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**ECONOMIC DIVERSIFICATION: THE CASE OF EGYPT
1969/1970-1999/2000**

by

Hanaa Kheir-El-Din

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ECONOMIC DIVERSIFICATION: THE CASE OF EGYPT

1969/1970-1999/2000

Hanaa Kheir-El-Din¹

1- Introduction

The purpose of this study is to determine whether Egypt's economy has become significantly more diversified over the past three decades, or whether it remains overly dependent on one activity or one industry.

Given the vulnerability of economies overly dependent on one sector or one activity, such a question raises concerns of major actors in the economy: policy makers, the business community and most importantly workers and their households. Any external or internal shock affecting the predominant sector or activity is likely to have a major impact on the main economic actors and on the economy as a whole, thus requiring compensatory economic policy measures to counteract the shock. Whereas, in the case of a diversified economy, a downturn in any sector or activity does not necessarily mean a downturn of the whole economy.

This paper investigates how diversification of the Egyptian economy has evolved starting 1969/1970. It is organized as follows. Section 2 discusses the methodology to be applied to assess the extent of diversification. Section 3 measures diversification of the Egyptian economy by analyzing the changing shares of various major activities in the economy (agriculture, industry, services) and following up their contribution to GDP, employment, gross capital formation and exports. Section 4 will focus on the changing shares of various industries of the manufacturing sector in employment, output and exports. Section 5 will consider the changing roles of the private and public sectors in the economy. Section 6 concludes by looking at options and proposing recommendations for the future.

2- Measuring Economic Diversification: Methodology

Discussion of economic diversification should be based on the **reduction of economic risk**. Generation of output or value added from various sectors or activities lowers the risk of large fluctuations in economic activity levels. Spreading employment into various sectors and activities to avoid having "all eggs in one basket", lowers the risk of large scale unemployment. Diversifying exports reduces the volatility of foreign exchange earnings.

A thorough discussion of diversification should recognize other objectives as well. Utilization of **comparative advantages** so that the economy can benefit from the quality and skills of its workforce, from its institutions and its natural resource endowments is warranted to maximize returns from these characteristics. Fostering relative **independence** of sectors or activities within the economy is also an important objective. Diversification would avoid that a downturn in any sector or activity leads necessarily to a downturn of the whole economy.

However, standard approaches to measuring diversification are not rooted in any of these concepts – namely, lowering risk, exploiting comparative advantage or securing independence. Instead, they are based on a notion of conforming to a standard of dispersion of output, investment, employment or exports across sectors or

¹ (*) Professor of Economics, Faculty of Economics and Political Science, Cairo University.

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activities. Such a standard may not satisfy the previous three goals. Nevertheless, the measurement approach used will take one of two distributions as a standard:

- 1) Equal shares
- 2) Benchmark shares.

Such measures are based on the implicit assumption that the most diversified economy is the one that has an equal share of output, investment, employment, exports, ... in various sectors or activities. Alternatively the benchmark shares imply that the most diversified economy is the one with similar shares of output, investment, employment or exports as the benchmark structure, whether this benchmark has been taken as the world structure, a group of countries structure or any other standard structure. Obviously, there is no reason to believe that an "equal share" economy or a "benchmark distribution" would necessarily have lower risk, make good use of comparative advantage or be independent of other influences. Yet, most indices of diversification are based on one or the other of these criteria. The ogive index, the entropy measure, the Herfindahl–Hirschman index and the top 4 market share index take as the norm an equal share in each sector or activity. Other measures such as the variation index and the Hachman index are calculated against benchmark shares. UNCTAD, in an attempt at refining criteria for identifying least developed countries (LDCs), has proposed a composite economic diversification index (EDI) comprising 4 indicators : the share of manufacturing in GDP, the proportion of the labour force in industry, per capita electricity consumption per year, the export concentration index².

In what follows, the Herfindahl–Hirschman index³ will be used. According to the UNCTAD practice of calculating export diversification, the following formula will be applied:

$$H = \frac{\sqrt{\sum_{i=1}^N \left(\frac{X_i}{X} \right)^2} - \sqrt{1/N}}{1 - \sqrt{1/N}}$$

where H is the Herfindahl–Hirschman index with value ranging from 0, when there is complete diversification and 1 in case of maximum concentration in one activity. X_i is the value of output, investment, employment, export or any other variable in sector or activity i, X is the total value of the corresponding variable, N is the number of activities considered.

In addition to the H index which will be applied to various variables such as GDP generated, investment, employment and exports by main activities in Egypt and by manufacturing sub-sectors at the 2 and 3 digit level of aggregation for the ISIC products, evolution of shares in employment and GDP will also be analyzed, particularly in manufacturing. Revealed comparative advantage (RCA) will be calculated for the 3 digit level of aggregation for the SITC export products. Finally evolution of unit labour cost by activity and within manufacturing will be considered. Relative improvement in efficiency of using labour inputs within manufacturing and various activities will be assessed.

² <http://www.unctad.org/en/subsites/lcds/document/criteria.htm>

³ Hirschman, A.O.: **National Power and the Structure of Foreign Trade**, University of California Bureau of Business and Economic Research, Berkeley, 1945. This index is commonly used by UNCTAD, **Handbook of International Trade and Development Statistics**, various Issues

3- Changing Shares of Major Activities

Egypt's development over the last third of the 20th century (1965-2000) has featured economic struggle towards raising living standards and social struggle towards enhancing human development and providing equal opportunity to all. Egypt today is more prosperous than a third of a century ago. Per capita GDP has doubled, in real terms, from L.E. 1018, in 1965, to L.E. 2036 by the end of the nineties. Global GDP more than quadrupled from L.E. 29.9 billion to L.E. 126.2 billion in constant 1990 prices.

Egypt has exerted concerted efforts at industrialization and modernization of its economy. The primary goal was to achieve political independence and economic self-sufficiency. An extensive import-substitution, centrally planned strategy of development was applied until 1973. The slogan of producing all needs "from the needle to the rocket" was raised and was reflected in the distribution of investments among activities. Particular emphasis was put on investing in manufacturing which was considered as the pillar of modernization and development.

The early part of this period (1965-1973) was dominated by socialist tendencies reflected in public sector dominance in all economic activities, import substituting production and growth strategy. Through state-owned enterprises (SOEs), the government invested directly in manufacturing, financial institutions and infrastructure and dominated commercial activities. Furthermore, through generous social commitment and a heavily centralized public administration the government provided employment to the educated labour force, free social services (particularly education and health) and open ended food subsidies. A significant expansion of education and health services, and guaranteed jobs in the public sector were achieved.

By the mid-seventies, these costly policies have been revised under the Open Door policy. Egypt has, since 1974, announced to shift from import substitution and state-led development strategy towards export promotion and private sector-led strategy. Greater openness and more active private sector participation in economic activity have been observed. Following a global trend, the country has increasingly relied on private ownership. Increased participation of the private sector in investment and in various economic activities has been encouraged, opening up to foreign direct investment has been achieved, rationalization of government interventions in production activities has been observed. Nevertheless, the inherited social commitment of the government of Egypt (GOE) to provide social services and subsidies was maintained. Over the decade (1974-1985), although the GOE encouraged private initiatives and attempted to withdraw from various activities previously under public sector monopoly, it continued to provide widespread subsidies to both consumers and producers. The government encouraged, alongside the SOEs, the growth of the formal private sector by providing it with wide protection from both external and internal competition. Various forms of protection included: high trade barriers, subsidized interest rates, favourable procurement terms, in addition to allowing a high degree of market concentration.

In addition to the SOEs and the formal private sector, a smaller informal private sector composed of small and medium-sized enterprises developed outside the government reach. These informal enterprises, wished to avoid taxation and escape costly regulations.

Furthermore, generous social spending has been maintained. The social safety net has been enlarged to cover segments of the population which had not been considered under the national insurance schemes.

Government investments and economic and social spending have been sustained from the mid-seventies to the mid-eighties by an unprecedented flow of external resources geared to increased petroleum export proceeds, remittances from Egyptians working in the Gulf, flourishing tourism receipts and Suez Canal tolls.

Mounting economic difficulties, on the external front, uncovered the fragility of the domestic economic situation and showed the unsustainability of these protectionist policies. The vast public spending on subsidies was untenable. Overstaffing in government administration and in the public sector was responsible for

depressing real wages and productivity. Accumulating external indebtedness put an increasing pressure on the external balance. The period 1986-1990 was characterized by fragmented attempts at restoring both the external and internal balances and at redressing the economic situation, but with no significant success.

It was not until mid-1991 that the GOE adopted a comprehensive stabilization and structural adjustment program (ERSAP), which gained the support of the International Monetary Fund (IMF) and the World Bank (WB). Fiscal, monetary and foreign exchange policies have been revised and rationalized. Macroeconomic balances have been restored. They mainly include: control of inflation, restoration of fiscal balance and of current account balance, stabilization of the exchange rate after a marked devaluation in 1991 and liberalization of the trade regime. The former import substitution strategy has been discarded to the benefit of an export promotion drive. Successive reductions in tariff rates and elimination of non-tariff barriers to trade have been implemented. Generous fiscal incentives to private domestic and foreign investments have been secured. In spite of successful overall stabilization, little has been achieved in the area of structural adjustment, including bureaucratic and institutional reform, legislative simplification and modernization and consistent productivity growth. However, infrastructure has been largely expanded and upgraded, population growth slowed down since the beginning of the nineties, attempts at reducing overcrowding in the old valley and in major urban centers have been undertaken. Large investment projects in regional development are under implementation. Industrial pollution is being combated. Nevertheless, the continuous concern of the GOE to maintain fiscal balance, and at the same time to ensure provision of social services to an increasing population, particularly universal enrollment in basic education and increased access to health services, resulted in a marked deterioration of quality of such services. Privatization gained momentum in 1995/1996 after a slow start as will be shown later.

New activities gained importance and a clear trend towards increased diversification, especially prior to the eighties was observed, as reflected in Table (3-1).

**Table (3-1) Hirschman Index for GDP, Investment and Employment in Egypt
(1969/1970-1999/2000)**

	1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
GDP	0.22	0.21	0.15	0.14	0.16	0.14	0.15
Investment	0.19	0.21	0.15	0.14	0.12	0.09	0.10
Employment	0.33	0.29	0.22	0.23	0.21	0.19	0.17

Source: Calculated from **Main Changes in the National Economy**, Ministry of Planning, 2000.

In what follows, diversification in generating GDP, distributing investment and providing employment will be considered. Export diversification and changing patterns of comparative advantage will be studied alongside developments in unit labour cost.

3-1 Contribution to GDP

Production activities in Egypt are divided in three major groups: commodity production, productive services and social services. Commodity production includes agriculture, manufacturing and mining, petroleum, electricity and construction. Productive services are composed of transportation, Suez Canal, trade, finance, insurance, tourism; while social services comprise housing, utilities, social insurance and other services which, in turn, include government services and social spending on health and education.

The Hirschman index in Table (3-1) points to an increased diversification of sources of GDP, prior to 1980/1981, as the index has declined from 0.22 in 1969/1970 to 0.15 in 1980/1981, with a tendency to stabilize since the early eighties, as the index has hovered in the range of 0.16 to 0.14. Table (3-2) and the corresponding

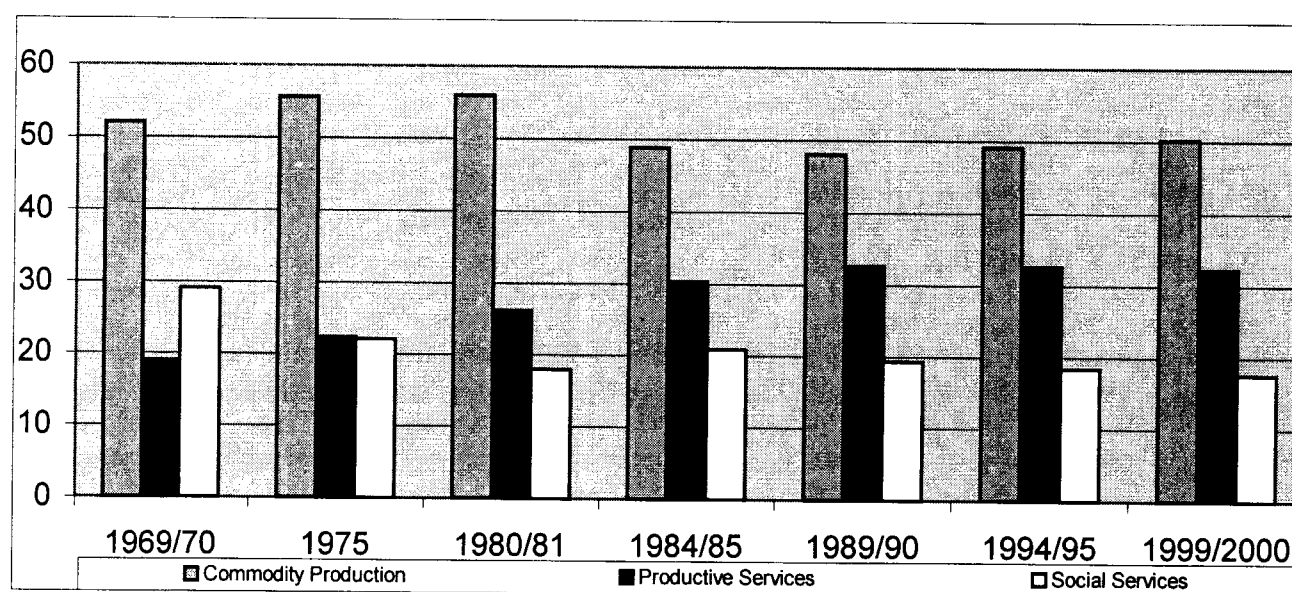
Figure (3-1) show that commodity production has generated around 48% to 56% of GDP through the period of study, but there has been a clear tendency towards an increased share of GDP in productive services at the expense of that in social services. Productive services are gaining importance in the economic structure and growth of these activities is increasingly contributing to GDP. Many inputs used by agriculture, manufacturing and services are productive services. They include financial services, insurance, transport and telecommunications, business services,... Increased efficiency of production of these services will reduce their cost and thus enhance value added in commodity producing sectors.

**Table (3-2) Percentage Shares of Main Activity Groups in GDP Generation
(1969/1970-1999/2000)**

	1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
Commodity Production	51.98	55.65	55.93	48.88	48.06	49.08	50.16
Productive Services	18.95	22.32	26.20	30.32	32.60	32.59	32.26
Social Services	29.07	22.03	17.88	20.80	19.34	18.33	17.58

Source: Derived from **Main Changes in the National Economy**, Ministry of Planning, 2000.

