

3.4 Socio Economic Conditions

(1) Basic Economic Indicator

Real GDP growth rate	4.4% [2003] possible value, FY
Nominal GDP total price	388.06 billion Egyptian pound [2002] 77.08 billion US\$ [2002] FY
Nominal GDP per capita	1,188.06 US\$ [2003]
Rate of increase in consumer price index	4.9% [2003] provisional value
Unemployment rate	9.9% [2002]
Balance of current account of international payment	3.73 billion US\$ [2003] FY
Trade balance of international payment	-7.523 billion US\$ [2003] FY
Foreign currency exchange reserves	13.325 billion US\$ [2003]
Remaining value of foreign debt	28.938 billion US\$ [2003]
Exchange rate (during term average, rate against dollar)	6.1551 Egyptian pound [2003]
Exchange rate (end of term value, rate against dollar)	6.1899 Egyptian pound [2003]
Monetary growth rate	12.6% [2002]
Export value	6.189 billion US\$ [2003]
Export value to Japan	69 million US\$ [2002]
Import value	10.938 billion US\$ [2003]
Import value from Japan	507 million US\$ [2002]
Accepted amount of direct investment	407 million dollar [2003]

(2) Economic Trend

- Egypt has actively concluding Free Trade Agreement, or FTA. With in Arabian countries, Egypt signed FTAs with Jordan in 1998 and Iraq in 2001, both are already issued. Among 20 Common Market for Eastern and Southern Africa, or COMESA, countries which Egypt joined in 1998, nine countries include Egypt have already issued FTAs. The Association Agreement with EU was signed in 2001, which advocated a comprehensive corporation covering political, economical, cultural matters, and the FTA clause of this agreement was issued in 2004, earlier than other clauses.
- Export of natural gas was started in July 2003 with the opening of natural gas pipeline to Jordan. Export of liquefied natural gas is also scheduled to start by the end of 2004.
- The Egyptian Government liberalized exchange rate at the end of January 2003 and Egyptian pond fell drastically. With inadequacy in foreign reserves, the government in April mandated to foreign currency earned by private sector to convert into domestic currency. Decrease of foreign currency liquidity and expansion of divergence in the exchange rate between exchange market and black market are constrains in enterprise activities.

- During the last half of the 1990s, Egyptian economy achieved 5% annual economic growth. However, with the weak economic bases and large dependency on external factors, Egyptian economy slowed down when the situation in the Palestinian territories turned to aggravated in 2000 and attacks of September 11, 2001 in the US occurred. With these backgrounds, problems were actualized such as frequent official exchange rate depreciations, increase of external debt burden and delay of privatization.
- Aiming to realize Arab Common Market by 2007, Egypt started tariff exemption with countries, including UAE and Tunisia since 1998. Egypt also joined COMESA in 1999. Furthermore, Egypt concluded a comprehensive agreement, including FTA and financial/technical assistance, with European Union. The Egyptian parliament ratified the agreement in April 2004.
- In the paper named “Egypt & the 21st Century” which was released in April 1997, the government unveiled its development goals, such as quadrupling annual income and achieving 7.6% annual average GDP growth rate by 2017. The government intended to employ private capital to achieve these goals. As such, tariff has been reducing, investment related laws/regulations have been established, revitalization has promoted, and stock market has been developed.
- In 1991, World Bank and IMF led economic reform and Structural Adjustment Program were started. The reform included exchange rate unification, partially elimination of price control, privatization, deregulation of finance and relaxation of regulations. With these set of measures, great improvements were attained on macroeconomic indicators including stabilizing exchange rates, inflation control, improvement of balance on current account and upturn in deficit finance.

(3) Japan-Egypt Relations

Trade with Japan on custom-cleared basis (million dollar)

Year	Japanese export (A)	Japanese import (B)	Balance (A-B)
1997	914	153	761
1998	1,076	82	994
1999	936	135	801
2000	734	157	577
2001	578	76	502
2002	507	69	438

Japanese key export items	Transport machineries such as trucks and passage cars (40.2), Internal combustion engines, pump, and construction equipment (22.0), electric equipment (12.5)
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Japanese key import items	Petroleum and petroleum products (48.6), seed cotton and cotton lint (13.8), textiles (8.6)
Remarks	Number and total amount of investment by Japanese enterprises
Number of investment:	34 cases
Total amount:	18 million dollars
Remarks:	Japanese direct investment (Year-to-date of 1951-2001)
Japanese enterprises advancing in Egypt	
Number of Enterprises:	55 enterprises
Name of enterprises	Nine manufacturers; NKK, Kobe Steel, Ltd, Tomen Corporation (reduced iron project), MITSUI & CO., LTD (production of polyvinyl resin pipe), Otsuka Pharmaceutical Co., Ltd, Suzuki Motor Corporation, Isuzu Motors Limited, Ykk Corporation, Ykk, Fujitsu General Limited (production of air conditioners)
Remarks:	Data from Cairo Japanese Society and newspapers, as of June, 2000
Egyptian enterprises advance situation to Japan	
Number of enterprises:	4 enterprises
Name of enterprises:	Egypt Air, Ceramica Cleopatra, Misr Travel, VITRAC

Government based Financial and Technical Assistance

Unit: 0.1 billion yen

Year	Loan aid	Grant aid	Technical aid
1998	0	66.16	24.82
1999	0	58.64	26.63
2000	0	47.20	27.49
2001	51.94	27.91	26.36
2002	0	25.02	N.A. (17.39)
2003	215.13	62.22	N.A.

Source: Ministry of Foreign Affairs of Japan, "Official Development Assistance Data book 2002", March 2004 and others

Note 1: Numbers of technical aids before 2000 indicate actual performance of JICA. Number of technical aids after 2001 are total numbers of Japanese technical aid projects and the number between parentheses shows the past record of technical aid provided by JICA

Note 2: Data of 2003 was tabulated by JETRO based on past records listed on the web site of Ministry of Foreign Affairs of Japan.

(4) Population

Delta and Nile Valley are most populated area in Egypt where 6.0% of inhabitable land lies with in these areas. Rest of area is desert where few people live. The average population density of Egypt is 60 people per square kilometer, but the actual average of the population density in inhabitable area is 1,000 people per square kilometer.

To expand arable land, comprehensive land development schemes have been carried out since 1947. One of major policy behind this scheme is to disperse population and promote full utilization of undeveloped land and natural resources. Great attention is presently directed to developing new cities with special emphasis given to the master development plans for Sinai and the "New Valley" in southern Egypt. These two areas hold huge economic and strategic potential.

(5) Social Development Index

	1990	1997
Average life expectancy at birth (year)	60	66
Rate of infant mortality (per 1,000 infants)	61	51
Adults illiteracy rate (%)	52	49 (in 1995)
Enrollment rate for primary education (%)	-	93 (in 1996)
Population with availability of safe water (%)	73 ('88-'90 average)	84 (in 1996)
Population below income poverty line -- less than one dollar a day (%)	7.6 ('90-'91 average)	-

Source: "Related Statistics to the Egypt", from the website of The Ministry of Foreign Affairs of Japan, http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/kuni/enjyo/egypt_tk.html