotation is most widely applied, in which wheat or berseem are grown from November to May, corn from August to November and cotton from February to November. During the intermediary periods June-July and December-January, the land remains fallow. Some landowners observe a triennial rotation, under which only one wheat and one cotton crop are grown in three years. This rotation, being much less exhausting for the soil, gives about 20% higher yields but even so is less remunerative than the biennial rotation, at least over a short term.

12. Yields are very high. The corn yield (20 hundred-weight per acre) and the cotton yield (600 lbs. per acre) are the highest in the world; the average wheat yield with an average of 17 hundred-weight to the acre is nearly as high as that of Great Britain. These high yields are only made possible by the lavish use of fertilizers. The average consumption of fertilizers per acre is 60 kg. in Egypt against 38 in Holland, 15 in Denmark and 8 in France. This scale seems necessary to supplement the dearth of natural manure, to compensate for the loss of the annual deposit of alluvium which the soil received under the system of basin irrigation and to repair the exhaustion of the soil which in spite of fertilizers seems to be gradually progressing under perennial irrigation. Shortage of fertilizers during World War II resulted in an immediate appreciable drop of agricultural yields. It is estimated that Egypt needs annually about 600,000 tons of chemical, largely nitrogenous fertilizers in addition to large quantities of manure. The requirements for superphosphates are expected to be covered from the domestic production exploiting the Egyptian deposits of phosphate rock. In 1950 the newly constructed factory, at Suez, will start producing about 200,000 tons of nitrates per year. There is still a balance to be covered which gives rise to a project for another factory of nitrate fertilizers near Naga Hammadi of a capacity of 300,000 tons.

D. Main Crops

13. General. The following table, based on data for 1947/48, gives an approximate idea of the relative importance of the country's main crops:

<u>Crop</u>	<u>Area as Percentage of Total</u>	<u>Values as Percentage of Total</u>
Cotton	15.9	24.4
Clover	21.8	18.7
Corn	17.1	11.6
Wheat	16.7	12.9
Millet	5.8	4.0
Beans	4.4	3.1
Rice	8.6	10.2
Barley	2.4	1.3
Sugar Cane	0.9	2.7
Others	6.4	11.1
Total	100%	100%

14. The Egyptian Government is in the unique situation of having to determine to a certain extent the choice of crops in the country and being at the same time in a better position to enforce it, thanks to the fact that the Government-operated dams on the Nile control almost the entire water supply of the country. These decisions are influenced by physical factors, such as the expected discharge of the Nile in the given year, but also by government policy with regard to the desired volume of the cotton and grain crop. Apart from regulating the supply of water, which measure would not be applicable to individual areas or cultivators, there is also a centralized distribution of seeds and fertilizers as well as direct instructions with fines and police measures to enforce them. None of these measures, however, seems fully effective. Usually a minimum area is determined for wheat cultivation and a maximum for cotton; cotton growing is forbidden in some provinces of the Upper Nile such as Aswan. Such a decision may be justified by the prevailing conditions of soil and water or by the desire to protect the quality of the country's cotton crop but it also means a deterioration of the economic prospects of the area concerned and should be counterbalanced by other benefits or investments. The cultivation of rice is permitted in the Delta, primarily on poor lands, over an area which increases when a high flood is forecast.

15. Cotton. The cultivation of cotton was known in Egypt since time immemorial, but started a new era of development under the rule of Mohammed Ali (1805-1848), and soon found an additional stimulus in the world cotton shortage caused by the American Civil War. More recently, much was done by Egyptian research and seed selection to improve gradually the quality of the crop which is now unsurpassed in the world among long staple varieties. It accounts for about two-thirds of the world's production of long staples and one-third of the medium staples. Egyptian long staple cotton enjoys today a practical monopoly for certain uses, e.g. aeroplane tires and sewing thread, which are estimated to absorb some 55,000 m. tons per annum. The remainder of the crop must compete with foreign long and medium staples under conditions which tend to become more and more difficult, as many spinners seem to be adapting their plant to the use of shorter or synthetic fibers.

16. While, as has been mentioned before, the relation between price and size of the Egyptian cotton crop is only slight, there is a clear correlation between the prices of Egyptian and American cotton. ^{1/} The elasticity of supply of Egyptian cotton seems considerable, although it is partly affected by the already described Government policies. Between 1924 and 1938 current movements of price were followed by similar changes in the following season's acreage. There is no doubt that growers respond to changes in prices, the more so since the tariff on cereals has somewhat narrowed the margin of profitability between cotton and wheat or corn and raised the attraction of cotton's rival crops.

17. In 1948 the area earmarked by the Government for the planting of cotton was about 1.2 million acres but the areas actually planted was closer to 1.5 million acres of which 40% were under long staple (over 1- $\frac{1}{4}$ inch) varieties. The total crop is estimated at 691,000 metric tons which indicates the third largest crop in Egypt's history, exceeded only by the crops of 1937 and 1940, and almost 35% increase over the 1947 crop. In 1949 the area earmarked for cotton is 1.8 million acres and a still larger crop is anticipated. The postwar rise in Egyptian cotton prices, which started in October 1947 reached its peak in August 1948 when it was almost as high as during the all-time record in 1920. Recently, however, prices have dropped by almost 30% and some Egyptian experts believe that history may repeat itself and that a break may occur, comparable to the break which followed World War I, when the Egyptian cotton price tumbled to less than one-tenth of its previous level. Studies of the international market confirm that the cotton price could well follow a downward trend, but do not predict any catastrophic break.