**Figure (3-1) Percentage Shares of Main Activity Groups in GDP Generation
(1969/1970-1999/2000)**



Although around half of GDP originated in the commodity producing activities, the structure of these activities changed considerably as reflected in Table (A-1) of the Appendix. The contribution of agriculture to GDP declined from the range of 27.5% to 29% in the early and mid-seventies, to 18% to 23% in the eighties and further to less than 17% during the nineties. The share of manufacturing fluctuated around 17.5% to 18% in the seventies, declined in the late seventies till the mid-eighties to 13.5% to 15% but regained its relative share of 17.5% to 19.5% in the late eighties and all through the nineties. The declining share of manufacturing - despite concentration of investments in this activity - is explained by the recuperation of Egypt's oil fields in Sinai by the late seventies and the growing importance of petroleum production in generating GDP. In fact, the share of petroleum in GDP rose to around 10% to 14% up from an initial share of 2% to 3% prior to the oil fields

recuperation and after the 1967 war. After the second oil shock of the mid-eighties, the oil share in GDP receded to around 4.3% to 7.9% and remained within this range all through the nineties. It is worth noting that despite efforts at intensifying manufacturing activities, their relative contribution to GDP achieved a modest improvement at the end of the period considered over its initial level. The activity which registered a persistent improvement of its share in GDP is the construction sector, which succeeded in more than doubling its share in GDP from 2.4% in 1969/1970 to 5.8% by 1999/2000. GDP generated in electricity increased to around ninefold its 1969/1970 level at constant 1969/1970 prices, but its relative share remained below 2% of GDP by the nineties. These developments - more particularly the rise in the share of non-tradable construction in GDP at the expense of lagging shares of agriculture and manufacturing - confirm the evidence of dutch disease symptoms which affected the Egyptian economy since the late seventies.

The observed increase in the shares of productive services through the period of study is especially due to the continuous increase in shares of GDP originating in transportation (from more than 4% in the late sixties to close to 7% by the end of the nineties), trade (from an initial share of around 11% to over 17% in 1999/2000) and finance (from 1.6% to 4.4% over the past three decades). Tourism generated a share of around 1% to 2% of GDP, but this contribution is believed to be grossly underestimated. A large part of the tourism revenues flow in the form of direct spending of tourists in the domestic market, which is impossible to differentiate from domestic spending of both nationals and foreign residents.

Finally, the receding contribution of social services to GDP is mainly attributed to the declining share of housing (from an initial 6.5% to less than 2% in the nineties) and other services (from almost 22% in 1969/1970 to 15% in 1999/2000). The latter activity principally reflects spending of government administration and social spending on health and education.

3-2 Distribution of Investments

Investment spending over the past three decades has risen at current prices from L.E.355.5 million in 1969/1970 to L.E.73106.0 million in 1999/2000. However, it has risen, at constant 1969/1970 prices, to less than ninefold (L.E.3178 million) by the end of the period, growing at an average annual rate of around 11.5%. The Hirschman index in Table (3-1) reflects a trend towards increased diversification of investment spending, as it fell from 0.19 in 1969/1970 to 0.10 and 0.09 in the nineties. The shares of commodity producing activities in investment spending tended to decline from a high 60.5% by the end of the sixties to fluctuate between 53% to 56% in the eighties and further to 44% to 47% in the nineties. These declining shares reflect principally the relative reduction in investment spending in manufacturing from one quarter of total investment spending to around one fifth by the end of the boom of the late seventies and in the eighties. The share of electricity in investment, which exceeds by far the contribution of this sector to GDP, increased during the eighties and early nineties to exceed 9%. It reflects the high capital intensity nature of electricity generation and transmission.

The share of productive services in investments fluctuated within the range of 22% to 32% while that of social services rose almost systematically from 17% to around 30% in the nineties, reflecting mainly an increasing share of housing, health and education services in total investment spending. Table (3-3), Figure (3-2) and Table (A-2) of the Appendix reflect these changing shares for various groups of activities.

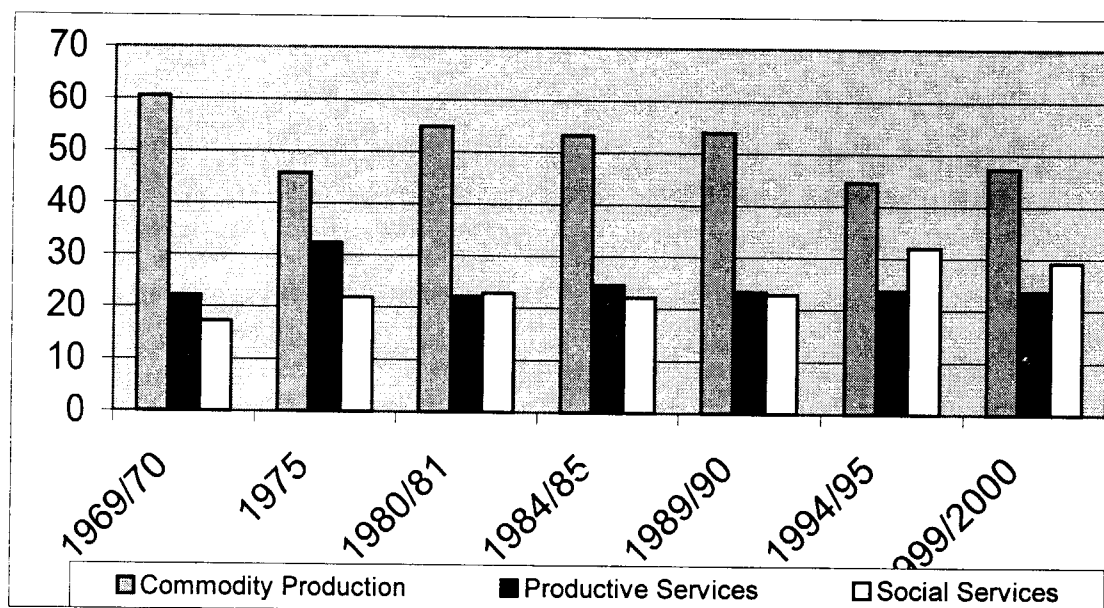
**Table (3-3) Percentage Shares of Main Activity Groups in Total Investment Spending
(1969/1970-1999/2000)**

	1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
Commodity Production	60.51	45.79	54.93	53.32	53.89	44.48	47.25
Productive Services	22.25	32.36	22.22	24.57	23.27	23.61	23.57
Social Services	17.24	21.85	22.85	22.11	22.83	31.91	29.17

Source: Derived from **Main Changes in the National Economy**, Ministry of Planning, 2000.

Within the group of productive services, tourism received a continuously increasing share of investments, from an initial 1.2% to reach around 6.7% by the late nineties, reflecting the increasing emphasis on this activity. These investments, however, do not match the underestimated share of GDP generated in this activity.

Figure (3-2) Percentage Shares of Main Activity Groups in Total Investment Spending (1969/1970-1999/2000)



3-3 Contribution to Employment

Employment more than doubled during the period under consideration. It rose from 8383.4 thousand in 1969/1970 to 17434 thousand in 1999/2000. The labour market in Egypt is segmented between agricultural, public, private formal and private informal sectors.

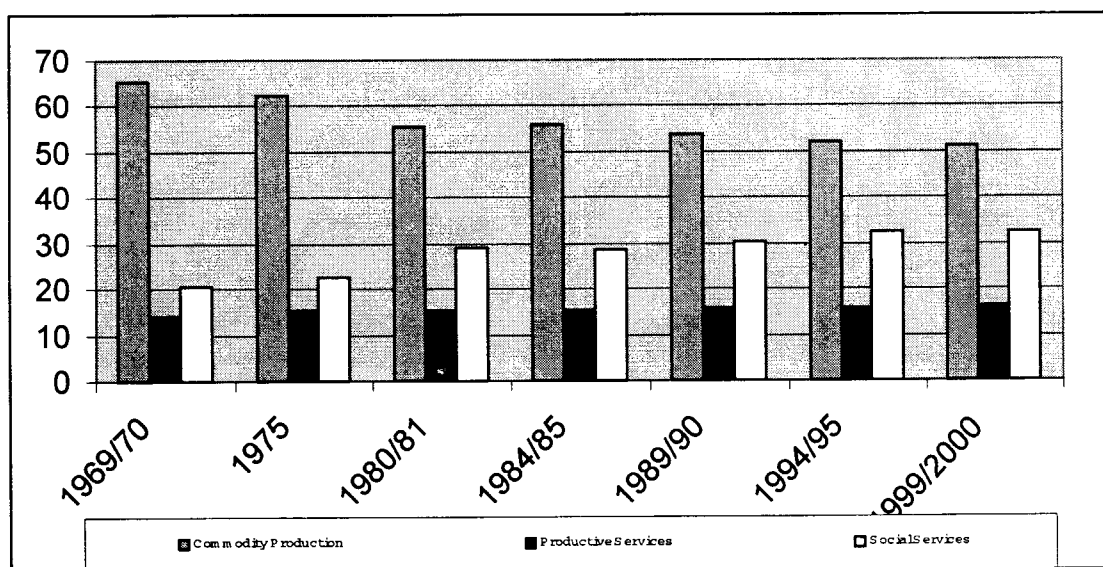
Employment opportunities have tended towards less concentration, as reflected by the corresponding Hirschman index which declined from 0.33 in 1969/1970 to 0.17 in 1999/2000 (as shown in Table (3-1)). Table (3-4) and Figure (3-3) show the changing distribution of employment among the main groups of activities.

Table (3-4) Percentage Shares of Main Activity Groups in Employment (1969/1970-1999/2000)

	1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
Commodity Production	65.29	62.35	55.68	56.07	53.94	51.87	51.36
Productive Services	14.22	15.16	15.36	15.36	15.67	15.75	16.22
Social Services	20.48	22.49	28.96	28.57	30.39	32.39	32.43

Source: Derived from **Main Changes in the National Economy**, Ministry of Planning, 2000.

**Figure (3-3) Percentage Shares of Main Activity Groups in Employment
(1969/1970-1999/2000)**



The share of commodity production in employment declined continuously from 65% to around 51% to the benefit of productive services (which provided 14% to 16% of employment) and more particularly social services (with increasing shares of employment from 20% to over 32%). Although the share of agricultural employment declined significantly from around 48% to less than 30% as shown in Table (A-3) of the Appendix, most of the jobs remained concentrated in activities oriented towards the domestic market: agriculture, construction and social services. Manufacturing, which is the activity most likely to be affected by global changes and the increasing trend towards trade liberalization and export promotion, have provided a modestly increasing share of total employment from around 11.9% to less than 14%.

3-4 Developments of Unit Labour Cost

Dividing wages per unit of labour by output per worker, unit labour cost was obtained for the three groups of activities as shown in Table (3-5) alongside that for various activities in each group as given in Table (A-4) of the Appendix.

Table (3-5) Unit Labour Cost by Main Groups of Activity in GDP

	1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
Commodity Production	0.16	0.13	0.16	0.16	0.12	0.10	0.11
Productive Services	0.26	0.24	0.15	0.22	0.15	0.15	0.18
Social Services	0.12	0.12	0.12	0.12	0.12	0.10	0.11
Total	0.17	0.15	0.15	0.17	0.13	0.11	0.14

Source: **Main Changes in the National Economy**, Ministry of Planning, 2000.

Unit labour cost tended to generally decrease in commodity production as well as in productive services, whereas it remained almost fixed in social services excluding government. These developments attest a relative increase in efficiency of using labour in the former two groups of activities against no change in efficiency of employing labour in social services. However, an increase in labour unit cost is noted at the end of the nineties, indicating a loss in efficiency in all activity groups as well as in the national economy.

3-5 Diversification of Exports

An important factor determining prospects for increased exports and stability of foreign exchange proceeds relates to the range of products Egypt can competitively export. Export diversification indices provide useful insights to such prospects. The underlying assumption is that the higher the level of export diversification, the better the prospects for external trade. The more diversified Egypt's exports, the greater the range of potential products that can be traded.

One measure used by UNCTAD is simply a count of the number of 3-digit SITC products exported. The count excludes items that are marginal in trade and are not exported on a regular basis. The cut-off point used is to exclude items where exports are below \$ 100,000 or 0.3% of total exports. The range of this index is 0 for a country that exports nothing and 239 - which is the number of 3-digit SITC products - for a country that exports all 3-digit classification products. A second measure used by UNCTAD is the "diversification" index which measures deviations of the shares of 3-digit SITC products in a country's exports from their corresponding shares in world trade. This index ranges between 0 and 1 with lower values indicating more diversified (or less concentrated) trade structures. A third measure employed for the same purpose is the Herfindahl-Hirschman index. As already mentioned, the lower this index the less concentrated (or more diversified) are the country's exports. Table (3-6) reports the 1980 and 1995 values of these indices for Egypt and for a selected sample of neighbouring countries and of industrializing countries.

Table (3-6) Export Diversification Indices for Egypt and Other Selected Countries of the Region and the World (1980-1995)

Country	No. of Exported Products		Diversification Index		Hirschman Index	
	1980	1995	1980	1995	1980	1995
Egypt	80	152	0.672	0.737	0.575	0.244
Indonesia	144	210	0.664	0.607	0.530	0.146
Korea	207	219	0.660	0.437	0.085	0.148
Mexico	201	228	0.523	0.384	0.475	0.121
Morocco	113	157	0.810	0.773	0.310	0.172
Philippines	175	186	0.782	0.643	0.210	0.356
Portugal	210	221	0.607	0.494	0.094	0.097
Spain	231	233	0.472	0.350	0.079	0.141
Syria	114	144	0.671	0.800	0.619	0.533
Tunisia	142	183	0.658	0.684	0.481	0.211
Turkey	189	213	0.734	0.636	0.230	0.112

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, 1996/97.

The table reveals that supply capacities of Egypt, in terms of number of products exported in 1995, is considerably lower than all comparator countries with the exception of Syria and Morocco which export a comparable number of 3-digit SITC products (152 for Egypt versus 144 for Syria and 157 for Morocco). On the positive side, there has been a remarkable increase in Egypt's count index from 80 in 1980 to 152 in 1995,

reflecting a clear diversification of products exported. However, compared to the world structure of trade, it appears that in 1995, the structure of Egyptian exports, as well as that of Morocco, Syria and Tunisia was much less diversified than that of all other countries of the sample as their respective diversification indices are higher (meaning less diversified products) than for the selected countries, whether in the Mediterranean region or outside. The results for the Hirschman index reflect further evidence of increased diversification of exports in Egypt, although remaining lower than most countries of comparison.

