

The Economic Development in Egypt During the 1952-2007 Period.

Dr. Ezzat Molouk Kenawy

Kafr Elsheikh University

Abstract: The Research Objective is analysing the stages of economic development that appeared in that period between 1952-2007. In the last 50 years the Egyptian economy has known deep and contradictory structural changes caused by the influence of many factors: economic, political and military, internal and external. After the revolution of 1952 the Egyptian economy has transformed gradually from a free market one, based on private property into a regulated and socially controlled economy, being at present in a vast and complex reform process caused by the massive privatisation of the enterprises from the public sector. The social and economic prerequisites of the reform were created by the economic development after the revolution of 1952 and the political and social evolution of the Egyptian society. The paper refers to the new economic reformation in Egypt. The realization of a new economic reform, began in 1991 and that is still going on: the transformation process supposes a 4 moments program: macroeconomic stabilization and macroeconomic control, prices liberalization and market reform, private sector development and enterprises restructure; redefining the role of the state into the economy. To analyze and study the stages of Egyptian economic development from 1952- 2007, the researcher used the descriptive and quantitative method. Data was manipulated using percentages and tabular comparisons. The researcher made use the reference books and scientific periodicals relevant the topic of the present research. The present research is composed of five sections in addition to the introduction and the results.

Key Words: Stages of development- Egyptian economic development- Economic policy- Internal and External factors- public sector- private property.

INTRODUCTION

The Egyptian economy has transformed itself after the 1952 revolution, from a regulated and social controlled economy – in a certain historical context – now finding itself into a complex reforming process that has been launched by the massive privatization of the former public enterprises, into a new historical context. These problems have been treated by grouping them into several big historical moments:

1. From Private Enterprises to Arabian Socialism (1952-1973):

The Egyptian economy was mainly orientated towards a free market, being founded on the activities in the private enterprises until the revolution of 23 July 1952. As a result, the private sector produced 97% of the GDP and offered 95% of the work places in the civil domain. The role of the public sector was limited to providing the essential services for water, electricity, railway transport, roads and administering the state's institutions (Brien,P.1966).

The process of turning from an Egyptian economy based on the private property, to one that is formed mainly by the public sector with the massive implication of the state, was determined by two major events that must be mentioned.

The first concerns the military conflicts from the area that will mark the Egyptian economic policy for a long period of time.

The second is about turning to socialism. The process that led to what was afterwards called the Arabian Socialism appeared as a reaction to some extreme pressures. So, in July 1956 the United States' and Great Britain's governments withdrew the offers of economic and financial support for building the Aswan dam. As a response, President Nasser nationalized The Suez Canal Company so that the incomes collected from the passing fees may become a financing source for building the dam.

At the same time the revolutionary government has lost all hope in the possibility of achieving a complete and efficient economic and social development with the free economy system and therefore, moves on, in the same year of 1956 to the nationalization of the industrial and financial structure which is finalized through the years 1961 – 1963.

In the economic policy of creating a strong public sector (that has a very powerful role in the economic and social development of Egypt) we can find 4 separate periods: 1951-1956; 1957-1960; 1961-1965; 1966-1973.

a) The economic policy of 1951-1956 proved that the officers that took the power in July 1952 did not have a well-defined economic ideology. Except for the agricultural reform they did not have clear ideas concerning the future path of the economy. The main objectives of the economic policy from that period can be underlined from a historical point of view (Rostow, W, W, 1960).

The agricultural reform was the main objective of the revolutionary government. So, the first act signed in August 1952 was the one that ruled the agricultural reform. The laws of the reform elaborated in September 1952 limited the private property to the agricultural land at 200 feddans (1 fedan = 0.4047 ha) and stipulated incentives for forming agricultural cooperatives.

In these first years of the revolutionary period, the new regime still accepted that the economy could not progress unless it is based on free initiative that can manifest only by the existence of private property (El-Greatly, Ali. 1977).

Some mixed companies appeared as a result of the collaboration of the government with the private sector regarding some common projects.

Thus, the new regime focused its attention on expanding the state investments and using them to develop the infrastructure and providing social services. This important characteristic of the economic policy of that period can be illustrated in the growths of the state investments from 28 million Egyptian liras in 1952 to 66 million in 1956 (more than twice).

b) The economic policy of 1957-1960 led to the significant growth of state intervention in the economy as a result of nationalizing private enterprises, elaborating the industrialization plan for this period and nonetheless creating new state owned economic enterprises.

The "Industrial Plan" was elaborated and structured on four large objectives: satisfying the demand for the main industrial products, building a basic industry, promoting the industries with important export potential (for example the textile industry) and establishing a regional balance in distributing the industry.

The industrialisation policy of this period, but also in perspective, states that the government will finance the development projects of the heavy industry and the light industry will be financed by the private property sector (Andre Gunder ,F, 1966).

The private sector's participation to the financing of the "Industrial Plan" did not rise to expectations. To demonstrate its commitment to the planned development of the industry, the government issued in January 1959 laws that forced stock companies to invest 5% of their profits in state bonds and to limit dividend of the shareholders to 10% of the nominal value of the company's shares. One year later, when Misr Bank, a private bank, could not support the necessary investments for the industrial development, the bank was nationalised.

Nationalising the biggest holding in Egypt offered Nasser's regime the clearest way to extend its authority over the whole economy. The Misr Bank Group became the Misr Organisation, a national socialist institution, working together with other state owned institutions, including the Economic Organisation, the Central Five Year Plan Council and the General Military Plants, for achieving the governmental policy's objectives.

Although the agriculture remained fully private, the government's intervention did not envisage only to limit the individual property to 200 feddans. The government's strategy consisted of using the agricultural sector as a resource base for industrialisation. The introduction of cooperatives and the elaboration of a price control system and the forced profit return, gave the government the option to "skim" a significant part of the agricultural incomes to finance its plans of industry investments (Hansen ,B.and G.Marzouk,1965).

Enlarging the public sector's proportions was done also by the nationalisation in 1957 of the foreign properties in Egypt and especially of the banks and assurance companies.

In the years 1958 through 1959 the first coherent five year plan is made for the industry and agriculture and it was applied in 1960/61 - 1964/65. Due to the government mentality at that time the private sector was virtually liquidated, being considered as lacking social responsibility and long term vision, as an obstacle in the realisation of the industrial development plans.

By taking all the ex-private properties and having a well structured five year plan, the government wanted to transform the country from an agricultural society to an industrial power.