18. Cereals. Except for a marked increase in rice, and smaller ones in millet and wheat, the average of various cereal crops does not show great changes between the years 1939 and 1948. During the war a temporary decrease of the cotton area was accompanied by corresponding increases in the areas under bread grains but since 1946 the prewar balance has been roughly restored. Whether this balance represents the optimum for Egypt's economy can be disputed. When the world's wheat shortage comes to an end, when and if a decrease of international tensions will permit a departure from the attempts to approach self-sufficiency in food, the cultivation of bread grains in Egypt may yield to the development of exportable fruit, vegetables, dairy produce and such crops as flax, soya beans and jute for which natural conditions seem to be very favorable. During the last years Egypt had a deficit in bread grains of which over 300,000 tons were imported during 1947-48. Rice, sugar and vegetables, on the other hand, showed surpluses for export. There has been a marked improvement in the yield of wheat (20%) and corn (15%) during the last twenty years, owing to the introduction of better varieties, improved methods of cultivation and an increased use of fertilizers. Wheat and millet show highest yields in Upper Egypt and corn in the Delta. Rice is grown chiefly in the Northern Delta owing to its large water requirements and its adaptability to salty soils, which makes its cultivation very useful for soil reclamation.

19. Other crops. The most important of them is berseem (Egyptian clover) which forms an indispensable item in any Egyptian crop rotation, as it restores the nitrogen, taken out of the soil by other plants. Berseem

^{1/} Prof. Bresciani Turrioni: "Relations entre la recolte et le prix du coton egyptien". *Egypte Contemporaine*, 1930.

provides the main green fodder in winter and, when dried, supplements summer fodder which is mainly provided by beans. The area under sugar cane is low (about 90,000 acres in 1948) and the average yield is only about 60% or 40% respectively, of that in Java or Hawaii but this is largely compensated by a shorter period of growth (12 months against 14 and 21, respectively). Onions are important as an export crop. In view of the limited purchasing power of the population, any large-scale increase of fruits and vegetable production seems to depend on the possibility to intensify exports.

II. Industries, Power and Transport

A. Mining

20. Petroleum, calcium phosphate and manganese ores are the most important deposits now exploited in Egypt; of the other minerals found in the country's deserts, the most important are: asbestos, beryl, copper, graphite, iron ores, kaolin, lead and zinc, magnesite, sulphur and pyrite, talc, tin and tungsten. In most of the cases no data are available as to quantities found and the possibility of economic exploitation.

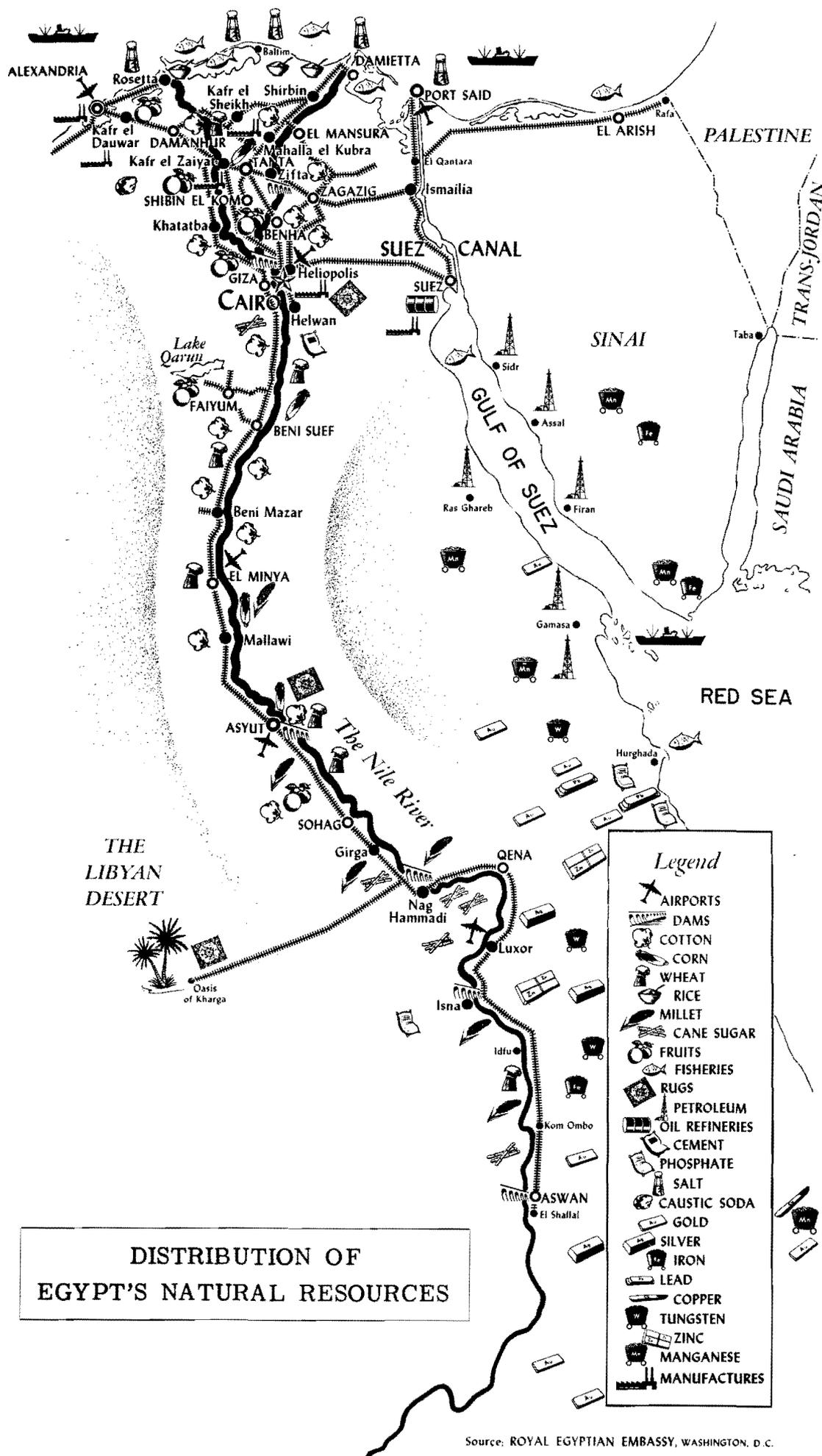
21. The following figures show the development of crude oil production in Egypt (in thousands of metric tons):

1938	250
1939	742
1945	1,349
1947	1,328
1948 (est.)	1,900

The main fields are Assal, Sidr, and Ras Matarma on the Sinai peninsula, operated jointly by the Anglo-Egyptian Oilfields Ltd. (affiliated with the Royal Dutch-Shell Group), and the Socony-Vacuum Oil Co., and Ras Ghareb and Hurghada on the Red Sea coast, operated by Anglo-Egyptian. Proved and indicated oil reserves in Egypt are estimated at around 17 million tons and it is likely that this figure will be revised upward after further exploratory work.