A further indicator of increased export diversification is provided by the examination of Egypt's comparative advantage, which indicates the potential opportunities for expanded trade. Rather than applying the original formulation of the revealed comparative advantage (RCA) index used by Balassa and measuring the product's (or group of products) share in the country's total exports relative to its share in world trade, an alternative indicator has been used. The RCA statistic used refers to the "own" country trade performance only and recognizes the possibility of simultaneous exporting and importing within a particular product category. The applied formulation is: $RCA = (X_i - M_i) / (X_i + M_i)$, where X_i , M_i refer respectively to exports and imports of commodity i . This ratio ranges from -1 (when $X_i = 0$ and reveals comparative disadvantage) and $+1$ (when $M_i = 0$ and reveals comparative advantage). Around zero values for RCA there is ambiguity concerning the status of the commodity in terms of comparative advantage. The limitations of this index are evident, as any specific value of this index is consistent with any volume of trade. Furthermore, like several other measures of RCA, this index can be distorted by aggregation and policy actions. More specifically, import restrictions, which are more frequent and pervasive than export interventions, tend to affect the value of the estimated index and add to it an upward bias⁴. Table (3-7) shows the evolution of number of 3-digit SITC export products with values exceeding \$ 1 million over the period (1980-1997), alongside the range of RCA indicators. Table (A-5) in the Appendix illustrates the nature of these products.

Table (3-7) Number and Percentage of Exported Items Exceeding \$ 1 million Showing various degrees of RCAs (1980-1997)

Range of RCA	1980		1990		1995		1997	
	No. of Items	%	No. of Items	%	No. of Items	%	No. of Items	%
0.76-1.00	22	79	37	63	29	48	33	66
0.51-0.75	1	4	2	3	3	5	2	4
0.26-0.50	2	7	-	0	2	3	1	2
0.01-0.25	-	0	-	0	2	3	1	2
-0.24-0.00	-	0	1	2	2	3	3	6
Less than -0.25	3	11	19	32	22	37	10	20
Total No. of Items	28	100	59	100	60	100	50	100

Source: Calculated from United Nations, UN International Trade Statistics Yearbook, several issues.

The number of such products with positive comparative advantage or close to having such advantage ($RCA > -0.25$) increased from 25 products in 1980 to 40 products in 1990, and tended to fluctuate around this figure over the nineties⁵.

⁴ Greenaway, D. and Ch. Milner: **Trade and Industrial Policy in Developing Countries : A Manual of Policy Analysis**, Macmillan Press Ltd, London, 1993, Ch.10.

⁵ Note that products presented here are exports with values exceeding \$ 1 million per year; note also that some of these products represent 2 digit SITC products.

Table (A-5) in the Appendix suggests that Egypt had, in 1980 a strong comparative advantage in 22 products including aluminum, cotton fabrics, leather, essential oils crude petroleum and products, vegetables, rice, cotton and yarn. By 1990, the number of products with high comparative advantage increased to 37, but tended to decline to around 30 by the mid-nineties. An important development is the increase in RCA and exports for various clothing items, while RCA for yarns and fabrics is being eroded. Chemicals, including fertilizers, organic and inorganic chemicals, appeared as having strong comparative advantage. Other manufactures with export potential are composed of labour intensive products employing materials like leather, fibers and wood as basic inputs. Household equipments and cutlery also appeared as having strong RCA.

In spite of repeated emphasis on the importance of developing and diversifying Egypt's commodity exports as part of an export-led growth strategy, their performance remained disappointing. A comparison of annual growth rates of Egyptian commodity exports to the corresponding figures for the world and for developing countries confirms this slack performance. As a result, Egypt's share of world merchandise trade persistently declined from 0.24% in 1970, to 0.15% in 1980 and further to 0.074% in 1990 and continued to decline thereafter⁶.

However, a positive and promising development is the increased share of services in total Egyptian exports as reflected in Table (3-8) and the corresponding figure (See Figure (3-4)).

Services as a share of total exports of goods and services have persistently increased from around 15% in 1969/1970 to 38% in 1979/1980 and to 64% in 1989/1990. Since then this share has fluctuated during the nineties but remained higher than 60%. Tourism has become the main contributor to foreign exchange receipts, exceeding alone in 1994/95 and in 1999/2000 the value of manufactured exports or that of petroleum exports. Although this may be considered as a positive development leading to a reduced dependence on oil exports as a source of foreign exchange receipts, it has been extremely volatile and sensitive to political developments thus increasing the vulnerability of the economy to various external and internal shocks. Suez Canal tolls and transportation are also important sources of foreign exchange earnings. Other commercial services include: construction, financial services (banking and insurance), computer and information services, telecommunication.

A major outcome of the Uruguay Round is the inclusion of trade in services under GATT disciplines. For effective liberalization of services, harmonization of national regulatory systems and recognition of other countries standards are essential. Thus it may be advisable for Egypt and other Arab countries to liberalize their services to ensure smooth functioning of their regional integration plans⁷.

⁶ Kheir-El-Din, H.: "Egypt's Exports under Liberalization: Performance, Prospects and Constraints (1980-1998) in **Egyptian Exports and Challenges of the 21st Century**, Center for Economic and Financial Research and Studies, H.Nassar and A.Aziz (eds), Cairo, Egypt, 2000.

⁷ **ERF Indicators: Economic Trends in the MENA Region**, Economic Research Forum for the Arab Countries, Iran and Turkey, 1998.

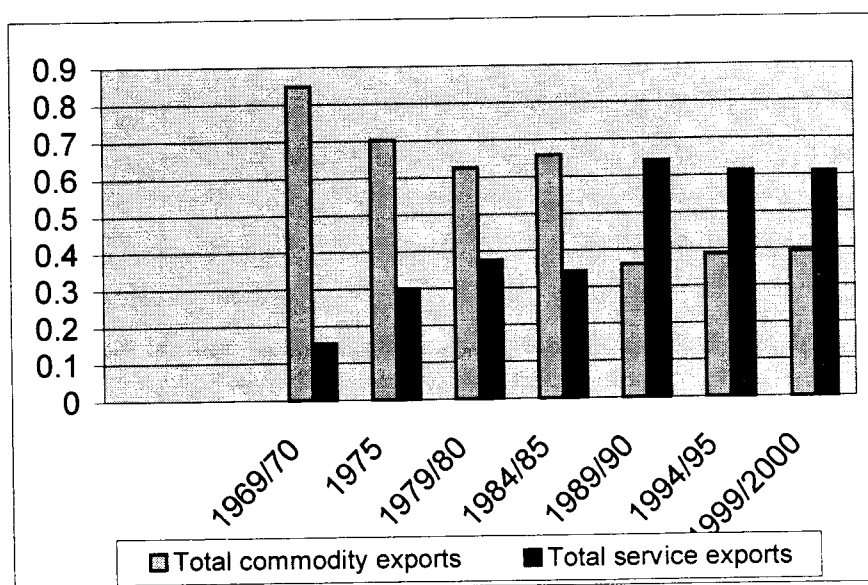
Table (3-8) Composition of Commodity and Services Exports in Egypt
(1969/1970-1999/2000)
(in L.E. million)

Category	1969/70	1975	1979/80	1984/85	1989/90	1994/95 ^(*)	1999/2000
Commodity Exports							
Agricultural				435.9	756.5	2084.7	2218.0
Manufacturing				558.0	3459.2	7353.0	11089.0
Petroleum				1843.9	1351.5	7381.6	7984.0
Foreign Partner Exports	23.4	89.5	504.4	563.9	476.0		
Investment in Oil Sector				929.7	877.0		
Total Commodity Exports	348.0	612.8	2369.9	4331.4	6920.2	16819.3	21291.0
Percentage Share	84.67	70.07	62.42	65.65	35.91	38.8	39.26
Services Exports							
Insurance				36.4	85.0		
Transportation				461.7	988.0	3505.6	3173.0
Suez Canal				627.7	1618.9	6986.6	6108.0
Tourism				339.7	2761.8	7802.5	14194.0
Others				800.6	6899.4	8233.1	9468.0
Total Service Exports	63.0	261.8	1427.0	2266.1	12353.1	26527.8	32943.0
Percentage Share	15.33	29.93	37.58	34.35	64.09	61.2	60.74
Total Exports	411.0	874.6	3796.9	6597.5	19273.3	43347.1	54234.0

(*) The sharp increase in export value in 1994/1995 and thereafter reflects the 1990/1991 devaluation associated with the structural adjustment program.

Source: Main Changes in the National Economy, Ministry of Planning, 2000.

Figure (3-4) Relative Shares of Commodity and Services Exports in Total Egyptian Exports
(1969/1970-1999/2000)



4- Changing Structure of Manufacturing

As an economy develops, a shift from the production of consumer goods to intermediate and investment goods is usually observed. What is the pattern emerging in Egypt? This section analyses two decades of structural change and trends in Egyptian manufacturing, including the share of sub-sectors in GDP originating in manufacturing and their shares of investment, employment and exports. It also considers whether wage rate increases follow productivity developments or lag behind and thus point to a decline in the share of labour in value added and a decline in unit labour cost.

4-1 Contribution to GDP

The contribution of manufacturing activity to GDP has fluctuated within the range of 13% to 19% over the period 1969/1970 to 1999/2000, with a tendency to stabilize around 17% to 19% over the decade of the nineties (see Table (A-1) in the Appendix).

Manufacturing activities remained concentrated in traditional industries, principally food products and textiles, as shown in Tables (A-6a) and (A-6b) in the Appendix. However, the share of value added in these two major industries out of total value added has tended to decline, particularly in the textiles industry. This share fell from 28.6% in 1980 to 7.5% in 1995. The share of clothing has increased tenfold from 0.3% to 3.2% over the same period; but it did not compensate the decline in the textiles share.

On the other hand, the share of intermediate goods like chemicals, refined petroleum, rubber, plastic and non-metallic products, iron and steel, alongside that of investment goods such as non-electrical and electrical machinery have tended to increase. The shift in value added towards intermediate and capital goods has been generally slow, with the exception of refined petroleum. But it points to an increasing diversification, enhanced backward linkages as well as a maturing industrial performance⁸.

Table (4-1) indicates that in terms of manufacturing diversification in value added, investment, employment and exports, Egypt is comparable to the four countries considered. The table further points to a clear trend towards increased diversification, more particularly in investments and in manufactured exports.

⁸ ERF Indicators: Economic Trends in the MENA Region, Economic Research Forum for the Arab Countries, Iran and Turkey, 1998

**Table (4-1) Hirschman Index for Manufacturing Variables in
Egypt and Other Selected Countries (1985-1995)**

		Herfindahl- Hirschman Index			
		Value Added	Gross Investment	Employment	Exports
Egypt					
	1985	0.12	0.33	0.21	0.49
	1990	0.16	NA	0.19	0.28
	1995	0.10	0.18	0.18	0.24
Chile					
	1985	0.18	NA	0.14	0.57
	1990	0.14	NA	0.16	0.55
	1995	0.13	NA	0.17	0.41
Indonesia					
	1985	0.13	NA	0.16	0.31
	1990	0.11	0.18	0.13	0.28
	1995	0.09	0.09	0.12	0.17
Malaysia					
	1985	0.10	NA	0.12	0.47
	1990	0.13	NA	0.17	0.30
	1995	0.19	NA	0.19	0.52
Philippines					
	1985	0.16	NA	0.14	0.38
	1990	0.15	0.15	0.18	0.22
	1995	0.13	0.16	0.14	0.33

Source: Calculated from UNIDO Database.

The present stage of industrial development and diversification in Egypt has been attained under the shelter of protection from external and internal competition. With the predominance of public sector monopolies in most manufacturing activities and the development of a dependent formal private sector behind high tariff barriers and concessional procurement terms, industrialization developed and expanded to various activities regardless of true comparative advantage. The current challenge is to maintain and further deepen this industrialization drive in the new outward oriented environment. Trade liberalization and the gradual phasing out of the role of the state in the manufacturing sector impose a true challenge to sustained industrial development. Such development will depend on several factors most importantly on: the current state of manufacturing upon which further development can be built; the availability and appropriateness of resource mix; the efficiency of using these endowments; and the pace of economic reform to provide the right incentives and secure a stimulating business environment.

Based on estimated growth rates of real GDP in the industrial sector in Egypt⁹, it is evident that Egypt's industrial sector has grown at the impressive rates of 12.8% and 17.2% over the seventies and the eighties, thus outperforming both developed and developing countries. However, it has grown in the nineties at the more modest rate of 6.5%.

⁹

Ministry of Planning: **Main Changes in the National Economy, 1956/1960-1999/2000**, Cairo, 2000

The bulk of this growth has been generated in the textiles, transport equipment and food processing activities. Rubber and glass products, non-metallic industries (cement), non-electrical machinery, fertilizers and petrochemicals have been among the most dynamic activities. The deceleration of growth in the nineties may be attributed to the stabilization measures implemented at the beginning of the nineties and the subsequent demand restraint which has negatively affected industrial performance.

The question is now whether the high growth rates of the seventies and eighties may be restored. A combination of political stability, confidence in the future, improvement in the investment climate, prevalence of a transparent and liberal regulatory environment are prerequisites to achieve recovery of industrial growth and further economic diversification.

4-2 Contribution to Employment

As noted previously, industrial activities over the period considered provided between 11.9% and 13.8% of employment in the national economy (see Table (A-3)). Industrial employment persistently increased from 999.5 thousand workers in 1969/70 to 1.43 million in 1980/1981 and further to 1.65 million in 1989/1990 and 2.41 million by the end of the century (1999/2000)¹⁰. Employment opportunities in manufacturing have been modestly diversified (as shown by the Hirschman index which declined from 0.21 in 1985 to 0.18 in 1995, as in Table (4-1)). Table (A-6b) shows that the share of the 4 largest sectors employing labour - namely food products, textiles, non-metallic products and iron and steel - decreased from 60.8% in 1980 to 53.6% in 1990 and further to 51.6% in 1995. The share of the next 4 largest providers of industrial employment - industrial chemicals, other chemicals, fabricated metal products and transport equipment - increased from 15.7% in 1980 to 19.8% in 1990 and declined slightly to 18.5% in 1995. Other manufacturing activities, including petroleum refineries, plastic and rubber products, non-ferrous metals, non-electrical and electrical machinery absorbed the remaining employment, with shares increasing from 23.5% in 1980 to 26.6% and 29.9% in 1990 and 1995 successively.