The government had high hopes with the public sector created in these years and developed in the following years. These high hopes were connected especially with economic growth stimulation, the industrialisation, the increase in the population welfare and the decrease of foreign influence in Egyptian economy. From the historic point of view I consider that these hopes have some justification.

c) The main feature of the economic policy of 1960/61-1964/65 is that for the first time in its long history the Egyptian economy was based on economic and social development planning as a method of macroeconomic management. It is well understood that the following studies and analysis concerning the Egyptian economy's evolution, this period was referred to as the integral planning period or the socialist transformation stage and the beginning of national planning.

The increasing state intervention in the economy resulted in the elaboration of the ten year plan of 1960/61 – 1969/1970. This plan was divided in two five year plans and the objective was the doubling of the GNP. However, from this ten year plan only the first five year plan was applied, while the second one was turned into annual plans due to economic difficulties, determined, mainly, by the military conflicts that Egypt had in the area. The strategy of this period brought to life by the implementation of the first five year plan (1960/61 – 1964/65) had as objective the acceleration of the economic growth rate and the distribution of the incomes in favour of the low income social categories (Amin ,G,1974).

Table 1: Annual growth rate 1961-1965

Fiscal year	1960/1961	1961/1962	1962/1963	1963/1964	1964/1965
growth rate	4.5	3.5	8.9	3.9	4.8

Source: Ministry of Planning, first five year plan (1960/61 – 1964/65)

In this period, the GDP went up by 31.8% (although 45% was predicted) as a result of the annual growth rate that was the following:

We notice that the highest growth rate was 8.9% in 1962/1963 and the lowest was 3.5 in 1961/1962 (due to the loss of the cotton crop because of the climate condition and the decrease of crops at other agricultural products).

One can say that the first part of the first year of the five year plan was a very prosperous economic period achieved by the implementation of some economic development strategies that had as an objective (Al-Barawy,R.,1972):

a). The continuous industrial development through directing the investments in this main sector. Thus the amount of investments directed to the industry was 34.1% of the total investment in the five year plan 1960/61 – 1964/65, and 60.1% of the total investment in the productive sectors.

Agricultural sector has paid a large contribution to industry financing. The transfer of an important part of the agricultural sector's income to the industrial sector was accomplished based on the export of agricultural products, by assuring foreign exchange for imports that should cover the industry production needs. So that, for example, in 1964/1965, the last year of the five-year plan, the transferred sum to the industrial sector was about 221.3 million Egyptian pounds (L.E.), even though the surplus of the agricultural balance of trade was around 154.4 million pounds.

At the same time, the agricultural sector acted in order to assure the raw materials needed in the processing industry. For example, in 1965, the national agricultural sector covered almost 90% of the raw materials needed in the food industry. The agricultural sector had to assure agriculture products in small quantities and at low prices, that's why it established a methodical price control and a methodical control of the participation of different producers(Mead, D.,1967).

b). Ensuring the population with food products at low prices, based on the increasing national production, in terms of practicing a careful control on the entire consumption.

c). The growth of the state's role in the country's economic life, through developing and strengthening public property, as it has been decided by the political leadership of Egypt. The public sector, which appeared after the great nationalizations, developed continuously, becoming the main sector in economy, as a result of the massive investments made in this period. For example, in 1964/1965, investments in the public sector represented 93.4% of all the investments made, while investments in the private sector represented only 6.6%, being oriented mostly to agriculture and house building (Dos Santos, 1970).

The economic policy promoted in this period, was also sustained through promulgation of some laws with socialist character, as they were those concerning employment, reducing allowances and working hours, the reforms in the agricultural sector, the state's direct or indirect intervention in establishing prices, the ceiling prices of rents and the regulation of the relations between the landlord and the tenant, as well as other economic actions.

The public sector's developing strategy in the detriment of the private sector, which will prove improper even in this period, and the political international errors (the unification with Syria, the material support to the liberation movements in the Arab world and other Third World countries (Ragnar, Nurkse,1960), the war against the Republic of Yemen, that made the Egyptian state pay around 5 billion L.E.) have badly affected

the development of the economy, obligating the state to promote an inflationist policy and to call on external loans, as financing methods. But these financing methods aggravated the situation in economy, having side effects materializing in the 20% depreciation of national currency for the first time in 1962 and in Egypt's failure to pay its external debts in 1965. This is why the Central Bank of Egypt had to sell gold from reserves, worth of 6.57 million British pounds, which determined the Egyptian pound dropping 43% on world markets (Issawi,C,1963).

In conclusion, the increasing state's intervention in economic life, the public sector's developing against the private sector, the agricultural sector's subordination to the industrial one, old production equipment, the errors made in the foreign policy were critical policy errors with bad consequences on long term, but which began showing starting the next period, known as war economy period.

d) In the war economy period (1966-1973) the rate of Egyptian economy growth is lower than in the previous period. Therefore, the annual growth rates of the Gross Domestic Product (GDP) were:

Table 2: Annual growth rate 1966-1973

Fiscal year	1965/1966	1966/1967	1967/1968	1968/1969	1969/1970	1970/1971	1971/1972	1972/1973
growth rate	4.5	1.4	-0.9	5.8	7.9	7.7	6.6	6.4

Source: Central bank of Egypt, Different Issues.

Most studies and analyses referring to this period show that the evolution of the GDP growth rate was mainly influenced by the 1967 war conditions, which had imposed big investment for military purposes, for developing military forces and at the same time had determined the stagnation of the factories and plants in the Suez area and losses generated by the blocking of the Suez canal.

In 1967-1973, the Egyptian economy was oriented in the direction of fulfilling military objectives, neglecting the accomplishment of the second five-year plan's objectives. The weight of military expenses in GDP has grown from 5500 in 1962 and 1000 in 1966 to 20% in 1973 (meaning around 20 billion Egyptian pounds). The war burden was a lot bigger if one considers the material (weapons and fighting technique, machine, equipment, buildings) and human losses (Ikram, K.,2006).

The state services sector has grown in this period, especially the military services, that absorbed a great volume of personnel. After the war, this personnel was made redundant, producing a significant growth of the unemployed.

Nevertheless, the 60's might be considered an economic boom, if we compare the average 6% growth rate of the entire period, to the average annual rate of 3.8%, characteristic to Egyptian economy between 1952/1953 – 1959/1960.

Some analyses achieved especially after 1980, by economists and national and international institutes (World Bank) show that the developing of the Egyptian economy in this period must be appreciated not only through its economic progress, but also depending on its consequences, that, amplified by other circumstances, determined the economic depression started in 1982 and emphasized in the years to come (World Bank, 1991). From these analyses, there comes out the idea that the first signs of crisis appeared in the middle of the 1960s and that from the beginning, the crisis was mainly economic and partially political. There are many arguments to prove that.