22. Egypt's consumption of oil products has risen from 0.7 million tons in 1938 to 2- $\frac{1}{2}$ million tons. A larger proportion of internal requirements may now be covered by domestic production but, due to the quality of domestic crude, the country will continue to import kerosene, gas oil and diesel oil. A certain bottleneck remains also in refining capacity. Of the two refineries, both at Suez, the smaller one belongs to the Government, the other one belongs to the Anglo-Egyptian. In both cases enlargements are under consideration.

23. Before 1937 the only company producing oil in Egypt was the Anglo-Egyptian. New regulations introduced in that year enabled the Standard Oil Company of Egypt (Standard Oil of New Jersey) and the Socony Vacuum to enter the field. In 1947 a new Petroleum Law was passed and leases were approved for some of the fields. Delays in implementing the law forced oil companies to continue exploration programs without full legal clearance while severe drilling obligations and rentals induced them to abandon explorations west of the Nile. These and other uncertainties seem to have been among the reasons of the temporary suspension of operations



Source: ROYAL EGYPTIAN EMBASSY, WASHINGTON, D. C.

by Standard Oil early in 1949.

24. Before World War II Egypt ranked sixth among the phosphate producing countries, with the output of phosphate rock totalling in 1934 nearly 550,000 tons. Following a wartime decline, output rose steadily and amounted in 1947 to 370,000 tons. The most important deposits are in the Red Sea area and in the Nile Valley: the former's output being usually exported to Japan, the latter's to Europe. The average percentage of the ore shipped is 63% (which compares with an over-all average of 72% content in the U.S. production). Egyptian reserves are estimated at about 4 million tons of commercial phosphate rock. Only a small proportion of the mineral has been retained in Egypt until now for domestic production of super-phosphates but a new production unit began operations at Abu Zoabal in 1948.

25. The principal manganese deposits in Egypt are found on the Sinai Peninsula, in the Om Bogma district, where production of ore averaged about 85,000 tons annually for the period 1936-43. Most of the ore is low-grade averaging 28-32% manganese, with an iron content of 30%. During the war years production was cut drastically due to the general disruption of international trade, and substantial stocks were accumulated. After the war, these stocks were drawn upon for most of the export trade, and only since the early part of 1948 has there been a resumption of operations in manganese production.

B. Industries

26. General. Industrial activity in Egypt is faced by several adverse factors, such as the restricted range of industrial raw materials available locally, the scarcity of cheap fuel and power, the reluctance of Egyptian capitalists to invest in industry and the absence of an organized system of industrial credit; the most important limiting factor is the narrowness of the home market, resulting from the very low purchasing power of the mass of the population. While the last named element remains unchanged, some of the other obstacles are being gradually reduced, be it by increased mining production, or by the activities of Bank Misr and the creation of an Industrial Bank. On the other hand, cheapness of labor and the government's desire to increase the country's political and economic independence by industrialization encourage industrial development.

27. Industrial production in Egypt was greatly stimulated by the two World Wars. During the 1914-1918 war, the shortage of imports brought into being many industries, some of which survived the war. Since the increase of duties on imports in 1930, industry enjoys a substantial measure of protection. In the absence of reliable or uniform statistics it is difficult to judge the extent of the industrial advance. Import statistics, however, supply some indirect information, by showing that between 1913 and 1938 increased imports of machinery and raw materials were accompanied by decreased imports of certain manufactured goods. It is estimated that before World War II Egyptian industries satisfied completely the country's requirements in sugar, alcohol, cigarettes and salt, up to 90% in cement, shoes and soap, up to 60% in vegetable oils and up to 40% in cotton textiles.

28. During World War II most of Egypt's industries worked to capacity, benefiting by the joint advantages of increased demand and little or no competition from abroad. This wave of prosperity was reflected in the balance sheets of most of the manufacturing and producing companies and high dividends were paid. Index numbers of industrial production at the end of 1945 were 134 by quantity and 350 by value (1938 = 100). Postwar adjustments caused some decline of production in 1946 and 1947.

29. Some insight into the amount and ownership of capital invested in Egypt can be obtained from a recent report of the Census and Statistical Department of the Egyptian Government, which places the number of limited liability companies in Egypt at 375, with a total capital of £E 78 million (\$312 million). Three hundred and forty of these companies are stated to be entirely Egyptian with a combined capital of £E 69 million. Of the remaining companies, 26 are British with a total capital of £E 8 million; two are French with a capital of about £E 1 million, and six are Belgian with a capital of about £E 1 million. The field of activity of the most important of these companies is divided as follows:

25 financial corporations	£E 14 million
51 land companies	£E 14 million
155 industrial companies	£E 26 million
103 commercial companies	£E 12 million

These figures show a certain increase over 1938 when there were 300 companies with a total capital of £E 58 million.