It appears thus, that employment remained concentrated in traditional activities - primarily food products and textiles with shares varying from 51.0% in 1980 to 41.2% in 1995 - even though their share of employment has declined markedly in the past two decades.

As to investments, it appears that the 4 largest sectors employing labour in 1980 are the same as the 4 largest sectors benefiting from gross fixed investment with a share of 49.9% of total investment in manufacturing. This share declined to 35.7% in 1995 while the share of the next 4 largest activities attracting investments (industrial and other chemicals, petroleum refining and transport equipment) increased from 25.3% in 1980 to 27.7% in 1995, confirming the trend towards more diversification.

4-3 Manufactured Exports Diversification

With trade considered as a major engine of growth, a mutually reinforcing interaction is expected to take place between trade induced growth, and industrial development and diversification. Manufactured exports have grown over the 1983-1995 period at an average annual rate of around 20.5%, however, as indicated in Tables (A-7a) and (A-7b), they showed great volatility.

The Hirschman index in Table (4-1) indicates a clear trend towards manufactured exports diversification, as it declined significantly from 0.49 in 1985 to 0.28 in 1990 and further to 0.24 in 1995. This reflects that Egypt has been gaining comparative advantage in an increasing number of products. In 1985, manufactured exports were predominantly composed of textiles (51.7%), non-ferrous metals (26.1%) and food

¹⁰ Ministry of Planning,, *ibid.*

products (4.8%), as shown in Table (A-6b) of the Appendix. By 1995, the shares of textiles and non-ferrous metals in total manufactured exports receded to 25% and 8.7% respectively while that of food products increased to 6.6%. Other products appeared as important exports, principally wearing apparel (11%), industrial and other chemicals (8.5%), refined petroleum products (22%), iron and steel (6.9%).

The value of manufactured exports increased to more than eightfold from \$285 million in 1985 to \$2,331 million in 1995. An additional promising indicator of export performance is the increasing share of exports to output in total manufacturing from 1.5% in 1985 to 9.8% in 1995. Table (4-2) shows that the share of exports to output in all manufacturing sub-sectors at the 2-digit level of aggregation of the industrial classification, increased from 1.5% in 1985 to 8.1% in 1990 and further to 9.8% by 1995.

The largest items of manufactured exports, as shown in Table (4-2) are textiles, chemicals and basic metal products. These sub-sectors succeeded in exporting more than 10% of their output.

The textiles and clothing industry is one of the most important manufacturing activities in Egypt. It is a well established mature industry, which - as already mentioned - provides the highest share of industrial employment. It relies on the availability of raw materials (cotton) and of upstream processed intermediate inputs (cotton yarn and fabrics). Rich endowments of relatively cheap labour enjoying traditional skills in manufacturing textiles and clothing are another source of comparative advantage. Observed recent expansion and improved performance in output and export resulted from the implementation of overall economic reforms and from expansion of private sector activity in manufacturing of clothing. Continued export promotion effort and provision of tax and financial incentives are required to support the growth potential of this industry and enhance its contribution to exports.

Table (4-2) Exports, Output and Percentage Shares of Exports to Output in Manufacturing Sub-Sectors in Selected Years (1985-1995)

Code	Sub-Sectors	Exports			Output			Percentage Shares of Exports to Output		
		(in million \$)						%		
		1985	1990	1995	1985	1990	1995	1985	1990	1995
31	Food & Beverages	20	102	159	5,239	5,420	5,278	0.39	1.87	3.02
32	Textiles	159	724	861	3,080	3,425	3,037	5.17	21.15	28.34
33	Wood & Furniture	1	45	16	279	142	157	0.19	31.49	9.84
34	Paper & Printing	7	16	20	933	635	929	0.74	2.56	2.12
35	Chemicals	17	406	786	3,409	5,327	7,109	0.49	7.61	11.06
36	Non-Metalic Mineral	0	14	41	1,015	1,228	1,771	0.04	1.17	2.39
37	Basic Metal Industries	75	309	364	1,717	2,022	2,017	4.39	15.29	18.02
38	Metal Products	5	74	80	2,997	2,644	3,603	0.18	2.78	2.21
39	Other Manufacturing	0	2	6	49	40	34	0.55	4.28	16.08
	Total Manufacturing	285	1,691	2,331	18,719	20,883	23,875	1.52	8.10	9.76

Source: UNIDO, Supply and Demand Data Base, 2001.

The chemicals sub-sector includes activities producing industrial and other chemicals, refined petroleum, other petroleum and coal products, rubber and plastic. Increased exports of refined petroleum and petrochemical products have been supported by Egypt's efforts to reduce domestic use of oil products and to shift to natural gas. Furthermore, Egypt has established industrial clusters to produce petrochemicals in addition

to developing already existing ones. Increased domestic production of nitrogenous fertilizers, paints, rubber and plastic products, are another source of exports expansion. The small pharmaceutical industry, has dramatically expanded its production capacity, during the late eighties and the early nineties, through private sector participation. Although this industry has been able to export to African markets in the sixties and seventies, it is currently suffering from serious actual and prospective difficulties due to tighter protection of patents and intellectual property rights at the global level under the TRIPs agreement. Although in Egypt 40% of drug production and packaging is undertaken under licensing agreements with multinational firms, these licensing arrangements have not promoted technology transfer.

Basic metal products including iron and steel and non-ferrous metals have grown under generous domestic protection. This sub-sector has been able to expand exports particularly iron bars and aluminum blocks. Prospects of these activities under liberalization are questionable and require further scrutiny.

4-4 Developments of Wages, Productivity and Unit Labour Cost in Manufacturing

The wage rate in total manufacturing, in constant 1970 L.E. has generally been declining for all activities at a rate of 2.0% during the 1980-1995 period. Total manufacturing productivity, measured as output per worker in constant 1970 L.E. showed, in the meantime an increase between 1980 and 1995 at an average rate of 2.9%. This points to a decreasing unit labour cost particularly during the first half of the nineties.

As shown in Table (4-3), the highest rate of decline in unit labour cost has been observed in the chemicals production, paper and printing and the non-metallic mineral production, followed by textiles and food and beverages. As indicated in Tables (A-8) and (A-9), the highest average real productivity has been achieved in the chemical activities in 1995, (petroleum refineries, miscellaneous petroleum and cool products, other chemicals and plastic products). The basic metal industries come next (particularly non-ferrous metals), followed by food, beverages and tobacco.

Table (4-3) Unit Labour Cost in the Manufacturing Sector in Egypt in Selected Years (1980-1995)

Code	Activities	1980	1985	1990	1995
31	Food & Beverages	0.11	0.09	0.11	0.08
32	Textiles	0.21	0.23	0.17	0.13
33	Wood & Furniture	0.20	0.19	0.19	0.14
34	Paper & Printing	0.17	0.23	0.15	0.09
35	Chemicals	0.16	0.17	0.07	0.06
36	Non-Metalic Mineral	0.32	0.26	0.15	0.13
37	Basic Metal Industries	0.16	0.18	0.11	0.10
38	Metal Products	0.23	0.19	0.19	0.13
39	Other Manufacturing	0.20	0.12	0.10	0.24
	Total Manufacturing	0.19	0.19	0.12	0.09

Source: Calculated from UNIDO **Data Base**, 2001 and IFS, 2000

It finally appears that real wage rates have generally lagged behind productivity increase or have fallen thus resulting in a decline in the share of labour in value added. However, it should be noted that measuring productivity by output per worker overstates labour productivity increases, as a significant portion of the observed increase in output is due to investment and enlarged physical capacity rather than to productivity increases defined as change in output due to labour increases, *ceteris paribus*.

5- Changing Roles of the Private and Public Sectors

In spite of government protection, the performance of the private sector has been disappointing. The desire of the government to direct and structure economic activities, along with distrust of private entities resulted in a government controlled formal business environment subjected to pervasive regulations and restrictive laws. In the meantime, the informal private sector has had little access to government support programs, to formal sources of finance and to formal markets. Nevertheless, it is believed to have generated a large amount of the country's growth and employment¹¹.

Table (5-1) reflects these developments. As a result of government policies aiming at promoting private investment, the share of the private sector in national investment in non-agricultural activities increased persistently from around 12% in 1969/1970 to slightly less than 40% in 1984/1985. However, these investments have had little effect on private sector contribution to both GDP and employment. Private sector share in non-agricultural GDP fluctuated within a range from around 36% to 48% while the private sector share in non-agricultural employment hovered from 46% to less than 49%.

This is clearly reflected in Table (5-1), where the share of private participation in GDP (see also Figure (5-1)), investment and employment in non-agricultural activities rose successively from 58.6%, 45.1% and 51.1% in 1989-1990, to 67.8%, 67.1% and 57.9% by 1999/2000. It is worth noting that despite the large increase in the private sector share in non-agricultural GDP and investment, the private share in non-agricultural employment lagged behind. The public sector remained a major provider of employment.

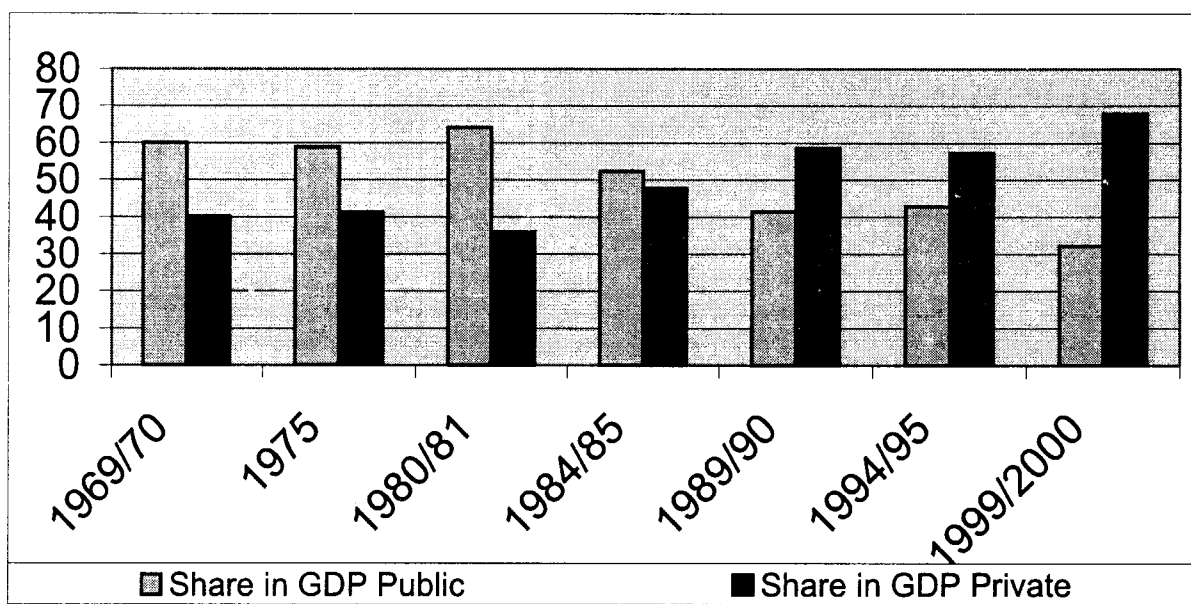
¹¹ ERF Indicators: Economic Trends in the MENA Region, Economic Research Forum for the Arab Countries, Iran and Turkey, 1996.

**Table (5-1) Percentage Shares of Public and Private Sectors in GDP,
Investment and Employment in Non-Agricultural Activities**

	Share in GDP		Share in Investment		Share in Employment	
	Public	Private	Public	Private	Public	Private
1969/70	59.98	40.02	87.83	12.17	52.39	47.61
1975	58.84	41.16	84.96	15.04	53.87	46.13
1980/81	64.11	35.89	68.74	31.26	53.47	46.53
1984/85	52.30	47.70	60.42	39.58	51.38	48.62
1989/90	41.42	58.58	54.88	45.12	48.89	51.11
1994/95	42.75	57.25	59.41	40.59	47.43	52.57
1999/2000	32.20	67.80	32.89	67.11	42.11	57.89

Source: Calculated from *Main Changes in the National Economy*, Ministry of Planning, 2000.

**Figure (5-1) Percentage Shares of Public and Private Sectors in GDP
(1969/1970-1999/2000)**



Increased reliance on the private sector has the advantage of relieving the government from undertaking activities which the private sector can do better. This would release (1) government managerial and financial resources to better design policies, regulate markets, protect consumers and workers and deliver basic social services.

Since the launching of the privatization program in 1991, few companies were totally sold to the private sector. Minority holdings in several SOEs were floated on the stock exchange and shares in other public sector firms were sold to employees on concessional terms. However, after the clear commitment to accelerate privatization by mid-1996, an increasing number of public companies have been majority privatized. Privatization of SOEs in activities such as tourism, manufacturing, real estate and financial intermediaries (banks and insurance companies) has accelerated. The GOE has even invited private participation in utilities (power) and other infrastructure projects.

5-1 Development of Private Participation in Various Activities

Agriculture has deliberately been removed from earlier calculations of private sector participation to national GDP, investment and employment. Traditionally agriculture remained privately owned and its inclusion in the private sector share in various economic magnitudes unduly inflates this share. Table (5-2) illustrates the evolution of the contribution of agriculture to total GDP and employment alongside with the share of private sector in this contribution.

Table (5-2) The Contribution of Agriculture to GDP and Employment and the Private Sector Participation
(Percent)

	Contribution of Agriculture to GDP	Private Sector Participation to Agricultural GDP	Contribution of Agriculture to Employment	Private Sector Participation to Agricultural Employment
1969/70	27.53	98.25	48.29	97.58
1975	29.01	98.60	44.71	97.42
1980/81	22.86	98.54	36.72	97.30
1984/85	17.90	98.07	37.20	97.27
1989/90	19.38	98.73	34.31	97.29
1994/95	16.78	99.47	31.30	98.13
1999/2000	16.65	99.58	28.59	98.25

Source: Calculated from **Main Changes in the National Economy**, Ministry of Planning, 2000.

It appears that the contribution of agriculture has almost regularly declined from over one quarter of GDP in 1969/1970 to 16.7% in 1999/2000. Its contribution to employment has consistently declined from close to one half (48.3%) in 1969/1970 to less than 28.6% in 1999/2000. The private sector participation to both macroeconomic variables has hovered within the range of 97.3% to 99.6% during the period considered. This indicates that agricultural output and employment have predominately originated in the private sector.