The economist A. Agwah (Agwah A., 1978) considers the difficulties began to appear in 1966, when the average annual growth rate of GDP was only 1.4% (and that of global production was under 1%) in 1966/1967, becoming negative (-0.9%) in 1967/1968 and that the war in 1967 against Israel was an extra cause which determined this evolution of the Egyptian economy. The growth rate has drastically slowed down because of the reducing production in 1966/1967 towards 1965/1966 in many important economic branches: 22% in electric energy production, 20% in house building, and 40% in goods of consumption production. Also, the imports that according to the plan had to decrease, in fact it increased, represented by 20% of GDP at the beginning of the period. Meanwhile, the author said that because of the national currency depreciation, the weight of manufactured products' exports of GDP has grown from 1% to around 3% in the same period.

Other authors are even more determined. Thus, R. Mabro and S. Radwan (Mabro R. and S.Radwan,1976) describe the economic program this period as disappointing, to say the least of it.. They considered that the body of socialist laws in 1961 did not have the anticipated effects. So, the regulations referring to the control of labour utilization, wages and prices determined a lagging of the rate of production growth and an extension of the unproductive utilization of personnel.

Also, the system of tariffs introduced starting with the 1st of January 1962, established protectionist quota (from 22% for food products to 599% for steel products and 990% for leather products) for the companies that were supposed to assure the imports' substitution.

The numerical growth of personnel from the administrative services (22% in 1964/1965 towards 1959/1960) and the massive protection given to those firms that had to assure the imports' substitution, conjugated with negative phenomena (the stagnation of major internal savings accounts, poor cotton crops, improper performances of the exports of Egyptian products) had led in 1965 to the second crisis of external payments (the first one was in 1962), that, as J. Waterbury (Waterbury J,1983) appreciated "gave the deadly blow to any future attempts of planning".

These kinds of appreciations were somehow logical because, at that time, owing to the difficulties that the Egyptian economy was confronting, there were presented proposals of closure of some enterprises from the public sector that worked at a loss and cut down on the number of personnel from administration. Even more, it was sustained the need to grant certain advantages to private companies so as to have a greater involvement in the economic life. It seems that the former Soviet Union did not enjoy these measures because it was afraid that it would affect Egypt's socialist structure.

In a desperate attempt to assure a proper organizational structure in the public sector of the economy on the 1st of May 1967, President Nasser decided the foundation of the Supreme Control Commission, which had the role to supervise the companies from the public sector and to trace the opportunists and the nonconformists. But this Commission barely succeeded in controlling the public sector. More than that, the foundation of this Commission had added a new layer to the existent massive bureaucracy and had led to a greater politicization of the companies' leadership from the public sector.

2. The "Open Door" Policy or the Consumption Phase (1974 – 1981):

At the beginning of the 70s, Egypt has founded the economic policy known as the "open door" policy "El-Infatih". In the next analyses, the application period of this new policy is called the consumption phase: 1974 – 1981.

Therefore, laws and normative acts have been elaborated in order to attract Arabian and foreign capitals, as well as encouraging private capital to have an active role in developing the national economy, while keeping the leadership role of the public sector. According to the new economic policy, Egypt widely opened the doors to Arabian and foreign investment, which had been closed in the preceding period. "El-Infatih" policy basically forecasted the liberalization of the foreign exchange market and of some imports, incentives and facilities for domestic private companies and foreign firms, modifications of the pricing policy and granting subsidies. These provisions stipulated in Law no. 43/1974, affected the system's capacity of surveillance and control over the public companies (Morzy, F,1984).

The open door policy has 2 different phases: 1971 – 1973 period and 1974 – 1982 period.

The first stage is considered as a training period for the new policy and this from the cultural, informational and legally point of view, because during this period many laws were elaborated and many decisions were taken to crystallize the new economic policy (Caporaso,J,and zare,B,1981).

The second stage (1974-1981) corresponds (to) the period of the application of "open door" policy, which determined profound changes in the structure of different sectors of Egyptian economy.

The public sector has remained further the decisive sector of the economic development. Even if its consolidation has been continued, measures to free it from the bureaucracy and from the direct control of the government have been taken. Thus, specific institutions have been eliminated and instead of them, technical directions of the main ministries were created (Lucas, R .,1988).

The private sector, whose activity is still very limited, has benefited from a series of facilities concerning the enlargement of investments and activities carried in different areas of the Egyptian economy, recording an important increase. Thus, through the change of Law no. 43/1974 on investments with the Law no. 32/1977, guaranties and facilities for the participants in the development of the economy (exemption from taxes, benefits) were offered. As a result, significant advantages were created in the private sector compared to the public one (Kahn, A,1970).

The co-operative sector, even though it met a certain recovery, still remained a small sector, represented by certain associations and cooperatives, specialized in selling agricultural products, in consumption and some of them in trade (Higgins, B,1959).

The mixed private sector appeared from the association of the domestic public and private capital with the foreign private capital, especially from Arabian countries, in different areas of the Egyptian economy. We may conclude that the application of the new economic policy made that the Egyptian economy work under the pluralism of property forms, anticipating the return to the existing situations before 1961 when the nationalization laws were adopted.

The application of economic relaxation policy determined the impulse for the economic increase. In fact, the Egyptian economic recovery ruined by the 1971 war, was based on four important sources of income namely: the development of oil industrial sector, development of tourism, the increase of the traffic on the Suez Canal and the foreign currency transferred by the Egyptians working abroad, especially inside the Arabian countries. Thus, the income from these sources grew from 603 million L.E. in 1975 to 4221million L.E. in 1982 (Beesley, Michael. E,1992).

The economic development during this period took place under the increase of external debt of \$ 7.9 billion in 1975 to more than \$ 20.2 billion in 1982.

The application of liberalization and the increase of public income have contributed to the GDP growth in relatively annual rates namely:

Table 3: Annual growth rate1974-1981

Fiscal year	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	1978/1979	1979/1980	1980/1981
growth rate	3,9	8,6	7,2	5,4	8,1	8,2	7,1	3,2

Source: Central bank of Egypt, Different Issues.

Analysing these data, we find that the rate of 8.6% GDP growth in 1975 is twice higher than the rate in previous years. Although it is keeping up, the rate evolution in the next period (1982-1990) is reflecting a slowdown trend rate of economic growth.