30. The Government's policy to assist industrial development takes several forms: foreign experts are being employed to study both existing and proposed industries and advise as to their future; otherwise restricted hard currency resources are being allocated for machinery, spare parts and raw materials; credit facilities are provided for smaller industrial firms. Another case of Government intervention is the new company law of August 1947 which, apart from such provisions as that nobody can combine public office with participation in a board of a stock company and that nobody can be a member of more than 10 boards at the same time, contains also certain regulations concerning specifically foreign companies. Forty per cent of members of the board have to be Egyptians, as well as 75 % of employees and 90% of the workers. On the foundation of new companies or on capital increases of the existing ones, 51% of the shares should be offered for sale to Egyptians who have between one or two months to take up these shares, after which time the Minister of Industries can waive this requirement. During the first year of its operation the new law seems to have been applied with moderation and mutual understanding, the only major point of dissent between managements and authorities being the interpretation of nationality status.

31. Textiles. In Egypt, as in many other newly industrialized countries cotton spinning and weaving is the branch of industry in which advance has been most marked. Between 1930 and 1939 the output of cotton piece goods increased from 25 million to 150 million square meters and quality improved. Nevertheless, Egypt seems to have only about 400,000 spindles, i.e. 1 per 50 inhabitants, while the proportion in India is 1 per 36, in Brazil 1 per 15 and in the U.S. 1 per 5. The industry continues to be heavily handicapped by the prohibition of the import of cheap foreign raw cotton into Egypt. This means that it is compelled to make low-quality goods with high quality expensive Egyptian cotton, which removes much of the effect of the protection

afforded to this industry and entails subsidy payments by the Government.

32. About 40% of the cottonseed crop is processed in Egyptian presses, which produce some 50,000 tons of oil of which about one-fifth is exported. The main by-product is cottonseed cake, 90% of which is exported. The soap industry produces about 45,000 tons of soap annually, which covers 90% of the local requirements.

33. Scrap, coming largely from abandoned war materials, as well as imported raw material is worked in a few iron and one copper plant. The recent opening of the National Metal Industry's furnaces stepped up production: 50 to 60 thousand tons of scrap iron are handled per year. Production is mainly concentrated on bars of which Egypt used currently 100,000 annually, and on some pipe.

34. Two cement plants, operating near Cairo, have a combined capacity of 800,000 tons. A new company has been formed recently to construct a cement plant near Alexandria which is to devote its production principally to exports to other Middle Eastern countries.

35. Cigarettes are still one of the chief industries but production has suffered recently both from the declining taste for Egyptian cigarettes in foreign markets and from the deterioration of quality caused by substitution of cheap Chinese and Japanese tobacco for more expensive Balkan brands on which the government has imposed heavy custom duties.

36. Among other more important industries are: building, which employs some 120,000 men, hotels, brewing, glass, paper produced from rice stalks, engineering largely concentrated on the repairs of ships, etc., tanning which meets practically all local requirements and some chemical industries. Among the latter the construction of a new fertilizer plant at Suez, financed partly by an Export-Import Bank credit represents the greatest recent development.

C. Power

37. The 73 power stations operating in 1937 had a production of about 290 million kilowatt hours. Seventy-two per cent of the production was generated by steam, 27 per cent by Diesel engines and only about 0.5 per cent by water power. In recent years production has increased considerably and is estimated now at some 500 million kilowatt hours. A larger proportion

than before is for industrial use.

D. Transport

38. The structure of transport in Egypt offers few points of interest and can be discussed very briefly. Its main feature is a certain competition between waterways, roads and railways, in which the latter, being mainly state-owned and operated, have the upper hand. Yet, an increasing proportion of heavy traffic, including up to 80% of the cotton crop of Upper Egypt, is being sent by water. To meet competition from motor buses, state as well as private railways have cut down rates, and also acquired controlling interests in several motor transport lines. Among sea ports Alexandria accounts for the bulk of Egypt's exports and imports. The Egyptian mercantile fleet consists of 52 steamers and some 160 sailing ships with a total tonnage of 108,000 gross tons. Its development is encouraged by the government and there is a proposal in Parliament calling for regulations requiring all government freight to be carried in Egyptian ships. During 1948, over 8,500 ships have passed through the Suez Canal carrying a net tonnage of over 50 million tons as against 35 million tons in 1947, the previous high. This gain is chiefly due to the increasing numbers of tankers using the canal, which this year amounted to close to 60% of total traffic, against 48% in 1947.^{1/} The importance of Cairo as an international air traffic center is increasing. 25 foreign airlines are servicing the country regularly.

III. Development Projects

(with special reference to Qena)

A. General

39. The Egyptian Government spares no effort or funds to promote the economic development of the country by studying a great number of projects, undertaking some of them directly or encouraging private initiative. The fact that in most of these cases investment is carried out by public means may be explained either by the nature of the investment -- irrigation or power production dependent on the state-regulated water supply -- or by the lack of suitable private promoters. As the number of the latter grows it may be important to leave the widest possible margin for the private

^{1/} 36% of the total Suez Canal traffic in 1948 was in British ships, 18% in U.S. ships; Norwegian, Panamanian, French and Italian ships represented each between 8 and 9.5% of the traffic. Ships pay the Canal dues in LE purchased at the official rate for foreign currency but as most of the European countries, whose ships use the Canal, are in the sterling transferable area, usually about 75% of this revenue is in sterling, and the rest in dollars.

investment sector even in fields originally investigated or opened up by government action.

40. The one criticism of Government development policy which can be made is a certain lack of coordination between the various projects and even within the specific projects themselves. An example is the hydro-electric power station at Aswan on which construction has started before the volume of demand for the newly produced energy could be even approximately ascertained. It seems also that, due to a time lag between the scheduled completion of the station and the anticipated delivery date for transformers and circuit breakers, production may be retarded by another year thus involving obvious financial losses.