However, as shown in Table (A-10) of the Appendix investments in agriculture, particularly during the early part of the period under consideration, were undertaken by the public sector. Land reclamation, dams, canals and drains were an exclusive public sector responsibility. Gradually private sector participation in land reclamation has been encouraged. It exceeded half of the investment in agriculture by 1989/1990 and reached close to two thirds of these investments by 1999/2000.

Consistent increases in private sector participation to GDP, investment and employment have been observed in several other activities, particularly manufacturing, construction, transportation, trade, tourism, housing and other services. Even in activities which have been restricted to public monopolies such as finance and insurance, an increased share of private sector participation has been observed starting 1980/1981 and 1984/1985 successively as shown in Tables (A-10), (A-11) and (A-12). Traditionally, the government has reserved infrastructure activities for itself: electricity, telecommunication, roads and ports. In the power sector, Egypt has recently allowed private sector participation in investments through BOT (build-operate-transfer) schemes, as indicated in Table (A-11) in 1999/2000. The government has also adopted BOT schemes to attract private investment in transportation and in telecommunications. The Suez Canal remained under government monopoly, alongside with social insurance. The petroleum sector is still dominated by the public sector in GDP and employment generation, however, private investments are increasingly implemented, implying a potentially increasing role of the private sector in this domain.

Finally, increased private participation in the provision of social services (health and education) is being observed. Investments in these activities have attained around 30% by 1999/2000, from a modest share of about 7.5% in 1969/1970.

Privatization has been expanded in the past few years to include joint venture banks and public insurance companies. The government is also trying to attract private investment in infrastructure, particularly electricity generation, transportation and telecommunication as well as in social services (health and education).

5-2 Increased Diversification of the Private Sector

Applying the Herfindahl-Hirschman formula to the shares of private and public participation in GDP, investment and employment over the period considered, it appears that the private sector activity has become significantly more diversified, as shown in Table (5-3). The calculated index shows that private participation to investments and employment has become significantly more diversified, as the corresponding index has persistently declined from 0.55 and 0.53 in 1969/1970 to successively 0.19 and 0.26 in 1999/2000. Private sector investment initially concentrated in housing (with a share of 66% of total private investment in 1969/1970) became more diversified by the end of the period, as illustrated by the shares in manufacturing (28%), housing (20%), agriculture (13%), transportation (12%) and tourism (10%) in 1999/2000 as shown in Table (A-2) of the Appendix. Similarly, private sector employment initially concentrated in agriculture (66% in 1969/1970), became more diversified, as the share of private employment in agriculture declined by 1999/2000 to 40% to the benefit of manufacturing (15%), trade, finance and insurance (14%), personal services (13%) and construction (10%) (see Table (A-3)).

**Table (5-3) Herfindahl-Hirschman Index for Public and Private Activities in Egypt
(1969/1970-1999/2000)**

Years	GDP		Investment		Employment	
	Public	Private	Public	Private	Public	Private
1969/70	0.28	0.37	0.21	0.55	0.33	0.53
1975	0.24	0.38	0.24	0.39	0.35	0.50
1980/81	0.17	0.34	0.17	0.33	0.42	0.41
1984/85	0.18	0.24	0.19	0.24	0.43	0.40
1989/90	0.18	0.23	0.18	0.21	0.48	0.35
1994/95	0.17	0.22	0.13	0.21	0.55	0.31
1999/2000	0.20	0.22	0.12	0.19	0.62	0.26

Source: Calculated from the data in **Main Changes in the National Economy**, Ministry of Planning, 2000.

Increased diversification of GDP sources in the private sector has also been observed over the period considered, as indicated by the calculated index which declined from 0.37 in 1969/1970 to 0.22 in 1999/2000. However, it is worth noting that GDP originating in the private sector has never been as concentrated as investment or employment. In 1969/1970, agriculture, trade, personal services, manufacturing and housing were the principal sources of GDP with respective shares 48%, 14%, 12%, 11% and 9% successively. By 1999/2000 these shares changed respectively to 23% in agriculture, 23% in trade, 10% in personal services and 23% in manufacturing implying higher diversification (see Table (A-1) of the Appendix).

Finally, as indicated in Table (5-3) and in Tables (A-1) to (A-3), GDP and investments in the public sector have shown greater diversification (as indicated by the decline in the Hirschman index from 0.28 and 0.21 in 1969/1970 to 0.20 and 0.12 in 1999/2000). Yet, unlike for all other variables and sectors, public employment tended towards higher concentration, as expressed by the increase in the corresponding index from 0.33 in 1969/1970 to 0.62 in 1999/2000 as the share of government employment increased from an initial 43% to 60% by the end of the period considered.

6- Main Findings and Recommendations for the Future

The previous analysis suggests that over the past three decades, (1969/1970-1999/2000) Egypt's economy has shown increased diversification, both horizontally and vertically. Horizontally, by expanding output, investment and employment to new activities, sectors and products. The most important development has been in the increased participation of construction and productive services in generation of GDP and employment opportunities. Although manufacturing has grown, its share of GDP and employment has modestly increased. However, new sub-sectors have gained importance and have expanded relatively to traditional ones: food products and textiles. These new sub-sectors include: chemicals, non-ferrous metals (aluminum), non-metallic products (cement) and transport equipment. Furthermore the array of exported products was enlarged to encompass output of these sub-sectors. Increased participation of productive services was further reflected in the expansion of their participation to exports which currently represent more than 60% of total commodity and services exports. Tourism is becoming the single most important source of foreign exchange earnings, but it has been characterized by great volatility and sensitivity to external and internal shocks.

Vertically, diversification in the textiles sector include development of production and exports of clothing at the expense of yarn and fabrics, petrochemicals, rubber and plastic products at the expense of crude oil both for import substitution and additional exports.

Recent figures also suggest that the role of the private sector in the Egyptian economy has been growing. The private sector contribution to GDP increased, over the period considered, from 67% to over 75% of commodity production while its contribution to GDP in productive services rose from 50% to 78%. Private firms are also increasingly turning away from commodity production to transportation, communication and tourism for investing. Privatization has been expanded in the last few years of the nineties to include joint venture banks and public insurance companies. The government has also increasingly adopted BOT schemes to attract private investment in infrastructure particularly electricity generation.

In spite of the greater role of the private sector in investing, the government and the public sector remain the major employers in the economy. The increasing share of private investment in total investment may be attributed in part to the stabilization program undertaken which caused public investment to decline during the nineties. It may also be attributed to the more business-friendly environment resulting from recent reforms.

However, there are still constraints on the development of the private sector. Government is too large, as government expenditures represent 36% of GDP compared to 21% in fast growing economies. Markets are too protected and dominated by state-owned enterprises (SOEs). The size of SOEs relative to GDP is 33%

compared to the world average for developing economies of 11%¹². Transaction costs of making business are high and deter investments. Policy uncertainty and changing rules without prior notice or clear rationale are further institutional constraints to development and diversification of investments.

To promote rapid growth and private sector participation, reducing the size of government is necessary. Increasing competition and reducing the size of SOE sector through privatization are required to enhance efficiency. Also required are the reduction of transactions costs and uncertainty. Tax administration and labour regulations have to be revised and streamlined. Investment procedures and more generally transactions with government institutions have to be simplified and reduced.

In addition to the traditional economic functions of the government of securing stability, regulation and provision of public goods and services, controlling public monopolies and ensuring redistribution, the government has to design an industrial and technology policy to promote catching up with the requirements of globalization and modernization. It also has to upgrade the performance of markets through assuring availability and dissemination of information, effectively regulating the markets and taking measures to contain and alleviate the effect of external shocks on the domestic economy.

Improving the legal and judiciary systems and the performance of government bureaucracy is also warranted. Moreover, the GOE needs to secure and maintain a transparent economic environment. It also has to remove bureaucratic interventions and procedural rigidities by promulgating competition laws, by reformulating labour laws to introduce more flexibility in hiring and firing procedures and by modernizing tax legislation and revising tax structure and level.

Two global developments require major shifts in government policies and ways of intervention: globalization under WTO/GATT and other regional agreements and liberalization under ERSAP. Both developments warrant the reduction of the role of government in direct implementation of investment and provision of goods and services and more subtle interference in enhancing market mechanisms and complementing and supporting its function in allocating resources. The role of the government in supporting infrastructure, including protecting property rights, in ensuring human development – by overcoming shortcomings in the education and training systems and in health services provision – and a business environment conducive to attracting investments both domestic and foreign, in securing long run stability and in enhancing the competitive position of firms and investors cannot be overemphasized. Overcoming structural weaknesses in the area of knowledge and technology is of utmost importance¹³.

Egypt's economy has been traditionally highly protected, the GOE has supported activities, and firms that are not necessarily the most viable. Support has been given to various entities based on their past performance. But past performance under high protection is not necessarily a good indication of future performance in a liberalized environment. The **structure of incentives** has to be revised to support activities and firms according to their contribution to a set of criteria related to desired targets such as: growth, exports and employment generation in the new environment. Efficiency has to be encouraged in a competitive environment and a sound macro economic framework. Easy access to skilled labour, appropriate technology, finance, quality telecommunication and transport services at world prices, reliable infrastructure and transparent and supporting institutional framework are all required to achieve sustainable development and economic diversification.

¹² World Bank: **World Tables**, Oxford University Press, New York, 1995.

¹³ **ERF Indicators : Economic Trends In the MENA Rgion**, Economic Research Forum for the Arab Countries, Iran and Turkey, 2000.

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Statistical Appendix

Table (A-1) Percentage Shares of Various Activities in GDP Generation in the Public and Private Sectors and in the National Economy (1969/70 - 1999/2000)

Activities	1969/70			1975			1980/81			1984/85			1989/90			1994/95			1999/2000		
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	1.10	48.25	27.53	0.96	49.46	29.01	0.67	44.86	22.86	0.80	30.96	17.90	0.73	28.83	19.38	0.25	25.94	16.78	0.26	22.68	16.65
Manufacturing & Mining	27.63	11.06	18.35	27.90	9.98	17.54	17.26	9.71	13.47	19.83	10.92	14.78	23.44	14.89	17.77	19.43	16.35	17.45	11.10	22.53	19.46
Petroleum	4.19	0.76	2.27	2.79	3.06	2.94	19.99	8.32	14.13	18.24	3.79	10.05	10.03	1.34	4.27	18.43	2.08	7.92	21.75	1.19	6.72
Electricity	3.39	0.00	1.49	3.24	0.00	1.37	1.40	0.00	0.70	2.05	0.00	0.89	3.35	0.00	1.13	5.50	0.00	1.96	5.76	0.00	1.55
Construction	2.47	2.25	2.35	6.25	3.73	4.79	7.23	2.34	4.78	4.56	5.80	5.26	4.73	5.92	5.52	3.61	5.73	4.97	5.00	6.07	5.78
Commodity Production	38.79	62.33	51.98	41.14	66.23	55.65	46.55	65.23	55.93	45.48	51.47	48.88	42.29	50.98	48.06	47.23	50.11	49.08	43.87	52.48	50.16
Transportation	9.64	0.76	4.66	9.37	0.67	4.34	8.09	3.24	5.66	9.28	4.85	6.77	10.43	4.87	6.74	8.46	6.02	6.89	4.38	7.78	6.86
Suez Canal	-0.07	0.00	-0.03	1.82	0.00	0.77	7.54	0.00	3.76	4.23	0.00	1.83	5.23	0.00	1.76	9.59	0.00	3.42	7.63	0.00	2.05
Trade	6.60	14.01	10.76	7.26	15.92	12.27	5.26	17.99	11.66	7.35	23.53	16.53	7.10	23.84	18.21	3.48	24.65	17.10	2.60	22.89	17.43
Finance	3.70	0.00	1.63	6.33	0.00	2.67	6.75	0.23	3.48	7.35	1.59	4.09	7.90	1.56	3.69	7.03	1.73	3.62	11.00	1.96	4.40
Insurance	0.75	0.00	0.33	0.76	0.00	0.32	0.52	0.00	0.26	0.17	0.03	0.09	0.11	0.04	0.06	0.11	0.04	0.06	0.18	0.05	0.09
Tourism	0.84	2.21	1.61	1.19	2.52	1.96	0.59	2.19	1.39	0.47	1.44	1.02	0.86	2.77	2.13	0.52	2.03	1.49	0.10	1.92	1.43
Productive Services	21.45	16.99	18.95	26.73	19.11	22.32	28.76	23.65	26.20	28.84	31.45	30.32	31.63	33.09	32.60	29.19	34.47	32.59	25.89	34.61	32.26
Housing	3.30	9.08	6.54	1.56	5.99	4.12	0.83	3.19	2.02	0.56	5.16	3.17	0.39	3.05	2.15	0.22	2.68	1.81	0.26	2.52	1.91
Utilities	1.05	0.00	0.46	0.87	0.00	0.37	0.35	0.00	0.17	0.71	0.00	0.31	0.88	0.00	0.30	1.01	0.00	0.36	1.55	0.00	0.42
Social Insurance	0.17	0.00	0.07	0.24	0.00	0.10	0.19	0.00	0.09	0.22	0.00	0.10	0.22	0.00	0.07	0.18	0.00	0.06	0.28	0.00	0.08
Other services	35.23	11.61	21.99	29.46	8.67	17.44	23.32	7.93	15.59	24.19	11.92	17.23	24.59	12.88	16.82	22.17	12.74	16.10	28.15	10.40	15.17
Social Services	39.76	20.68	29.07	32.14	14.66	22.03	24.69	11.12	17.88	25.68	17.08	20.80	26.08	15.93	19.34	23.58	15.42	18.33	30.24	12.91	17.58
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Ministry of Planning (2000), Main Changes in the National Economy

Table (A-2) Percentage Shares of Various Activities in Investment by Destination in the Public and Private Sectors and in the National Economy (1969/70 - 1999/2000)