This trend, which accelerated and determined the appearance of the first crisis signs of the 80s, began with the limits and the shortcomings of the “open door” policy.

President Sadat’s “El Infitah” policy has not extended to the domestic economy. The government kept underlining that the opening policy did not represent giving up the principle of the dominance of the public sector, but just an attempt to increase its efficiency.

Through the maintaining of government total control over state enterprises (that assured about 70% of production only in industry, for example) and absolute monopoly over infrastructure, the open door policy succeeded little things, except for the creation inside the people’s mind of a frustration for the internal private initiative (Arab Republic of Egypt, Public Enterprise Office 1999). The private investors that were trying to start a business, affirmed that the bureaucratic labyrinth remained formidable and that corruption and tips were strongly spread.

Contrary to expectations, the foreign investors, except for the Arabian oil funds, did not hurry to benefit from the advantages of El-Infitah policy. As a result, the government had to adopt a second law on investment in 1981 (Law no. 158 on private companies) which gave an impulse to the native and foreign investments (especially from Arabian neighbouring countries) into the private sector. But the expected results were not obtained this time, that reflected the evolution of the average growth rate of private investments of only 2.6% for domestic private investments and about 4% for the foreign ones during 1983 and 1987.

In a certain way, the role of the private sector grew in some economic life areas together with the application of El-Infitah policy. Thus, between 1973-1974 the beginning year of open doors policy and the year 1984-1985, the budgetary one when the rise of private sector maintained its participation at the creation for the gross added value from 9.17% in constructions and from 25.35% to about 49% in transport and services. But the public sector continues to dominate production because the state had about 2/3 of stocks (shares) or fixed capital (El-Shafei, Omr,1995).

The participation of the private sector to the economic growth was modest and because of the fact that positive changes brought by the new policy in the private sector like settlements relaxation regarding foreign currency and guaranties of exemption from taxes were not accompanied by monetary policy changes, but continuing to maintain the overvaluation of the national currency (that negatively influenced exports) and the negative interest rate practice.

On the background of the economic growth and wages increase with an annual average of about 6.7% there appeared a series of negative situations that unfavourably influenced the economic trend in the next years. These kind of examples are: the decrease of foreign currency income; great investment projects that became consumption projects for the population because they assured rapid earnings (income) for beneficiaries; inappropriate use of credits in production sectors, the rate of exchange out of control created speculations between different sectors (Lewis, R,1989).

In conclusion, the open doors policy did not reach the institutional economic aspects positively and was not integrated in a complete reform programme. El-Infitah policy represented more a programme of measures for crisis management than a real reform programme.

3 The Return to the Planning to Stop the Crisis:

The fear for an extension of economic crisis that became obvious beginning with the 80s determined the management bodies to decide the return to the planning system by elaborating five year plans as main instruments for the national production growth.

As part of the five year plan between 1982-1987 a high priority was given to the four economic profitable sectors: oil exploitation, tourism, the Suez Canal and foreign currency transferred from the Egyptian citizens working abroad. This orientation led to the recording of an annual growth of GDP rate of about 7%, the annual growth rates being as follows:

Table 4: Annual growth rate 1981-1986

Fiscal year	1981/1982	1982/1983	1983/1984	1984/1985	1985/1986
growth rate	6.1	6.4	6.0	12.1	9.1

Source: Central bank of Egypt, Different Issues.

The GDP growth during this five-year plan did not succeed in stopping the crisis extension. The external debt burden that reached \$ 32.5 billion in 1986, also the chronic budget deficit and rising external balance of payments deficit represent a good proof.

The most obvious expression of the economic crisis extension was the continuous slowing of the growth GDP rate, at the same time as the passing to the five year plan execution that imposed adopting some radical reform measures beginning with 1991. The annual growth GDP rates during this period are as follows:

Table 5: Annual growth rate 1986-1991.

Fiscal year	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991
growth rate	6.4	5.4	5.0	4.7	1.1

Source: Central bank of Egypt, Different Issues.

We observe that the annual growth GDP rate reduced year-by-year, reaching only 1.1% in 1991 that means under the population growth rate of 2.33%. As a result, the GDP per capita dropped absolutely from 1824 thousand L.E. in 1989/1990 to 1801 thousand L.E. in 1990/1991, a reduction of 1.3 % (Egypt ,W,B,1983). We can estimate that the economic development during the 80s was less favourable than the one during the 70s, revealing the economic and financial problems that were easily hidden during the previous period.

The most serious problem, as we underlined earlier, was the external debt rise and that of the budget deficit and of the foreign balance of payments deficit.

The country's currency reserves are reduced, thus in 1990 they assured the coverage of imports for a month, two months less than the international standards.

The recession also increased the financial burden generated by government transfers and capital loans since these represented in 1980 about 27% of total government expenditures. The investments volume in the public sector was strongly connected to the size of deficits recorded by them. The government was practically forced to finance the losses from the public enterprises' activities through capital infusion, through buying supplementary shares (stocks) or through domestic and international loans that contributed completely to the recession of the 80s as we mentioned earlier.

The Egyptian economic crisis during this period finds its expression in the next major economic aspects: inflation growth, balance of payments deficit, practice of an unreal exchange rate, high taxes that stopped the international and economic relations with other countries, a weak financial market, high fluctuations of prices and last but not least, keeping, to a great extent, the public sector monopoly in the economy.

We can conclude that for the second time in thirty years, the centrally planned system proved to be a failure, in Egypt's social and economic development.

To get out of this crisis, the economic, financial and administrative reform was conceived after 1985. The fundamental goal of the radical reform program, adopted since 1990, is to correct the mistakes from the past and to prepare the Egyptian economy to step into Globalization process.

4. The Economic Reform, the Sustainable Development and the Globalization Process:

A fundamental characteristic of the present economic reform in Egypt is its connections with the great lines of the world evolution, and, particularly, with the exigencies of the sustainable development and with the sharper globalization process.

The carrying out of the reform, towards a more powerful assertion of the market economy rules, generally involves a series of fundamental transformations, in a certain order. These changes – which involve a series of deliberate actions on the authorities' part – are usually considered to be the resistance structure of the reform, irrespective of the country in which it takes place.

In the recent analysis, the international economic-financial organizations, especially the World Bank (World Bank, 1991), consider that the process of economic transformation through reform involves a real programme, accomplished in four cycles.

The Macroeconomic Stabilization and its Control:

It supposes a series of actions taken by the government or the economic units, such as:

- A. Revising the taxation and setting-up strict rules.
- B. Implementing adequate policies in the credit area.
- C. Reducing the banking losses.
- D. Changing the expenses regarding the balance of foreign economic relations, depending on the objective of the reform.