41. In view of the many uncertainties with regard to the time schedules of the different schemes as well as to the sources of their financing, all that can be said safely at this stage about the general development plan of the government is that total expenditure for "new works" was estimated in the 1948/49 budget at around LE 37 million and in the 1949/50 budget at around LE 43 million. The various projects thrown in together into the Five Year Plan, some of which are well under way, include among agricultural projects the reinforcement of the Isna Barrage and the construction of canals and drains in various parts of the country, which should extend the crop area by further conversion from basin into perennial irrigation and also should expand the cultivated area by over 300,000 acres. They also anticipate the creation of new agricultural research and experimental centres, but do not include new reservoirs or any other investment on the White or Blue Niles which are of more recent date. Transport projects, under the same heading, include purchase of new railway equipment, the improvement of roads, airports and seaports. Finally there is a number of health and educational projects, such as drinking water supply stations, housing for workers, new schools and anti-bilharzia campaigns.

B. Agricultural Projects

42. Harnessing of the Nile. The projects aiming at a more complete regulation of the Nile water supply, mentioned in Part I of this Annex concern several countries; their execution, therefore, has to be preceded by international agreements. Some progress in this respect seems to have been made recently. In addition to the basic agreement between Britain and Egypt of 1929, supplemented by an exchange of letters in 1933 concerning the Gebel Aulia reservoir, and subsequently to technical agreements concluded between Egypt and the Sudan in 1935 and 1946 which set out the sharing of costs and benefits of the new works, another conference of technical experts from Egypt, the Sudan and Uganda agreed in Cairo in April 1948 on the part of the project involving the Lakes Victoria and Albert as well as the Jonglei Canal Scheme in the Sudd. In February 1949 the Egyptian and British governments agreed further on their financial participation while the consent of the Belgian and Ethiopian governments has still to be sought. It is understood that planning of the detailed construction work has still to be undertaken.

43. The benefits of this whole scheme to Egypt are undisputed. Only with the knowledge of more details will it be possible to express an opinion on the fairness of Egypt's share in the construction and maintenance costs involved. It will be remembered that no part of the Egyptian contribution, amounting between 1950 and 1975 to between LE 1 to LE 7 million per annum, has been provided for in the Five Year Plan and special funds have to be allocated for these projects which involve expenditure outside Egypt.

44. The Qena Project. Qena is one of the poorest provinces of Upper Egypt, probably due to a certain elevation of its arable land which excludes perennial irrigation by gravity. As apparently only the larger owners could afford irrigation by lift, merely about 100,000 acres out of the total 360,000 acres of arable land in the province are perennially irrigated, the rest relying only on basin irrigation. The extreme backwardness of the province, observed by the Mission in the field, is also confirmed by the exceptional high incidence of infectious diseases. In 1944 over 50% of all cases of infectious diseases in the whole of Egypt were in the province of Qena, which has less than 8% of the country's population. It should be noted that this particularly heavy incidence of disease, which affected 1 out of every 6 inhabitants, was the outcome of different illnesses, undoubtedly facilitated by poverty and lack of hygiene.

45. Another feature of Qena is its comparative larger proportion of small landowners. While for the whole of Egypt the proportion of the area in holdings of up to 5 acres is 32% and that of estates over 200 acres each is 22%, for Qena the former is 40% and the latter only 13%. It is clear, from what was said before, that as the area of about 100,000 acres perennially irrigated by private pumps, which lift the water from the Nile or from underground, is largely in the hands of big owners, small owners predominate on the remaining 260,000 acres.

46. These 260,000 acres are the subject of a governmental irrigation scheme which intends to supply during a part of the year free water to this area pumped from underground sources by 1,000 diesel or electrically operated pumps. As this project is fully described and discussed in the separate report of the technical expert of the Bank's Mission to Egypt, all that remains to do here is to review briefly the effects of this project on the economy of Egypt as well as some aspects of its financing.

47. The project promises a number of advantages:

a) If, as intended, the cultivation of the present type of crop will be continued, the increased winter crop and the entirely new summer crop on newly irrigated land should represent together some 140,000 m. tons of cereals and leguminous crops as well as 390,000 m. tons of clover. This addition would represent a 72% increase in the value of the present total crop of the area or an increase of over LE 2.5 million.

b) Although the amount of new employment involved in the project after its completion seems insignificant, the change from single to double cultivation would employ the presently underemployed population of the involved area more fully.

c) As long as cereals are grown in the additional crop area of Qena, they would contribute to reduce the Egyptian deficit in this type of crops. At the present level of world prices for wheat and maize the corresponding foreign exchange savings are estimated at around LE 0.5 million a year, after allowing for additional fertilizer imports for the new cultivation

d) This additional production would be achieved practically without any drain on the limited supply of Nile water; it has been calculated that only about 1% of the water pumped in this project would affect the Nile flow, the remainder coming from water resources which at present are completely wasted.

e) The continuously renewed fresh water supply from the pumps would not give rise to parasitic diseases as does the stagnant water in perennial irrigation from the Nile. The water from the subsoil would serve as clean drinking water without being previously filtered. Thus, the health standards of the province should improve.

48. To sum up, it can be stated that through its impact on production, employment and balance of payments as well as on the income of a particularly distressed area, the Qena project will be a favorable development in the economy of Egypt. Its contribution toward the solution of the main problems of the country will, of course, be very small. The resulting increase of agricultural output will not amount to more than 1% of the total; the population involved is well below 1 million.

49. The total cost of the investment is given as about LE 8 million, which seems high; it may also be worth mentioning that the original estimates were lower. The annual operating costs are estimated to be relatively higher in the first stage of the investment when at first 16 Diesel pumps are to be installed on 4,200 acres, followed by 200 electric pumps on over 51,000 acres, than in the second stage when a total of 1,000 electric pumps powered by energy from Aswan is to irrigate the whole area. Assuming a 3% interest charge on capital and a renewal of civil engineering works in 40 years and of machines in 25 years, it is assumed that about LE 6 per annum per acre would be required to cover interest charges, capital amortization and operational cost. The conservatively estimated increase in the yield, on the other hand, amounts to LE 10 per acre annually. A net annual gain of about LE 3 per acre would be equivalent to 7½% on the capital invested, which is considered a good return on an agricultural project.