Activities	1969/70			1975			1980/81			1984/85			1989/90			1994/95			1999/2000		
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	18.49	7.01	17.24	8.07	3.25	7.38	7.25	6.25	6.94	5.41	5.70	5.98	7.26	6.56	8.62	14.82	12.89	13.53			
Manufacturing & Mining	28.11	8.31	25.96	22.75	20.10	22.37	23.05	26.58	24.15	22.33	22.65	22.46	21.90	22.53	22.19	28.57	18.36	20.82			
Petroleum	9.72	0.00	8.66	3.63	44.42	9.51	4.12	27.49	11.37	5.82	26.35	13.92	4.15	24.83	13.55	15.60	8.00	1.54			
Electricity	8.61	0.00	7.68	4.86	0.00	4.16	12.54	1.21	9.03	15.89	0.17	9.69	18.02	0.00	9.83	13.39	0.00	7.91			
Construction	0.76	2.60	0.96	2.71	0.49	2.39	4.46	1.21	3.45	1.77	1.24	1.56	1.59	1.98	1.77	1.81	1.59	2.37			
Commodity Production	65.68	17.92	60.51	42.02	68.26	45.79	51.42	62.74	54.93	51.70	55.82	53.32	51.64	56.60	53.89	55.38	44.48	36.75			
Transportation & Suez Canal	21.17	11.17	20.08	34.42	3.09	29.91	25.42	3.07	18.49	26.62	8.04	19.29	23.44	8.56	16.67	23.24	9.02	17.42			
Trade, Finance & Insurance	0.88	2.08	1.01	1.34	0.54	1.22	3.09	0.24	2.20	1.90	3.10	2.38	1.71	4.38	2.92	3.79	2.92	2.57			
Tourism	1.07	1.82	1.15	1.29	0.81	1.22	1.58	1.40	1.53	0.45	6.68	2.91	0.80	7.12	3.67	7.15	3.28	0.98			
Productive Services	23.12	15.06	22.25	37.05	4.44	32.36	30.09	4.71	22.22	28.97	17.81	24.57	25.95	20.06	23.27	26.15	19.96	23.61			
Housing	3.63	64.94	10.27	11.72	26.06	13.79	3.39	32.32	12.37	2.70	24.20	11.18	1.37	21.61	10.57	1.07	21.85	9.58			
Utilities	3.44	0.00	3.07	4.20	0.00	3.60	8.17	0.00	5.63	10.29	0.00	6.23	11.58	0.00	6.32	16.56	0.00	9.78			
Social insurance	0.38	0.00	0.34	0.18	0.00	0.16	0.14	0.00	0.09	0.11	0.00	0.07	0.05	0.00	0.03	0.00	0.06	0.00			
Health services	0.79	0.52	0.76	1.20	0.33	1.08	1.41	0.05	0.98	1.50	0.86	1.25	2.55	0.60	1.66	3.76	0.87	2.58			
Education services	1.92	1.30	1.86	2.62	0.65	2.34	2.60	0.12	1.83	2.30	0.72	1.67	3.54	0.45	2.13	7.28	0.97	4.70			
Other services	1.04	0.26	0.96	1.00	0.27	0.90	2.79	0.05	1.94	2.43	0.60	1.71	3.32	0.69	2.12	8.16	0.98	5.22			
Social Services	11.20	67.01	17.24	20.93	27.30	21.85	18.49	32.55	22.85	19.33	26.37	22.11	22.41	23.34	22.83	36.93	24.66	31.91			
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Ministry of Planning (2000), Main Changes in the National Economy

Table (A-3) Percentage Shares of Various Activities in Employment Generation in the Public and Private Sectors and in the National Economy (1969/70 - 1999/2000)

Activities	1969/70			1975			1980/81			1984/85			1989/90			1994/95			1999/2000		
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	4.14	65.68	48.29	3.74	63.07	44.71	2.85	54.82	36.72	3.05	54.24	37.20	2.81	49.85	34.31	1.75	45.96	31.30	1.63	40.46	28.59
Manufacturing & Mining	27.93	5.62	11.92	26.60	5.84	12.26	23.27	6.74	12.50	21.02	8.48	12.65	17.21	10.40	12.65	15.00	11.62	12.74	10.79	15.18	13.84
Petroleum	0.65	0.00	0.18	0.60	0.01	0.19	0.49	0.01	0.18	0.47	0.11	0.23	0.57	0.10	0.25	0.55	0.12	0.26	0.71	0.09	0.28
Electricity	0.96	0.00	0.27	1.41	0.00	0.44	1.58	0.00	0.55	1.90	0.00	0.63	2.16	0.00	0.71	2.31	0.00	0.77	2.46	0.00	0.75
Construction	3.06	5.24	4.63	3.52	5.29	4.74	3.06	7.18	5.74	3.95	6.05	5.35	3.98	7.02	6.02	3.20	8.58	6.79	2.83	10.13	7.90
Commodity Production	36.74	76.54	65.29	35.86	74.21	62.35	31.25	68.75	55.68	30.39	68.87	56.07	26.73	67.36	53.94	22.81	66.28	51.87	18.43	65.86	51.36
Transportation & Suez Canal	8.33	2.49	4.14	7.83	2.70	4.28	6.18	2.86	4.02	7.56	2.16	3.96	7.82	2.64	4.35	7.08	3.06	4.40	5.56	4.07	4.53
Trade, Finance & Insurance	10.27	9.29	9.56	9.26	10.69	10.24	7.94	11.94	10.55	6.25	12.44	10.38	4.40	13.09	10.22	3.15	14.05	10.44	3.42	14.09	10.83
Tourism	0.65	0.47	0.52	0.47	0.70	0.63	0.30	1.06	0.79	0.27	1.39	1.02	0.15	1.56	1.10	0.13	1.30	0.91	0.08	1.20	0.86
Productive Services	19.25	12.24	14.22	17.56	14.09	15.16	14.43	15.86	15.36	14.09	15.99	15.36	12.37	17.30	15.67	10.36	18.42	15.75	9.06	19.36	16.22
Housing	0.63	2.02	1.63	0.57	1.94	1.51	0.46	1.98	1.45	0.53	2.11	1.58	0.52	2.01	1.52	0.57	1.85	1.42	0.62	1.64	1.32
Utilities, Social Insurance & Government services	43.39	0.00	12.26	46.01	0.00	14.23	53.86	0.00	18.76	54.98	0.00	18.30	60.38	0.00	19.95	66.26	0.00	21.98	71.89	0.00	21.97
Personal services	0.00	9.19	6.60	0.00	9.76	6.74	0.00	13.41	8.74	0.00	13.03	8.69	0.00	13.33	8.92	0.00	13.45	8.99	0.00	13.14	9.13
Social Services	44.02	11.21	20.48	46.58	11.70	22.49	54.33	15.39	28.96	55.52	15.13	28.57	60.90	15.34	30.39	66.83	15.30	32.39	72.51	14.78	32.43
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Ministry of Planning (2000), Main Changes in the National Economy

Table (A-4) Unit Labor Cost in Various Activities in Selected Years (1969/70 - 1999/2000)

Activities	1969/70			1975			1980/81			1984/85			1989/90			1994/95			1999/2000		
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	0.42	0.20	0.20	0.48	0.16	0.17	0.34	0.25	0.25	0.26	0.21	0.21	0.13	0.11	0.11	0.29	0.09	0.09	0.28	0.09	0.09
Manufacturing & Mining	0.12	0.10	0.12	0.10	0.09	0.10	0.15	0.12	0.14	0.21	0.10	0.16	0.14	0.11	0.13	0.11	0.10	0.11	0.17	0.11	0.12
Petroleum	0.09	0.08	0.08	0.04	0.02	0.04	0.03	0.01	0.02	0.03	0.10	0.04	0.03	0.16	0.05	0.01	0.07	0.02	0.02	0.13	0.03
Electricity	0.10	0.10	0.10	0.18	0.18	0.18	0.29	0.29	0.29	0.28	0.28	0.28	0.18	0.18	0.18	0.14	0.14	0.14	0.18	0.18	0.18
Construction	0.31	0.58	0.45	0.16	0.31	0.23	0.12	0.47	0.21	0.21	0.10	0.15	0.15	0.16	0.15	0.15	0.21	0.19	0.11	0.23	0.19
Commodity Production	0.14	0.18	0.16	0.11	0.14	0.13	0.12	0.20	0.16	0.17	0.15	0.16	0.13	0.12	0.12	0.09	0.11	0.10	0.10	0.12	0.11
Transportation	0.22	1.60	0.36	0.25	0.25	0.24	0.12	0.28	0.17	0.30	0.13	0.23	0.20	0.16	0.18	0.18	0.18	0.18			
Suez Canal	2.95	2.95	2.95	0.24	0.24	0.24	0.05	0.05	0.05	0.09	0.09	0.09	0.06	0.06	0.06	0.03	0.03	0.03			
Transportation & Suez Canal	0.25	1.60	0.38	0.24	1.76	0.38	0.10	0.28	0.13	0.25	0.13	0.21	0.17	0.16	0.16	0.11	0.18	0.14	0.19	0.18	0.18
Trade	0.21	0.17	0.18	0.17	0.19	0.19	0.09	0.16	0.15	0.35	0.22	0.24	0.19	0.16	0.16	0.19	0.17	0.17			
Finance	0.69	0.69	0.69	0.39	0.39	0.39	0.15	0.15	0.15	0.11	0.02	0.09	0.11	0.04	0.09	0.10	0.07	0.09			
Insurance	0.80	0.80	0.80	0.67	0.67	0.67	0.58	0.58	0.58	0.38	0.10	0.32	0.36	0.14	0.32	0.50	0.11	0.35			
Trade, Finance & Insurance	0.36	0.17	0.23	0.26	0.19	0.22	0.13	0.16	0.15	0.25	0.21	0.22	0.16	0.15	0.15	0.15	0.16	0.16	0.16	0.19	0.18
Tourism	0.19	0.11	0.13	0.16	0.13	0.14	0.21	0.21	0.21	0.17	0.23	0.22	0.09	0.09	0.09	0.12	0.10	0.10	0.41	0.10	0.11
Productive Services	0.30	0.23	0.26	0.25	0.24	0.24	0.12	0.18	0.15	0.25	0.20	0.22	0.16	0.15	0.15	0.13	0.16	0.15	0.18	0.18	0.18
Housing	0.03	0.06	0.06	0.05	0.06	0.06	0.08	0.15	0.14	0.10	0.06	0.07	0.13	0.06	0.07	0.03	0.06	0.05	0.21	0.06	0.06
Utilities	0.41	0.41	0.41	0.47	0.47	0.47	0.48	0.48	0.48	0.68	0.68	0.68	0.64	0.64	0.64	3.17	3.17	3.17			
Social insurance	1.15	1.15	1.15	0.71	0.71	0.71	0.46	0.46	0.46	0.79	0.79	0.79	0.85	0.85	0.85	0.01	0.01	0.01			
Utilities & Social insurance	0.49	0.49	0.49	0.53	0.53	0.53	0.47	0.47	0.47	0.71	0.71	0.71	0.68	0.68	0.68	0.03	0.03	0.03			
Other services		0.49	0.12		0.58	0.12		0.61	0.11		0.31	0.12		0.21	0.11		0.19	0.19		0.24	0.24
Social Services	0.02	0.32	0.12	0.02	0.40	0.12	0.01	0.49	0.12	0.02	0.25	0.12	0.03	0.19	0.12	0.03	0.17	0.10	0.21	0.21	0.21
Total	0.13	0.21	0.17	0.11	0.19	0.15	0.09	0.22	0.15	0.15	0.18	0.17	0.12	0.14	0.13	0.08	0.13	0.11	0.12	0.15	0.14

Source: Ministry of Planning (2000), Main Changes in National Economy

Table (A-5) Revealed Comparative Advantage for Various Egyptian Exports (1980)

	SITC	Description	RCA 1980
		(RCA = 0.76 - 1.00)	
1	892	Printed matter	1.00
2	841	Men's Or Boy's Coats, Jackets Etc, Text, Not Knit	1.00
3	684	Aluminum	1.00
4	657	Special textile fabrics and related products	1.00
5	652	Cotton fabrics, woven	1.00
6	651	Textile yarn	0.83
7	611	Leather	1.00
8	553	Perfumery, cosmetic and toilet preparations	1.00
9	551	Essential oils, perfume and flavour materials	1.00
10	332	Petroleum products	1.00
11	331	Crude petroleum, etc	1.00
12	292	Crude vegetable materials, n.e.s.	1.00
13	267	Manmade Fibers Nes For Spinning; Manmd Fiber Waste	1.00
14	266	Synthetic fibers suitable for spinning	1.00
15	263	Cotton	1.00
16	262	Wood and animal hair	1.00
17	221	Oil seeds, nuts kernels	1.00
18	112	Alcoholic beverages	1.00
19	075	Spices	1.00
20	056	Vegetables, roots and tubers, prepared or preserved	1.00
21	054	Vegetables, fresh, chilled, frozen or simply preserved	1.00
22	042	Rice	1.00
		(RCA = 0.51 - 0.75)	
1	001	Live animals chiefly for food	0.71
		(RCA = 0.26 - 0.50)	
1	051	Fruit fresh, nuts fresh & dry	0.30
2	656	Tulles, lace, embroidery, ribbons, trimmings, etc.	0.25
		(RCA = -1.00 - 0.26)	
1	674	Universals, plates and sheets, of iron or steel	-0.41
2	053	fruits preserved, prepared	-0.43
3	061	Sugar and honey	-0.74
28		Total	

Source: UN, *International Trade Statistics Yearbook*, several issues

Table (A-5) (Continued) Revealed Comparative Advantage for Various Egyptian Exports (1990)