2. The Price Liberalization and the Market Reform:

- a) Goods and services:
 - A. Domestic price reform.
 - B. Foreign trade liberalization.
 - C. Providing adequate distribution systems (transports and marketing services).
 - D. Services for households.
- b) Labour:
 - A. Wages liberalization.
 - B. Labour market liberalization.
- c) Finances:
 - A. Banking system reform.
 - B. Diversification of the financial markets.
 - C. Adequate changes in the interest rate.

3. The Development of Private Sector, Privatization of the Public Sector and the Restructuring of Enterprises:

- A. The free entry and exit of the firms on the market;
- B. Changing the concept regarding the firms managing style;
- C. Enforcement of the rights that derive from the private property and their stabilization;
- D. Elaboration of regulations concerning the property title to agricultural land, the industrial capital, the housing fund and the fund of real estates of commercial type.

4. The Redefinition of the State Role in the Economy:

- a). Legislative reforms regarding:
 - 1. The institutional framework of propriety, the contractual regime, the banking system, the competition etc;
 - 2. The reform of the legislative institutions;
 - 3. The substantiation of the regulation systems of the natural monopolies.
- b). The modernization of the information system:
 - 1. The implementation of the standard norms regarding the national accounting (the national accounts system, or other improvements);
 - 2. Adapting the national statistics to the standard rules from the developed countries with powerful market economy.
- c). Achieving instruments and establishing institutions regarding the economic management, through:
 - 1. The tax system;
 - 2. The budgetary control;
 - 3. The monetary control (providing adequate institutions).
- d). Redefining the area of social issues according to the new economic conditions:
 - 1. The unemployment benefits;
 - 2. The modification of the pension system;
 - 3. Policies regarding the assistance to various forms of handicap;
 - 4. Restructuring the social services: health, education, culture.

As a consequence, the reformation of the economy based upon the market mechanism needs the realization of a series of mandatory transformations, such as result from the economic theory and from the experience of developed countries with strong market economies, as they have formed (the theory and the experience) until now.

Practice proves that although they seem logical and convincing, in reality they prove to be incomplete and unsatisfactory in the confrontation with the specific conditions in various countries and economic areas in which they apply; they require different approaches and solutions than the ordinary ones or they must be somewhat corrected or adapted.

For that matter, it is necessary to deepen and to complete the economic theory and the practical regulations, for the elucidation of the whole problematical aspect, that are to satisfy the concrete exigencies of various countries, of different levels and with different developing potential and socio-cultural specificity. Otherwise, the present theory and the regulations following it, which are valid in some countries that have benefited from different historical conditions of development, become a dogmatic landmark, misfit for the economies of the countries knocking on doors of the new reforms (Romer, Paul M.,1993:).

Therefore, in our opinion, there cannot be just a reform (as a universal, independent of time and space, given fact) but a reformation, which requires reforms with specific characteristics for each country, having a fundamental common framework, getting from a diversification evolution to a convergent evolution.

However, even this gradual approach towards convergence does not mean a transformation leading towards uniformization but one which refers to the elimination of the contradictory evolutions and the instauration of rules of the highest efficiency for all, according to the common interest of the countries participating to this process as the expression of the tendency towards globalization.

The realization and the application of such a modern theory on market economy, with the proper implication of the problem of reforming national economies and its connection to the world economy, in high efficiency conditions, on all the structural levels of the economic life, can necessarily be obtained by the joint effort of specialists from all the meridians of the Earth.

As a consequence of these evolutions, the costs of economic reform are realized both under the common framework, generally valid, mandatory for any dynamics of the market economy, and also based on the transformations which appear according to particular conditions of each country and area. The factors which condition these reform costs sometimes act in contradiction (asking for concordance efforts) and other times in a convergent way (under the pressure exercised by the mechanism of the internal and international market (McKinnom, I. R, 1993).

This kind of complexity exactly requires the attentive study of different categories of reform costs, of the intensity of each category (under the pressure of conditional factors) and of the economy's dynamics, of the historical becoming of socio-economic, political, cultural relations. In addition, based on these studies, the society –through its specialized institutions- acts on the proper directions, with the specific means of a market economy: adaptations and legal innovations, socio-economic policies of stimulation or discouragement of some tendencies, fiscal and monetary policies.

But the economic reform supposes also creating important effects, some of which having (as in the case of action means) a general character, common to different countries, and others having a specific one; also, the common aspects imply, in general, some specific characteristics of each national economy.

These status quos are conditioned by the tight correlation between the economic reform and the political reform, by the behaviour of the social categories and by the geopolitical context.

This is why, as results from the recent experience, reform cannot happen just with the help of technocratic solutions, of specialized institutions, but it requires making complex strategies, on democratic basis, by making some options, commonly agreed by all the factors involved: the authorities, the employers, trade unions, population on the whole (eventually by consulting the national electorate by referendum).

All the more so as the effects generated by the reform are, to a great extent, on short term and medium term, to the disadvantage of the many. Not to consider such a reality would mean consciously generating some explosive situations on the social level, which can temporarily block or delay the reform.

In addition, it has to be taken into account that in our days the economic reform necessarily subscribes to the process of sustainable development.

1. This process includes three important components, which are closely interdependent (Ikram, K.,1990):
2. sustained economic growth;
3. continuous improvement of work and life conditions;
4. The fight against pollution and the protection of the environment (including the maximum regeneration of some initial native conditions, unaltered by the human intervention).

Each of these components sustains the dynamics of the other two such as sustainable development is the foundation stone of the perennial economic reforms including that of the efficiency of the great process of modernization of all elements of human action, as a condition of the progress of today's civilization.

5. The New Economic Reform in Egypt

5.1. Creating the Conditions for the Legal and Institutional Framework Necessary for the Application of the Economic Reform:

The private firms with an individual responsibility and independent cannot have success on the market unless there are the legal corresponding conditions and (unless) they function. In many of the less developed countries there are such legal disposals, but their observance is not fully ensured (such are the fiscal and customs legislation).

The legal conditions are considered quite sensitive indicators in succeeding of the reform, because, as a consequence of their absence, there may issue a series of uncertainties, delay, abuses and wrong attitudes.

When creating an adequate legal and institutional frame, there are considered a few factors (Ikram, K.,1990):

the introduction of a corresponding system of property; first of all, it must be created the possibility of transforming the state property into a private one;

- creating the favourable conditions to investments;
- Guaranteeing and promoting the free competition.