50. This calculation, while showing that the project brings a net gain to Egypt's economy, has no significance on an individual basis as

none of the landowners is expected to contribute in any way to the construction or operation of the new irrigation. The only way in which the State can expect to recover a part of this expenditure is through increase of the land tax which increase, however, under present regulations cannot amount to more than LE 0.60 on the average; added to it could be some uncalculable additional revenue derived through indirect taxation from the higher incomes of the population concerned, as well as perhaps some small economies on present health and welfare services for the province.

51. The following could be said with regard to the non-self-liquidating character of this project: a) As far as known, similar projects in other countries, if limited to the use of water for irrigation only are often non-self-liquidating, although, as a result of water charges, the gap to be covered from other sources is usually small; b) the present Egyptian policy can be partly justified, at least with regard to Qena by the following consideration: if the Government deprives a province of the prospects of higher income, by forbidding cotton cultivation, it seems fair that this handicap should be offset by some form of subsidy such as providing irrigation; c) While it may be difficult to change the traditional system of free government irrigation in the whole country, it is hardly thinkable that a beginning of such a change should be attempted in Qena where the poorest farmers would be affected; d) a reform of the land tax is overdue in any case and abolishing the existing maximum charge which is absurd in view of the rise in land values and crop prices would enable the State to recover a larger part, though not all, of its investment; e) A general reform of the present policy of financing public investment in irrigation may become necessary though not so much in connection with the small Qena project, as in view of the large Nile projects; otherwise the burden of these expensive works, which are intended to increase agricultural production, would be carried largely by other than agricultural taxpayers.

C. Industrial Projects

52. As none of the contemplated industrial development projects was presented to the Mission in a form sufficiently advanced for financing or with such intent, these projects will only be briefly enumerated in view of their general interest.

53. Aswan Dam Hydroelectric Station. The station will make use of the existing dam and have a capacity from 86,000 KW to 260,000 KW, depending on the seasonal changes of the head. The total cost of construction of the station and of a transformer station permitting the increase of the tension to 275 KV for transmissions is given at LE 11 million. The annual operation costs of LE 660,000 would be equivalent to the price of 0.35 mm's or about 1.40 mills (U.S.) per KWH - which is comparatively low. The excavation work for the project is well under way, orders for equipment from abroad have been placed and the station should be ready to start production in 1954.

54. Hydroelectric Stations on the Nile Barrages of Esna, Naga Hammadi and Asyut with a total installed capacity of 87,000 KW are planned. They are supposed to be linked with the Aswan station by a transmitting system of 275 KV and together with it provide for the electrification of Upper Egypt.

55. Fertilizer Plant at Naga Hammadi. The erection of such a plant with a production capacity of 300,000 tons of nitrate fertilizers is contemplated. The cost of construction is estimated at between LE 11 and 13 million and estimated production costs of LE 11.26 per ton would compare favorably with prices of imported fertilizers. Power from Aswan would be used. The joint output of this plant and of the new fertilizer plant at Suez, which is now under construction, would cover most of Egypt's demand for nitrate fertilizers.

56. Iron and Steel Works. The existence of easily accessible iron ore some 15 miles northeast of Aswan has given rise to projects for the erection of iron and steel works either in the neighborhood of Aswan, or near Cairo. In the first case Aswan power would be used, in the second case coke would be imported or alternative coking coal to be processed on the spot, which would involve the construction of a cokery in Egypt. These projects are now being studied by an international committee of experts. The problem of their rentability requires a particularly thorough analysis as the creation of heavy industries in Egypt would, naturally, have to overcome such additional difficulties as result from long hauls of either fuel or raw materials or both, from the lack of technically trained personnel and from the absence of a great number of other cost-saving elements.

57. The establishment of a DDT factory is contemplated at the expense of \$0.5 million, which roughly equals the present cost of two years imports of this produce which is widely applied in Egypt to combat insects and parasites. Most of the raw materials required for the production, except benzol, are available in Egypt.

58. The possibility of producing Penicillin in Egypt is being considered. The cost of erecting and equipping a plant is estimated at between \$0.3 and \$0.5 million. This project, similar to the DDT project is largely motivated by the desire to save hard currency imports. Both projects are the subjects of offers from private foreign firms.

STATISTICAL APPENDIX

<u>Table</u>	
I	The Growth of Egypt's Population
II	Area of Land Properties in Egypt Classified by Groups According to Size
III	Estimates of Egypt's Crops in 1949 Compared with Crops in 1947, 1948
IV	Livestock in Egypt
V	Egypt's Industrial Production in Selected Years
VI	Movement of the Port of Alexandria, Egypt
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IX	Egyptian Government's Revenue and Expenditure
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Table 1

The Growth of Egypt's Population

<u>Year of Census</u>	<u>Population*</u> <u>(in thousands)</u>
1897	9,715
1907	11,190
1917	12,728
1927	14,178
1937	15,921
1947	19,039

*) not including nomads

Source: Gouvernement Egyptien. Annuaire Statistique
de Poche, 1947

Table II

Area of land properties in Egypt classified by groups
according to size

Comparative data for the whole country and for the Qena province

<u>Size of Property</u>	<u>Total Egypt</u>		<u>Qena Province</u>	
	Area in thousands of feddans ^{1/}	Percentage of each group	Area in thousands of feddans ^{1/}	Percentage of each group
Up to 1 feddan	702	12	45	13
1 - 2 feddans)				
2 - 3 feddans)				
3 - 4 feddans)	1,191	19	94	27
4 - 5 feddans)				
5 - 10 feddans	569	10	46	13
10 - 20 feddans	549	10	42	12
20 - 50 feddans	646	11	39	11
50 - 100 feddans	467	8	20	6
100 - 200 feddans	444	8	18	5
Above 200	1,269	22	45	13

^{1/} 1 feddan = 1.03 acres

Source: Agricultural census of Egypt, 1939.