SITC	Description	RCA 1990
(RCA = 0.76 - 1.00)		
1 893	Articles, n.e.s., of materials of division 58	1.00
2 851	Footwear	1.00
3 846	Under garments, knitted or crocheted	1.00
4 845	Outer garments, other articles, knitted/crocheted	1.00
5 844	Under garments, textile fab. (not knitted/crocheted)	1.00
6 843	Outer garments, women's, and girls' of textile fab.	1.00
7 842	Outer garments, men's and boys' of textile fabrics	1.00
8 821	Furniture and parts thereof	1.00
9 812	Sanitary, plumbing, heating and lighting fixtures	1.00
10 77	Electric machinery nes etc	1.00
11 697	Household equipment of base metal, n.e.s.	1.00
12 696	Cutlery	1.00
13 693	Wire products (excl. insulated electrical wiring), fencing grills	1.00
14 684	Aluminum	0.86
15 677	Iron or steel wire (excl. wire rod) not insulated	1.00
16 665	Glassware	1.00
17 659	Floor coverings, etc.	1.00
18 658	Made-up articles, wholly or chiefly of textile mat.	1.00
19 652	Cotton fabrics, woven	0.86
20 61	Leather, dressed fur, etc	1.00
21 554	Soap, cleansing and polishing preparations	1.00
22 553	Perfumery, cosmetic and toilet preparations	1.00
23 551	Essential oils, perfume and flavour materials	1.00
24 53	Dyes, tanning, colour products	1.00
25 52	Inorganic chemicals	1.00
26 51	Organic chemicals	1.00
27 341	Gas, natural and manufactured	1.00
28 335	Residual petroleum products, n.e.s.	1.00
29 334	Petroleum products, refined	1.00
30 333	Petroleum oils, crude, also from bituminous minerals	1.00
31 292	Crude vegetable materials, n.e.s.	1.00
32 27	Crude fertilizers and crude minerals	1.00
33 07	Coffee, tea, cocoa, spices, and manufactures thereof	1.00
34 062	Sugar confectionery (except chocolate), other sugar prep.	1.00
35 057	Fruit and nuts (not oil nuts) fresh or dried	1.00
36 056	Vegetables, roots and tubers, prepared or preserved	1.00
37 042	Rice	1.00
(RCA = 0.51 - 0.75)		
1 263	Cotton	0.54
2 651	Textile yarn	0.52
(RCA = -0.25 - 0.00)		
1 054	Vegetables, fresh, chilled, frozen or simply preserved	-0.03
(RCA = -1.00 - 0.26)		
1 892	Printed matter	-0.32
2 671	Pig iron, spiegeleisen, sponge iron, ferro-alloys	-0.33
3 098	Edible products and preparations, n.e.s.	-0.55
4 034	Fish, fresh (live or dead), chilled, dried or frozen	-0.62
5 682	Copper	-0.62
6 222	Oil seeds and oleaginous fruit, whole or broken, for soft oils	-0.63
7 598	Miscellaneous chemical products, n.e.s.	-0.75
8 562	Fertilizers, manufactured	-0.75
9 678	Tubes, pipes and fittings, of iron or steel	-0.76
10 699	Manufactures of base metal, n.e.s.	-0.79
11 323	Briquettes; coke and semi-coke of coal, etc.	-0.80
12 541	Medicinal and pharmaceutical products	-0.84
13 674	Universals, plates and sheets, of iron or steel	-0.86
14 672	Ingots and other primary forms of iron or steel	-0.91
15 673	Iron and steel bars, rods, angles, shapes, sections	-0.92
16 011	Meat and edible meat offals, fresh, chilled or frozen	-0.92
17 001	Live animals chiefly for food	-0.93
18 061	Sugar and honey	-0.95
19 081	Feeding stuff for animals (excl. unmilled cereals)	-0.96

Source: UN, International Trade Statistics Yearbook, several issues

Table (A-5) (Continued) Revealed Comparative Advantage for Various Egyptian Exports (1995)

SITC	Description	RCA 1995
(RCA = 0.76 - 1.00)		
1 892	Printed matter	1.00
2 851	Footwear	1.00
3 846	Under garments, knitted or crocheted	1.00
4 845	Outer garments, other articles, knitted/crocheted	1.00
5 844	Under garments, textile fab. (not knitted/crocheted)	1.00
6 843	Outer garments, women's, and girls' of textile fab.	1.00
7 842	Outer garments, men's and boys' of textile fabrics	1.00
8 821	Furniture and parts thereof	1.00
9 812	Sanitary, plumbing, heating and lighting fixtures	1.00
10 697	Household equipment of base metal, n.e.s.	1.00
11 696	Cutlery	1.00
12 677	Iron or steel wire (excl. wire rod) not insulated	1.00
13 665	Glassware	1.00
14 659	Floor coverings, etc.	1.00
15 658	Made-up articles, wholly or chiefly of textile mat.	1.00
16 61	Leather, dressed fur, etc	1.00
17 554	Soap, cleansing and polishing preparations	1.00
18 553	Perfumery, cosmetic and toilet preparations	1.00
19 551	Essential oils, perfume and flavour materials	1.00
20 522	Inorganic chemical elements, oxides and halogen salts	1.00
21 335	Residual petroleum products, n.e.s.	1.00
22 333	Petroleum oils, crude, also from bituminous minerals	1.00
23 323	Briquettes; coke and semi-coke of coal, etc.	1.00
24 292	Crude vegetable materials, n.e.s.	1.00
25 273	Stone, sand and gravel	1.00
26 062	Sugar confectionery (except chocolate), other sugar prep.	1.00
27 056	Vegetables, roots and tubers, prepared or preserved	1.00
28 042	Rice	1.00
29 334	Petroleum products, refined	0.89
(RCA = 0.51 - 0.75)		
1 684	Aluminum	0.74
2 263	Cotton	0.61
3 562	Fertilizers, manufactured	0.54
(RCA = 0.26 - 0.50)		
1 652	Cotton fabrics, woven	0.49
2 651	Textile yarn	0.30
(RCA = 0.00 - 0.25)		
1 68	Non-ferrous metals	0.13
2 054	Vegetables, fresh, chilled, frozen or simply preserved	0.10
(RCA = -0.25 - 0.00)		
1 057	Fruit and nuts (not oil nuts) fresh or dried	-0.08
2 55	Essential oils and perfume materials; toilet, polishing and clean	-0.23
(RCA = -1.00 - 0.26)		
1 27	Crude fertilizers and crude minerals	-0.37
2 671	Pig iron, spiegeleisen, sponge iron, ferro-alloys	-0.44
3 893	Articles, n.e.s., of materials of division 58	-0.48
4 098	Edible products and preparations, n.e.s.	-0.52
5 673	Iron and steel bars, rods, angles, shapes, sections	-0.57
6 52	Inorganic chemicals	-0.61
7 541	Medicinal and pharmaceutical products	-0.73
8 693	Wire products (excl. insulated electrical wiring), fencing grills	-0.74
9 598	Miscellaneous chemical products, n.e.s.	-0.75
10 222	Oil seeds and oleaginous fruit, whole or broken, for soft oils	-0.78
11 523	Other inorganic chemicals; org. and inorg. compounds	-0.79
12 699	Manufactures of base metal, n.e.s.	-0.80
13 672	Ingots and other primary forms of iron or steel	-0.85
14 081	Feeding stuff for animals (excl. unmilled cereals)	-0.86
15 07	Coffee, tea, cocoa, spices, and manufactures thereof	-0.87
16 678	Tubes, pipes and fittings, of iron or steel	-0.91
17 674	Universals, plates and sheets, of iron or steel	-0.92
18 51	Organic chemicals	-0.94
19 061	Sugar and honey	-0.95
20 77	Electric machinery nes etc	-0.96
21 011	Meat and edible meat offals, fresh, chilled or frozen	-0.97
22 001	Live animals chiefly for food	-0.99

Source: UN, International Trade Statistics Yearbook, several issues

Table (A-5) (Continued) Revealed Comparative Advantage for Various Egyptian Exports (1997)

	SITC	Description	RCA 1997
		(RCA = 0.76 - 1.00)	
1	895	Office supplies nes	1.00
2	892	Printed matter	1.00
3	851	Footwear	1.00
4	846	Under garments, knitted or crocheted	1.00
5	845	Outer garments, other articles, knitted/crocheted	1.00
6	844	Under garments, textile fab. (not knitted/crocheted)	1.00
7	843	Outer garments, women's, and girls' of textile fab.	1.00
8	842	Outer garments, men's and boys' of textile fabrics	1.00
9	821	Furniture and parts thereof	1.00
10	812	Sanitary, plumbing, heating and lighting fixtures	1.00
11	697	Household equipment of base metal, n.e.s.	1.00
12	696	Cutlery	1.00
13	677	Iron or steel wire (excl. wire rod) not insulated	1.00
14	665	Glassware	1.00
15	659	Floor coverings, etc.	1.00
16	658	Made-up articles, wholly or chiefly of textile mat.	1.00
17	611	Leather	1.00
18	562	Fertilizers, manufactured	1.00
19	554	Soap, cleansing and polishing preparations	1.00
20	553	Perfumery, cosmetic and toilet preparations	1.00
21	522	Inorganic chemical elements, oxides and halogen salts	1.00
22	51	Organic chemicals	1.00
23	335	Residual petroleum products, n.e.s.	1.00
24	333	Petroleum oils, crude, also from bituminous minerals	1.00
25	323	Briquettes; coke and semi-coke of coal, etc.	1.00
26	292	Crude vegetable materials, n.e.s.	1.00
27	273	Stone, sand and gravel	1.00
28	07	Coffee, tea, cocoa, spices, and manufactures thereof	1.00
29	06	Sugar and preps, honey	1.00
30	056	Vegetables, roots and tubers, prepared or preserved	1.00
31	042	Rice	1.00
32	334	Petroleum products, refined	0.86
33	263	Cotton	0.85
		(RCA = 0.51 - 0.75)	
1	684	Aluminum	0.69
2	652	Cotton fabrics, woven	0.52
		(RCA = 0.26 - 0.50)	
1	662	Clay construction materials; refractory materials	0.31
		(RCA = 0.00 - 0.25)	
1	651	Textile yarn	0.18
		(RCA = -0.25 - 0.00)	
1	054	Vegetables, fresh, chilled, frozen or simply preserved	-0.15
2	893	Articles, n.e.s., of materials of division 58	-0.17
3	057	Fruit and nuts (not oil nuts) fresh or dried	-0.20
		(RCA = -1.00 - 0.26)	
1	671	Pig iron, spiegeleisen, sponge iron, ferro-alloys	-0.37
2	598	Miscellaneous chemical products, n.e.s.	-0.61
3	673	Iron and steel bars, rods, angles, shapes, sections	-0.63
4	541	Medicinal and pharmaceutical products	-0.70
5	523	Other inorganic chemicals; org. and inorg. compounds	-0.72
6	784	Parts and accessories, n.e.s. of the motor vehicles	-0.72
7	672	Ingots and other primary forms of iron or steel	-0.87
8	699	Manufactures of base metal, n.e.s.	-0.88
9	678	Tubes, pipes and fittings, of iron or steel	-0.89
10	674	Universals, plates and sheets, of iron or steel	-0.92

Source: UN, International Trade Statistics Yearbook, several issues

Table (A-6a) Percentage Shares of Value Added, Fixed Capital Formation, Employment, and Exports of the Manufacturing Sub-Sectors in Total Manufacturing in Egypt in Selected Years (2-digit level of aggregation)

Code	Activities	Net Value Added				Gross Fixed Capital Formation				Employment				Exports			
		1980	1985	1990	1995	1980	1985	1995	1995	1980	1985	1990	1995	1985	1990	1995	1995
31	Food & Beverages	19.39	20.91	18.82	16.85	13.02	7.25	13.11	19.07	20.25	22.29	18.72	7.09	6.01	6.84		
	Textiles, Wearing Apparel &																
32	Leather Industries	30.31	18.15	15.49	11.03	21.04	14.23	25.47	36.79	31.19	28.52	29.80	55.90	42.82	36.92		
33	Wood & Furniture	0.88	1.44	0.50	0.67	1.12	-0.16	0.17	1.28	1.44	1.33	1.55	0.19	2.64	0.66		
34	Paper & Printing	4.62	5.93	2.67	4.93	4.20	5.22	12.26	3.84	5.56	3.49	3.04	2.41	0.96	0.85		
35	Chemicals	17.10	17.94	34.96	29.35	21.39	13.95	29.53	12.38	14.78	13.06	13.72	5.87	23.98	33.73		
36	Non-Metallic Mineral	5.78	6.72	7.24	9.60	13.43	42.69	16.50	6.16	6.15	6.88	7.91	0.14	0.85	1.75		
37	Basic Metal Industries	8.62	12.67	8.16	7.58	11.24	9.41	-2.65	8.30	7.82	6.68	6.76	26.46	18.28	15.59		
	Fabricated Metal Products,																
38	Machinery & Equipment	13.22	16.05	12.03	19.84	14.46	7.37	5.65	12.08	12.64	17.60	18.07	1.84	4.35	3.42		
39	Other Manufacturing Industries	0.08	0.19	0.14	0.15	0.11	0.04	-0.04	0.09	0.16	0.14	0.42	0.10	0.10	0.24		
	Total manufacturing	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: UNIDO, Supply & Demand Database, UNIDO, Industrial Statistics Yearbook, 1984 and UNIDO, International Yearbook of Industrial Statistics, 2001

Table (A-6b) Percentage Shares of Value Added, Fixed Capital Formation, Employment, and Exports of the Manufacturing Sub-Sectors in Total Manufacturing in Egypt in Selected Years (3-digit level of aggregation)

Code	Activities	Net Value Added			Gross Fixed Capital Formation			Employment			Exports		
		1980	1985	1990	1980	1985	1990	1980	1985	1990	1985	1990	1995
311/312	Food products	17.43	14.14	15.83	13.31	7.56	12.13	16.01	16.16	18.97	16.08	4.80	5.70
313	Beverages	0.79	2.37	0.77	1.45	1.87	-0.11	1.25	2.30	1.70	1.07	0.77	0.24
314	Tobacco	1.17	4.40	2.23	2.09	3.59	1.09	1.82	1.79	1.63	1.57	1.52	0.07
321	Textiles	28.59	17.11	14.12	7.52	20.05	11.68	35.02	29.12	25.02	25.13	51.72	33.21
322	Wearing apparel, except footwear	0.33	0.50	0.88	3.21	0.09	7.51	0.55	0.89	2.31	3.72	3.68	8.56
323	Leather & fur products	0.15	0.23	0.11	0.05	0.48	0.06	0.39	0.36	0.30	0.30	0.19	0.05
324	Footwear, except rubber or plastic	1.25	0.32	0.37	0.25	0.42	6.21	0.83	0.83	0.89	0.65	0.31	1.01
331	Wood products, except furniture	0.50	0.80	0.28	0.26	0.83	-0.03	0.82	0.89	0.79	0.53	0.07	0.07
332	Furniture & fixtures, excl. metal	0.38	0.64	0.22	0.41	0.29	0.20	0.46	0.55	0.54	1.01	0.12	2.57
341	Paper & products	2.40	2.54	1.40	3.79	4.39	11.43	1.52	3.02	2.16	2.04	0.05	0.32
342	Printing & publishing	2.22	3.39	1.27	1.13	-0.19	1.67	2.32	2.53	1.33	1.01	2.36	0.64
351	Industrial chemicals	3.90	4.87	5.64	5.56	5.78	3.68	4.23	5.69	4.72	3.90	1.79	2.92
352	Other chemicals	4.92	6.88	8.11	7.37	5.04	8.48	4.21	4.64	4.67	5.27	2.97	4.31
353	Petroleum refineries	2.25	1.97	19.27	12.58	7.71	15.48	1.26	1.29	1.60	1.50	0.00	15.72
354	Misc. petroleum & coal products	3.44	2.60	0.60	0.85	0.44	0.47	0.73	0.70	0.11	0.64	1.04	0.73
355	Rubber products	0.70	0.93	0.13	0.59	1.21	0.56	0.61	0.65	0.26	0.68	0.01	0.02
356	Plastic products	1.89	0.70	1.21	2.40	1.20	0.86	1.35	1.82	1.70	1.74	0.07	0.28
361	Pottery, china, earthenware	0.34	0.39	1.04	0.45	0.06	0.25	0.33	0.43	0.78	0.44	0.01	0.29
362	Glass & products	0.98	0.73	0.70	0.91	0.73	0.48	1.37	1.33	1.31	1.55	0.05	0.37
369	Other non-metallic mineral products	4.46	5.59	5.51	8.24	12.63	15.77	4.46	4.39	4.79	5.92	0.09	0.18
371	Iron & steel	4.99	3.31	5.23	4.05	9.67	-3.92	5.33	4.98	4.77	4.46	0.40	5.06
372	Non-ferrous metals	3.63	9.37	2.93	3.53	1.57	1.27	2.97	2.84	1.91	2.30	26.06	13.22
381	Fabricated metal products	2.38	3.18	2.41	7.64	2.76	2.69	3.32	3.67	4.62	4.35	0.81	3.03
382	Non-electrical machinery	3.03	2.79	2.37	4.02	1.62	1.04	2.16	2.21	3.68	4.62	0.14	0.40
383	Electrical machinery	3.92	6.06	2.68	4.59	3.33	2.29	2.56	2.53	2.88	3.57	0.47	0.45
384	Transport equipment	3.65	3.57	3.96	3.55	6.74	0.02	3.90	3.67	5.81	4.98	0.02	0.10
385	Professional & scientific equipment	0.24	0.44	0.62	0.03	0.01	-0.38	0.15	0.56	0.61	0.56	0.40	0.37
390	Other manufacturing industries	0.08	0.19	0.14	0.15	0.11	-0.04	0.09	0.16	0.14	0.42	0.10	0.24
	Total manufacturing	100	100	100	100	100	100	100	100	100	100	100	100