In Egypt, a package of laws has been adapted in order to make it easier to privatize and create the legal frame so that the legal authorities may apply the reform.

Law Nr. 203/1991 on Public Companies, issued within the Economic Reforms Programme and of Structural Adjustment , has marked the beginning of the reforming of the public sector and the applying of the privatize programme. Its purpose is that to eliminate the different kind of handling the public firms and the private ones and to ensure a free and fair competition for all kind of business. This law distinguishes between administrating and having in possession, and makes way to implement the programme to privatize. Even more, the law establishes that the holdings should take the place of the state authority within the public sector. The holdings are societies on actions and they work in an environment alike to that of the private sector, both being ruled by councils of administration. It defines the affiliated companies as being those where the holdings own 51% of their capital. This law of reorganizing the enterprises of the public sector has been used by the Government as a legal measure to introduce their privatization programme, without resorting to the modification of the country's constitution (Korayem,K,1997).

Law Nr. 230/1989, on regulating the establishing of investment projects in the private sector, including the Arab or foreign investors coming to Egypt. This law's strongest point is the tax exemption, for the projects in industry or something alike, for a period between 5 to 10 years. It also contains a 20% tax exempt from the income profit after the expiry of the first one.

Owing to the importance of the capital market in the introducing the reform programme in Egypt, the Government has issued Law 95 which lays the bases of the capital market and establishes the insurance companies' activity. It also permits the creating of the investment funds and the selling of the actions on the Capital Market, as a main method of privatization. So, it has been created such a legal frame which permits organizing transactions on this market.

The Ministry of Public Enterprises (Ministry of Planning, The Second five Year Plan in Egypt 1986/1987-1991/1992) represents the main organism charged with the drawing up, the introducing and the surveillance of this programme in Egypt. It answers to the Government for elaborating of the selection policies and making stages for the enterprise to privatize, the scheduling of it and the establishing of the methods used in the process, different from case to case. The Ministry has started its activity in November 1991, having as purpose, the implementation of the privatization segment of Economic Reforms Programme and of Structural Adjustment. It also has the duty of choosing its candidates for the Councils of Administration of the holdings and of surveying the plans of business for these companies and also of making the list of the enterprises named to be restructured or/and in bankruptcy. Finally, the Ministry is constituted as a liaison between the Government and the holdings.

The second element of the frame-conditions is the holdings created according to Law nr. 203/1991 which acts as an protective umbrella for the public enterprises. The main role of the firms which work according to the market rules is that of initializing, administrating and introducing the privatizations of the affiliated companies while the Public Enterprises Ministry's task is to create the policies for privatization (strategy, methods), the task of the operational aspect of privatization is due to the holdings. They present to the Ministry's approval a list with the companies proposed for privatization, and the final vote is given by the General Gathering of the Holdings (Plane, P.,1997).

Egypt is, so far, the only country in the region that has created a unique governmental entity with a direct access to the decisional level, this fact leads to acceleration in adopting them, in this way eliminating the bureaucracy and saving precious time for the privatization. The Central Bureau ensures a governmental guidance and global responsibility for the programme application, at the same time surveying the politic will formation, its introduction and monetarization. In this way, the birocratical impediments to the privatization are being strongly reduced, especially those generated by the public enterprises' managers.

5.2. The Macroeconomic Stability Policy During 1990-2007:

The situation of crisis which Egypt was passing through the 80' has imposed the need to adopt a new policy of macroeconomic stability as a sine qua non condition for the economic reform's success and for those of privatization.

This policy's results in Egypt during 1990-2007 reflect the success obtained while applying the economic reform. When analyzing the results, one can identify the main coordinates of the macro-stability (Cook,P,2000): the significant reduction of inflation;

1. regaining the Egyptians trust in their national currency;
2. the stability of the external components: the balance of payments and the currency exchange;
3. the coming back of the economic growth after the falling dawn since 1991.

A. The first and the most important measure of the macro-stability is the reduction of inflation rate.

Egypt was being confronted with an acute inflationary process loosen before the beginning of the current economic reform in 1990.

Table 6: Evolution of consumer prices in the 1985-1990 period

Specification	1985	1986	1987	1988	1989	1990
% as against 1985	100.0	124.0	148.2	174.4	195.3	228.2
inflation rate	12.2	24.0	19.5	17.7	21.2	16.8

SOURCE: International Monetary Fund, „International Financial Statistics Yearbook”, pp.386-389,

The rising of the prices for goods and services has continued after 1990. During the analyzed period, the inflation has been maintained by a number of factors, the most important being: the structural lack of balance (in consequence) in the Egyptian economy, the quasi-all liberalization of the prices of consume, the external shocks determined especially by the conflicts existing near Egypt, the embargo over Iraq and other economic restrictions for some countries in that area, the external financial aides either insufficient or belated etc (Donahue, D. ,1989). Nevertheless, the Egyptian Government has avoided the inflationist decay by correlating the monetary policy to the fiscal one.

The data in Tables (7-9) reflect the drastic reduction of inflation, which can be appreciated as a remarkable performance on the way to macro-stability and as a condition for a successful economic reform in Egypt.

Table 7: Evolution of consumer prices in the 1990-1995 period

Specification	1990	1991	1992	1993	1994	1995
% as against 1990	100.0	119.7	136.1	152.5	165.0	190.0
inflation rate	16.8	19.7	13.7	19.4	8.2	15.7

Source: Central bank of Egypt, Different Issues.

After the “outbursts” in 1993 and especially after 1995, the pressure of inflation started to yield gradually and in a big way in the last years.

Table 8: Evolution of consumer prices between 1995-2000

Specification	1995	1996	1997	1998	1999	2000
% as against 1995	100.0	107.2	112.1	115.7	118.9	121.4
inflation rate	15.7	7.2	4.6	3.2	2.8	2.1

Source: Central bank of Egypt, Different Issues.

Table 9: Evolution of consumer prices in the 2000-2007 period

Specification	2000	2001	2002	2003	2004	2005	2006	2007
% as against 2000	100.0	113.2	118.4	119.2	120.6	121.3	122.7	124.4
inflation rate	2.1	1.9	1.6	1.4	1.2	1.4	1.6	1.9

Source: Central bank of Egypt, Different Issues.

To have the possibility of realizing an over-all synthetic appreciation, over the proportion and the intensity of the reduction of the inflationist phenomenon, in table (10) there are presented the percentage growth of the prices and the average annual rate of growth for each period.