Table III

Estimates of Egypt's crops in 1949 compared with crops in
1947, 1948

	1949 (prelim.)		1948	1947
	Area hectares	Average yield per hectare	Production '	Production '
	metric tons			
Wheat	595,310	18.7	1,116,000	1,080,414
Barley	70,627	20.0	141,240	166,489
Maize	639,782	22.5	1,439,200	1,409,194
Millet	168,872	30.8	521,080	558,521
Rice	294,056	42.7	1,256,850	1,307,991
Beans	178,137	17.2	307,675	287,129
Lentils	29,867	15.0	44,806	49,043
Fenugreek	26,885	13.8	37,355	38,301
Lupins	5,461	13.7	7,500	7,608
Chick-peas	7,141	15.3	10,950	10,799
Sesame	18,484	7.6	14,160	14,101
Ground Nuts	9,662	18.6	18,000	18,070
) fibre		6.3	428,443	385,662
Cotton) seed	672,128	1.1	768,556	691,531
) fiber		47.0	39,536	42,472
Flax) seed	8,402	8.7	7,368	7,933
Sugar Cane	37,807	694.0	2,624,200	2,709,234
Onions Chitur	14,997	174.0	260,582	195,400
Potatoes	18,067	134.0	241,230	241,806

Source: Egyptian Government

Table IV

Livestock in Egypt

(in thousands)

	<u>1939</u>	<u>1947*</u>
1. Horses	47	28
2. <u>Other Draft Stock</u>		
a) Donkeys	1,069	1,126
b) Mules	29	12
c) Camels	175	197
3. <u>Total Cattle</u>		
a) Buffaloes	966	1,240
b) Cows	1,230	1,321
4. Milk Cattle	920	1,314
5. Sheep	1,897	1,875
6. Pigs	23	50
7. Hens including chickens	15,767	16,312
8. <u>Other</u>		
a) Goats	1,088	1,476

* Latest census

Source: Egyptian Government

Table V

Egypt's Industrial Production in Selected Years

(In thousands of metric tons)

	1938	1941	1943	1945
Cotton Textiles	21.7	29.1	34.9	37.1
Cotton Seed Oil	65	73	97	74
Petroleum Derivatives				
Benzene	95	157	170	176
Kerosene	18	61	61	68
Heavy Oil	168	800	725	737
Cement	375	392	423	444
Refined Sugar	209	196	159	148
Beer	6	25	34	38
Alcohol	4.9	5.4	8.9	9.0

Source: Economic Bulletin of the National Bank of Egypt
Volume I, No. 3. October, 1948.

Table VI

Movement of the Port of Alexandria, Egypt

Year	Number of Ships		Tonnage		Cargo				Passengers	
	Arrivals	Departures	Arrivals	Departures	Discharged		Loaded		Arrivals	Departures
					Transit	To Egypt	Transit	From Egypt		
1937	2,495	2,486	5,686,239	5,675,790	34,389	3,489,897	10,426	1,495,781	20,270	62,654
1938	2,452	2,441	5,595,372	5,557,590	30,390	3,532,989	28,012	1,353,602	59,817	60,901
1939	2,251	2,620	5,686,802	5,315,637	24,371	3,332,132	12,270	1,510,978	42,899	51,122
1944	735	588	2,384,362	1,992,938	39,733	1,051,441	78,088	284,553	107	78
1945	810	534	2,193,633	1,521,465	57,955	1,302,109	58,562	435,331	3,048	3,002
1946	1,357	1,343	3,081,729	3,197,478	91,552	1,816,082	63,077	1,023,515	11,765	19,421
1947	1,770	1,752	3,731,215	3,666,219	61,930	2,114,214	56,745	1,027,966	20,368	26,408
1948	1,784	1,772	4,387,027	4,332,345	15,783	2,742,460	40,951	1,008,023	14,200	18,203

Source: U.S. Consulate General in Alexandria.

TABLE VII

MONETARY CIRCULATION, WHOLESALE PRICES AND COST OF LIVING
In Egypt from 1939 to First Quarter of 1949

Year or Quarter (End of Period)	Currency in Circulation (Gross) (in millions of LE)	Deposit Money (Gross)	Wholesale Prices (1937 = 100)	Cost of Living
1939	26	35	100	102
1940	37	49	124	115
1941	51	74	156	141
1942	75	103	200	188
1943	96	175	254	247
1944	117	228	300	285
1945	141	268	318	299
1946	137	269	308	294
1947	138	262	292	285
1948	154	n.a.	316	287
1948 1st Quarter	132	n.a.	321	289
1949 1st Quarter	149	n.a.	304	285

Source: International Financial Statistics, I.M.F. June 1949

Table VIII

National Bank of Egypt

Balance Sheet 31st December 1948

(in £E)

Issue Department

<u>Liabilities</u>		<u>Assets</u>	
Notes issued	164,000,000	Gold	6,375,874
		Egyptian and British Gov't. Treasury Bills and Securities.. ...	157,624,126
	<u>164,000,000</u>		<u>164,000,000</u>

Banking Department

<u>Liabilities</u>		<u>Assets</u>	
Share Capital: 300,000 full paid Shares of £10 each	2,925,000	Government Securities and Securities guaranteed by the Egyptian Gov't.	176,215,693
Statutory Reserve Fund.. ...	1,462,500	Sundry Securities... ..	384,421
Special Reserve.	1,462,500	Advances on merchand- ise	3,976,745
Current Deposit and other Accounts	100,895,140	Advances on Securities..	1,957,164
Egyptian Government.	44,225,212	Sundry other Advances ..	2,230,757
Egyptian Government "Treasury Bills" (Law No. 119 of 1948) Special a/c.	35,000,000	Bills Discounted	149,952
Sudan Government	1,358,492	Bankers' Accounts... ..	21,198,515
Bankers' Accounts... ..	42,858,572	Money at Call and at Short Notice..	14,699,100
Cheques and Bills payable... ..	321,968	Buildings... ..	100,000
Provision for payment of final dividend at the rate of 15% p.a.	438,750	Cash: N.B.E. Notes L.E. 10,164,085 ²⁵⁰	
Profit and Loss Account Balance... ..	314,380	Other Notes and Coin L.E. 186,082 ¹⁹⁷	10,350,167
Acceptances, etc.	17,389,442	Clients' Liability for Acceptance, etc. as per contra	17,389,442
	<u>248,651,956</u>		<u>248,651,956</u>

Table IX

Egyptian Government's Revenue and Expenditures

(In thousands of £E)

FINANCIAL YEAR <u>1/</u>	Revenue	Expenditure	Surplus + Deficit -
1938/39	44,207	47,889	- 3,682
1939/40	46,080	48,639	- 2,559
1940/41	43,677	42,559	+ 1,118
1941/42	56,336	46,062	+10,274
1942/43	67,141	56,553	+10,588
1943/44	77,774	71,938	+ 5,836
1944/45	87,731	82,097	+ 5,634
1945/46	103,500	95,304	+ 8,196
1946/47	112,793	102,491	+10,302
1947/48 (10 months)	98,938	91,985	+ 6,948

1/ From 1st May to 30th April until 1946/47

From 1st May to 29th February, for 1947/48

From 1st March to 28th February, thereafter.

Source: Egyptian Ministry of Finance.

Table X

Egypt's General Reserve Fund

(As at 28th February 1948)

(In Thousands of £E)

Free Reserves:

Cash	38,873	
Investments	<u>11,687</u>	
		50,560

Engaged Reserves:

Government participation in Credit Agricole, advances and sundry accounts	13,039	
Egypt's quota in the IMF	10,889	
Egypt's quota in the IERD	<u>1,936</u>	
		25,864

Total Reserve Fund as at 28th February 1948 76,424

Source: Report of Egyptian State Audit Department on 1947/48 Budget
as quoted in Economic Bulletin of the National Bank of Egypt.
Volume II, No. 1, 1949.

Table XI

Egypt's Public Debt Outstanding, Debt Service and Amount of
Revenue Paid Out as Shown in Balance of Payments

(in millions of LE)

Financial Year ending 30 April	Public Debt (at end of fiscal year)				Total Debt Service (during fiscal year)	Debt Service as Shown in Balance of Payments
	Domestic Debt	Foreign Debt	Total Debt			
			Amount out- standing	Year-to-Year increase (+) or decrease (-)		
1927/28	-	101.7	-	-	4.73	2.3
1928/29	3.3	97.5	100.8	-	4.97	2.3
1929/30	2.9	96.9	99.8	-1.0	4.75	2.2
1930/31	2.6	96.4	99.0	-0.8	5.28	2.3
1931/32	2.4	96.0	98.4	-0.6	4.34	2.0
1932/33	2.1	95.4	97.5	-0.9	4.37	1.9
1933/34	5.4	94.9	100.3	+2.8	4.19	1.8
1934/35	5.0	94.4	99.4	-0.9	4.19	1.8E
1935/36	4.5	93.9	98.4	-1.0	4.19	1.8E
1936/37	3.6	93.4	97.0	-1.4	4.19	1.7E
1937/38	3.1	92.8	95.9	-1.1	4.19	1.7E
1938/39	2.8	92.2	95.0	-0.9	4.19	1.7E
1939/40	1.6	91.6	93.2	-1.8	4.19	1.6E
1940/41	1.5	91.0	92.5	-0.7	4.17	1.6E
1941/42	11.4	90.4	101.8	+9.3	4.15	1.6E
1942/43	10.4	89.7	100.1	-1.7	6.34	1.6E
1943/44	93.4	-	93.4	-6.7	5.89	1.0
1944/45	92.0	-	92.0	-	5.80E	1.0
1945/46	92.0	-	92.0	-	5.80E	0.8 ^{1/}
1946/47	125.0	-	125.0	+33.0	7.88E	12.2 ^{2/}

E - Estimated by IBRD.

^{1/} Amortization only.

^{2/} Includes payments of service arrears to bondholders in formerly enemy-occupied territories.

Source: Public Debt 1914-1946, Department of Economic Affairs, United Nations, Lake Success, New York, 1948, p. 58.

Table XII

Egypt's Private External Debts

(in thousands)

	<u>Issued</u>		<u>Outstanding</u>	
	<u>Various Currencies</u>	<u>Expressed in U.S. \$</u>	<u>Various Currencies</u>	<u>Expressed in U.S. \$</u>
Land Bank of Egypt				
3-1/2% 1905-1981 F.Fcs.	25,000	116	F.Fcs. 13,885	65
Land Bank of Egypt				
4% - 1981 F.Fcs.	70,000	326	F.Fcs. 504	2
Land Bank of Egypt				
5%, 1926-63 £	1,174	4,728	£ 102	411
Egyptian Delta Ltd.				
Rys. 3-1/2% 1969 £	250	1,007	£ 141	567
Egyptian Delta Ltd.				
Rys. 5% Deb. £	563	2,267	£ 563	2,267
*Credit Foncier Egyptian				
3% 1903-1953 Sw.Fcs.	100,000	23,175	Sw.Fcs. 31,657	7,337
*Credit Foncier Egyptian				
3% 1911-1961 Sw.Fcs.	100,000	<u>23,175</u>	Sw.Fcs. 56,798	<u>13,163</u>
		<u>54,794</u>		<u>23,812</u>

*Service of some of these bonds has been temporarily suspended because of the lack of foreign exchange, but may have been resumed, following the Egyptian - Swiss agreement of September 1948, reported in part IV C of the report.

Note

Only bonds of private corporations on which detailed information was readily available are included in the above.

Sources: The Stock Exchange Yearbook of Egypt 1947/48

London Stock Exchange Yearbook 1949