The data presented are concluding to which it concerns the success obtained in the fight with the inflation and the creating of the methods to keep it under control. It can be observed that if the prices have reason up to 2.3 times in the 5 years for going the reform, they still rise up to 2.3 times but in 10 years of the economic reform.

Table 10: Intensity of consumer prices 1985-2007

Specification	Price growth rate at the end of the period compared to the beginning	Average annual rate (%)
1985 – 1990 period	2.3 times	18.0
1990 – 1995 period	1.9 times	13.8
1995 - 2000 period	1.2 times	4.0
1990 - 2000 period	2.3 times	8.8
2000 - 2004 period	1.8 times	7.8
2004 - 2007 period	2.1 times	8.3

Source: Calculated after: Central bank of Egypt, Different Issues.

This evolution is remarkable to what concerns the inflation index. From an annual average of 1800 during 1990-1995, foreseeing the moment of the economic reform, it clashed to 13.8% during 1990-1995 and, at just 4% during 1995-2000.

So, it may be considered that this evolution of the prices can characterize the best the actual performances of the Egyptian economy. Protected from an uncontrolled inflation, it is still far from the potential of which it has in order to ensure the growth of the wellness of the Egyptian people to the highest rank.

Another coordinate is the regaining of the Egyptians' trust in their national currency by stopping the devaluation tendency and that of dollarization.

The data presented in Table (11) make proof that the Egyptian Government has succeeded to stop the tendency of depreciating national economy. Starting 1992, the monetary mass growth has outrun the prices' growth, indicating the tendency of depreciation till 1991 has been phenomenon which has been outrun and began a reversed process. So, it can be seen that the monetary mass has risen up to 3.1 times reported to the growth of prices of just 2.3 times in 2000 as against 1999.

Table 11: Growth of monetary mass compared to price increase 1991-2007

Year	Outrunning indicators	Percentage as against the basic year (1990 = 100)		Annual growth rate (in %)	
		Monetary mass	Prices	Monetary mass	Prices
1991	0.98	119.3	119.7	19.3	19.7
1992	1.42	142.5	136.1	19.4	13.7
1993	0.68	161.4	152.5	13.2	19.4
1994	1.37	179.5	165.0	11.2	8.2
1995	0.63	197.3	190.0	9.9	15.7
1996	1.50	218.6	204.7	10.8	7.2
1997	2.35	242.2	214.1	10.8	4.6
1998	2.91	264.4	220.9	9.3	3.2
1999	3.14	287.7	227.1	8.8	2.8
2000	3.88	311.0	231.9	8.1	2.1
2001	2.35	242.2	214.1	10.8	4.6
2002	2.91	264.4	220.9	9.3	3.2
2003	3.14	287.7	227.1	8.8	2.8
2004	3.88	311.0	231.9	8.1	2.1
2005	3.91	317.4	256.2	8.9	2.3
2006	4.23	322.8	278.4	9.7	2.4
2006	4.59	363.7	283.1	9.8	3.1
2007	4.67	341.5	296.9	10.4	3.6

Source: Central bank of Egypt, Different Issues.

The phenomenon of the annual average rate can be better evidenced using the monetary mass growth and the prices growth, and using the outrun index.

As a conclusion, it can be said that the Egyptian Government has succeeded to stop the inflation growth and, at the same time, the tendency of the depreciation in the first 5 years of reform, and, after 1995, to

constantly reduce the inflation index while the monetary mass was growing. This has reflected in the growth of the real incomes of the people and its capacity of saving them, having positive effects over the investmental potential (IBRD, Egypt, 1982).

Table 12: Average annual growth of monetary mass and of prices (in %), and outrunning indicators 1990-2007

Period	Average annual growth rate (%)		Outrunning indicators (2:1)

	Of monetary mass	Of prices	
1990 – 1995	14.5	13.8	1.05
1995 – 2000	9.6	4.0	2.40
1990 - 2000	12.2	8.8	1.38
2000 - 2004	10.2	6.8	1.22
2004-2007	11.7	7.2	1.62

Source: Central bank of Egypt, Different Issues.

One can observe that to a growth of 1% of the prices it corresponds a growth of the monetary mass of 1.83%.

The stopping of the tendency to dollarize represents another phenomenon of extreme importance which had the Government attention and which led to the great trust of the population to the national currency. This phenomenon means the relative decrease of the deposits in foreign currency reported to the evolution of the total monetary mass, and of the 2 components: cash and checks. The data in table (13) reflects with accuracy the stopping of this tendency. It can be observed that during the last 10 years, the total monetary mass has risen up to 3.11 times, which means about 211%, while the volume of the foreign currency deposits grow just up to 3.5%. As a result, the share of these deposits is in a continuous decreasing: from 46.1% in 1990, to 27.2% in 1995, to 15.4% in 2000 and to 11.2% in 2004 (El-Naggar, S, 1995).

Table 13: Relative reduction of foreign exchange deposit (1990-2007)

Specification	1990	1991	1992	1993	1994	1995	1996	1997		
Cash (Money)	26205	28337	30832	34571	38275	41540	44521	48708		
-of which: Foreign Currency Deposits	8249	11104	10253	10918	9891	10980	10260	9332		
Scripted money	56303	70127	86762	98602	109834	121227	135882	151129		
-of which: Foreign Currency Deposits	29802	36093	27608	25964	30851	33335	32015	31792		
Total monetary mass (Money plus quasi-money)	82508	98464	117594	133173	148109	162767	180403	199837		
-of which: Foreign Currency Deposits	38051	47197	37861	36882	40743	44315	42275	41124		
Weighting of (%)Foreign Currency Deposits in:										
- Money	31.5	39.2	33.3	31.6	25.8	26.4	23.0	19.2		
- Quasi-Money	52.9	51.5	31.8	26.3	28.1	27.5	26.3	21.0		
- Money plus quasi-money	46.1	48.1	32.2	27.7	27.5	27.2	23.4	20.6		
În % as agst. 1990										
- Money plus quasi-money	100	119.3	1472.5	161.4	179.5	197.3	218.6	242.2		
Foreign Currency Deposits	100	124.0	99.5	103.2	107.1	116.5	111.1	108.1		
Following:										
Specification	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Cash (Money)	52793	57208	61327	62879	63487	65897	66987	66990	67312	67541
-of which: Foreign Currency Deposits	8996	8951	8900	8965	9025	9164	9235	9236	9354	9368
Scripted money	165358	180168	195237	198413	199578	200753	202687	202234	215463	217866
-of which: Foreign Currency Deposits	31342	31027	30500	29700	29654	28961	27654	27812	28623	28714
Total monetary mass	218151	237376	256600	261292	263065	266632	269665	269787	270143	271112
(Money plus quasi-money)										
-of which: Foreign Currency Deposits	40338	39978	39400	38665	38679	37855	36889	37098	37141	38416
Weighting of (%)Foreign Currency Deposits in:										
- Money	17.0	17.0	14.5	14.2	13.8	13.6	13.1	13.2	13.4	13.5
- Quasi-Money	18.9	17.2	15.6	14.7	14.0	13.6	12.8	12.9	13.2	14.2
-Money plus quasi-money	18.5	17.1	15.4	15.1	14.5	14.2	13.7	13.9	14.3	14.7
În % as agst. 1990										
- Money plus quasi-money	264.4	287.7	311.0	309.8	308.6	306.4	305.2	305.8	307.6	309.4
Foreign Currency Deposits	106.0	105.1	103.5	103.0	102.8	102.3	101.6	101.7	102.6	103.9

Source: Central bank of Egypt, Different Issues.

It is known that the depreciation and the dollarization are natural consequences of the inflationist phenomenon and it represents methods through which – both physical persons and firms – can protect against the substance loss of the money, by accelerating the payments and getting rid of the decaying money, keeping dollars in Thesauri, which were losing their purchasing power.

The Egyptian Government understood that without eliminating this tendency the stopping of the crisis was impossible and the economic growth would take time.

The third main coordinate of the macro-stability is the stability of the external components: the balance of foreign payments and the currency exchange rate.

It is important that between 1979-1988 it has been kept a stable rate of exchange that is 0.7000 Egyptian liras for a dollar. This period of relative stability was based on the using of methods not quite fair of avoiding the depreciation. The National Bank of Egypt has used such methods to avoid the danger of slipping to a hyperinflation, in absence of the “stability” foreign currency. The price paid for such a policy has been the fusion of the foreign currency reserves and the apparition of a great unbalance in the balance of payments. It was added to this the public distrust to the way of using the market instruments. This determined the authorities in the field to liberalize the foreign currency starting 1989. As a consequence, the rate of exchange grew from 0.7000/1000 in 1989 to 3.3322/1000 in 1991, which means that the national lira depreciated reported to the US dollar up to 4.76 times in first 3 days. It is true that negative evolution of the exchange rate had been strongly influenced by the politico-military events in the Middle East (Furtado;C,1994).

After applying the economic reform and while succeeding the macro-stability, the exchange rate becomes stable; during the last years, the Egyptian Pound wan over the US dollar (table 14). In fact, the stability of the foreign currency exchange has strong reasons explained in the economic theory.

On short term, the level of the interest rate actions powerfully, in favour of the currency, which can be protected by practicing a higher rate in real terms. But, during the last years, this level has reached, in real terms, at almost 6 % per year, level considered quite an advantage by the population.

On long term, over these actions, the link demand-supply on the foreign currency market. As, during the last year, a significant improvement was seen at the commercial balance, because of the outrun of the imports by the exports, the supply on the currency market has been net superior to the demand. That is why the Central Bank bought large amounts of foreign currency in order to stop the tendency of appreciation, in nominal terms, of the national currency (Ikram, K.,2006).

Still, as seen in table 14, a slight tendency of appreciation of the national currency in real terms could not be avoided after 1996.

This situation was partly desired because, on one hand, it means an anti-inflationist measure and on the other hand, it becomes an indicator of pressure for the improvement of the organization at a microeconomic level. And, this is not desired under the conditions of the process of privatization of the public enterprises.

Seen from this perspective, one considers that the excessive prolongment of the depreciation of the national currency reduces the competitively of exports of goods and services in Egypt; and leads to the affirmation of the fact which, on long term, establishes the rate of foreign currency exchange, which is the parity of the purchasing power for goods and services that are being commercialized on the external market.

Table 14-1: Evolution of exchange rate in the period 1991 – 1999

Specification	1991	1992	1993	1994	1995	1996	1997	1998	1999
Pounds per US	3.3322	3.3383	3.3718	3.3910	3.3900	3.3880	3.3880	3.3863	3.4012
În % as agst. 1991	100.0	100.2	101.2	101.8	101.7	101.7	101.7	101.6	101.6

Table 14-2: Evolution of exchange rate in the period 2000 – 2007

Specification	2000	2001	2002	2003	2004	2005	2006	2007
Pounds per US	3.9932	4.4923	4.5018	6.1532	6.1365	5.7326	5.7012	5.5136
În % as agst. 1991	101.5	101.4	101.2	101.0	100.8	101.3	101.6	101.1

Source: Central bank of Egypt, Different Issues.

Table 15-1: Evolution of interest rate in the period 1991-1999

Specification	1991	1992	1993	1994	1995	1996	1997	1998	1999
Interest rate (%)	12.0	12.0	12.0	11.8	10.9	10.5	9.8	9.6	9.3
Inflation rate (%)	19.7	13.7	19.4	8.2	15.7	7.2	4.6	3.2	2.8
Real interest rate (%)	-7.7	-1.7	-7.4	3.6	-4.8	3.3	5.2	6.4	6.5

Table 5-2: Evolution of interest rate in the period 2000-2007

Specification	2000	2001	2002	2003	2004	2005	2006	2007
Interest rate (%)	9.1	8.9	8.7	8.5	8.2	10.2	9.3	9.5
Inflation rate (%)	2.1	2.0	1.9	1.7	1.6	5.9	9.8	12.3
Real interest rate (%)	7.0	6.8	6.6	6.4	6.0	6.8	6.7	7.2

Source: Central bank of Egypt, Different Issues.

Conclusions:

The Egyptian economy, until the revolution on the 23rd of July 1952, has been mostly a free market oriented economy; a transformation process of the Egyptian economy took place – passing from a private property based economy to an public sector based economy with a heavy implication of the state into the national economy. The new regime concentrated its attention on growing the state investments volume and their orientation towards major economic projects to assure the infrastructure development and social services assurances. The open door policy has as an objective the attraction of Arabian and foreign capital, as also encouraging the private capital to have an active role into the national economy development. The economic development during the '80s was less favourable than that during the '70, bringing about economical and financial problems that had been hidden during the preceding period; the growth of the external debt and state budget and external payments sheet deficits. The realization of a new economic reform, began in 1991 and that is still going on: the transformation process supposes a 4 moments program: macroeconomic stabilization and macroeconomic control, prices liberalization and market reform, private sector development and enterprises restructure; redefining the role of the state into the economy.

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