Source: UNIDO, Supply & Demand Database, UNIDO, Industrial Statistics Yearbook, 1984 and UNIDO, International Yearbook of Industrial Statistics, 2000

Table (A-7a) Evolution of Manufactured Exports and Shares of Exports to Output in Egypt (1983-1995) 2-digit level of aggregation

Code	Activities	Exports (in US \$ million)													
		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	
31	Food & Beverages	52221	55658	20123	45382	51372	56807	88438	101512	135988	142879	133788	176865	159336	
32	Textiles	296619	333033	159399	361658	605111	581379	741238	724220	705731	590835	602417	892929	860666	
33	Wood & Furniture	1775	3963	544	3629	4568	13760	16256	44722	32509	18516	16703	15937	15451	
34	Paper & Printing	13633	15785	6874	15278	8813	9829	16951	16288	14007	13595	14485	16013	19724	
35	Chemicals	54601	67175	16749	43132	248050	307040	362624	405565	343128	352738	352933	738980	786453	
36	Non-Metallic Mineral	1117	371	413	2459	3365	8991	18861	14390	30936	29770	36134	39304	40903	
37	Basic Metal Industries	106064	149415	75448	137831	181735	316711	326611	309216	226181	347891	290023	309404	363505	
38	Metal Products	26862	21103	5256	17061	18740	26536	54110	73585	95849	89535	73806	92570	79779	
39	Other Manufacturing	765	580	271	989	472	972	1636	1708	4261	3765	3440	4580	5508	
	Total manufacturing	553657	647083	285077	627419	1122226	1322025	1626725	1691206	1588590	1589524	1523729	2286582	2331325	

		Percentage Shares of Exports to Output												
Code	Activities	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
31	Food & Beverages	1.42	1.15	0.38	0.71	0.66	0.68	1.12	1.87	4.15	3.74	3.05	3.69	3.02
32	Textiles	12.18	11.91	5.17	9.52	12.01	9.80	12.63	21.15	31.91	25.02	24.74	30.95	28.34
33	Wood & Furniture	1.18	2.29	0.20	1.79	1.18	6.61	8.43	31.66	32.22	17.30	15.42	9.17	9.84
34	Paper & Printing	2.45	2.71	0.74	1.57	0.81	0.68	1.35	2.56	2.56	2.00	2.38	2.22	2.12
35	Chemicals	2.42	2.79	0.53	1.12	4.92	6.09	4.72	7.61	7.91	7.31	6.24	11.52	11.06
36	Non-Metallic Mineral	0.15	0.04	0.04	0.17	0.16	0.33	1.05	1.17	3.33	2.51	2.90	1.92	2.39
37	Basic Metal Industries	9.18	15.65	4.39	8.22	6.51	13.53	10.59	15.29	17.98	25.37	19.55	22.52	18.02
38	Metal Products	1.07	0.95	0.18	0.50	0.35	0.45	1.19	2.78	4.77	3.72	3.24	2.88	2.21
39	Other Manufacturing	2.66	3.74	0.55	2.12	1.16		2.67	4.28	14.52	14.48	16.36	10.94	16.08
	Total manufacturing	4.10	4.32	1.54	2.88	3.79	4.15	5.03	8.10	10.80	9.47	8.36	10.55	9.76

Source: UNIDO, Supply & Demand Database, 2001

Table (A-7b) Evolution of Manufactured Exports and Shares of Exports to Output in Egypt (1983-1995) 3-digit level of aggregation

Code	Activities	Exports (in US \$ million)												
		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
311/12	Food products	42317	46622	13595	44889	49259	54700	84705	96375	128770	138380	127647	172205	154247
313	Beverages	2183	6020	2194	493	2113	1882	2122	3993	6882	3796	5594	4002	4739
314	Tobacco	7721	3016	4334	0	0	225	1611	1144	336	703	547	658	350
321	Textiles	275447	310006	147487	330057	557213	505723	595020	561842	509844	403495	402452	632848	582623
322	Wearing apparel, except footwear	17570	19973	10502	26085	39823	67281	133572	144759	174171	163311	180643	234236	257689
323	Leather & fur products	1675	1641	532	2571	4178	3684	4801	772	1406	5316	6618	14820	9821
324	Footwear, except rubber or plastic	1927	1413	878	2945	3897	4691	7845	17047	20310	18713	12704	11025	10533
331	Wood products, except furniture	160	265	211	197	488	1624	1067	1177	1883	1181	2444	4892	5716
332	Furniture & fixtures, excl. metal	1615	3698	333	3432	4080	12136	15189	43545	30626	17335	14259	11045	9735
341	Paper & products	739	457	143	1017	2063	3842	2839	5469	5878	5611	6911	4955	10653
342	Printing & publishing	12894	15328	6731	14261	6750	5987	14112	10819	8129	7984	7574	11058	9071
351	Industrial chemicals	12571	35417	5096	10159	15824	19463	41781	49428	80835	102802	57995	93895	120323
352	Other chemicals	38672	30151	8473	22036	28183	45878	76747	72965	85048	58497	50203	61581	77803
353	Petroleum refineries					195418	227928	220509	265807	147975	161916	207934	519842	512568
354	Misc. petroleum & coal products	2121	651	2957	8394	6012	10903	17742	12376	18109	11146	21965	40888	48922
355	Rubber products	122	151	26	1432	361	1036	1406	292	835	4040	2185	4052	6812
356	Plastic products	1115	805	197	1111	2252	1832	4439	4697	10326	14337	12651	18722	20025
361	Pottery, china, earthenware	58	1	15	439	939	396	5942	4947	11874	8024	10470	12199	16026
362	Glass & products	714	241	136	1762	1686	6247	12015	6316	13712	10906	11934	17714	16458
369	Other non-metallic mineral products	345	129	262	258	740	2348	904	3127	5350	10840	13730	9391	8419
371	Iron & steel	10190	16828	1131	11931	19833	47812	61391	85569	64796	151587	149193	139847	161172
372	Non-ferrous metals	95874	132587	74317	125900	161902	268899	265220	223647	161385	196304	140830	169557	202333
381	Fabricated metal products	23476	18746	2306	12640	14886	17457	38133	51213	45484	45691	39648	69283	51827
382	Non-electrical machinery	591	84	410	579	603	2357	7181	6786	15000	13669	9466	8136	8445
383	Electrical machinery	1534	554	1343	2514	2448	4049	5778	7619	23885	19555	8138	6997	9739
384	Transport equipment	26	27	51	5	46	639	1540	1709	5160	3343	2594	3174	3493
385	Professional & scientific equipment	1235	1692	1146	1323	757	2034	1478	6258	6320	7277	13960	4980	6275
390	Other manufacturing industries	765	580	271	989	472	972	1636	1708	4281	3765	3440	4580	5508
	Total manufacturing	553657	647083	285077	627419	1122226	1322025	1626725	1691206	1588590	1589524	1523729	2286582	2331325

Source: UNIDO, Supply & Demand Database, 2001

Table (A-7b) (continued) Evolution of Manufactured Exports and Shares of Exports to Output in Egypt (1983-1995) 3-digit level of aggregation

		Percentage Shares of Exports to Output												
Code	Activities	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
311/12	Food products	1.76	1.50	0.40	1.03	0.90	0.97	1.28	2.06	4.74	4.36	3.51	4.21	3.44
313	Beverages	0.50	1.08	0.38	0.07	0.25	0.19	0.43	1.69	3.24	1.62	2.05	2.09	2.15
314	Tobacco	0.92	0.26	0.35	0.00	0.00	0.01	0.21	0.22	0.09	0.17	0.11	0.13	0.06
321	Textiles	12.57	12.30	5.22	9.50	12.37	9.61	11.03	18.48	26.51	19.90	18.60	25.63	23.57
322	Wearing apparel, except footwear	13.22	15.28	9.25	18.94	15.07	17.84	47.49	56.98	84.48	80.87	84.61	65.61	53.78
323	Leather & fur products	3.93	2.84	1.01	3.60	4.47	3.75	6.64	1.67	4.22	19.44	31.56	51.86	27.38
324	Footwear, except rubber or plastic	2.77	1.61	0.98	2.57	2.20	2.36	6.63	20.16	41.04	17.90	35.23	36.65	21.14
331	Wood products, except furniture	0.25	0.35	0.12	0.22	0.22	0.78	0.93	1.52	4.63	1.81	6.70	5.49	9.90
332	Furniture & fixtures, excl. metal	1.90	3.80	0.33	3.01	2.44		19.50	68.09	50.87	41.55	19.85	13.05	9.81
341	Paper & products	0.28	0.17	0.03	0.24	0.33	0.48	0.40	1.46	1.60	1.50	2.01	1.28	1.55
342	Printing & publishing	4.47	4.92	1.46	2.65	1.44	0.94	2.62	4.16	4.53	2.61	2.87	3.32	3.78
351	Industrial chemicals	2.42	5.63	0.68	0.97	1.27	1.27	2.95	4.46	9.73	14.29	7.88	12.36	13.31
352	Other chemicals	3.70	2.75	0.59	1.32	1.20	2.69	3.56	5.14	8.39	5.83	3.98	4.39	5.07
353	Petroleum refineries						7.79	7.79	11.66	7.08	6.02	6.39	14.54	13.73
354	Misc. petroleum & coal products	0.64	0.16	0.72	1.97	1.28	1.81	4.00	12.98	26.71	16.47	25.93	14.69	15.37
355	Rubber products	0.13		0.02	0.95	0.19	0.40	0.71	1.15	2.00	5.05	2.75	4.58	5.48
356	Plastic products	0.43	0.30	0.05	0.20	0.29	0.19	0.70	1.18	3.50	5.36	5.34	5.97	4.03
361	Pottery, china, earthenware	0.20	0.00	0.03	0.23	0.80	0.13	2.58	3.32	9.42	16.52	23.76	29.28	24.28
362	Glass & products	0.74	0.25	0.14	1.22	0.61	2.19	5.07	4.34	18.40	10.01	10.21	12.52	9.25
369	Other non-metallic mineral products	0.06	0.02	0.03	0.02	0.04	0.11	0.07	0.34	0.73	1.05	1.26	0.50	0.57
371	Iron & steel	1.90	2.53	0.12	1.46	1.54	2.04	3.06	6.37	7.70	16.30	13.97	18.67	13.25
372	Non-ferrous metals	15.48	45.91	9.60	14.70	10.78		24.58	32.92	38.81	44.44	33.91	27.12	25.25
381	Fabricated metal products	5.41	4.07	0.39	1.81	1.26	1.28	3.35	8.06	10.99	5.70	6.89	10.57	5.64
382	Non-electrical machinery	0.10	0.02	0.07	0.08	0.05	0.15	0.79	1.17	3.32	3.55	2.04	0.98	1.09
383	Electrical machinery	0.21	0.09	0.15	0.29	0.19	0.31	0.43	1.09	4.47	3.45	1.20	0.92	0.96
384	Transport equipment	0.00	0.00	0.01	0.00	0.00	0.05	0.15	0.27	0.94	0.56	0.50	0.34	0.42
385	Professional & scientific equipment	2.41	2.45	1.64	2.21	0.35	0.94	1.70	6.52	10.60	13.28	39.59	12.71	10.95
390	Other manufacturing industries	2.66	3.74	0.55	2.12	1.16		2.67	4.28	14.52	14.48	16.36	10.94	16.08
	Total manufacturing	4.10	4.32	1.54	2.88	3.79	4.15	5.03	8.10	10.80	9.47	8.36	10.55	9.76

Source: UNIDO, Supply & Demand Database, 2001

Table (A-8) Employment, Real Wages, Real Output and Productivity in Egyptian Manufacturing in Selected Years (1980-1995)

Code	Activities	Employment (in 000)				Wages (in LE million)				Output (in LE million)				Wage Rate (in LE)				Productivity (in LE)			
		1980	1985	1990	1995	1980	1985	1990	1995	1980	1985	1990	1995	1980	1985	1990	1995	1980	1985	1990	1995
311/312	Food products	140.00	148.22	204.20	187.09	11.24	14.77	12.02	9.54	87.02	96.16	149.10	151.84	80.27	99.64	58.88	51.01	621.55	648.76	730.18	811.60
313	Beverages	10.90	21.08	18.30	12.44	1.08	1.98	1.44	0.88	4.71	16.01	7.53	7.47	99.34	94.08	78.47	70.89	432.47	759.34	411.52	600.71
314	Tobacco	15.90	16.43	17.50	18.26	1.69	2.19	1.74	1.41	26.55	34.29	16.38	19.61	106.44	133.19	99.51	77.34	1669.58	2087.14	935.72	1073.99
321	Textiles	306.30	256.65	269.40	292.41	25.01	22.86	17.48	14.03	83.89	78.97	97.04	83.79	81.66	89.09	64.88	47.97	273.88	307.71	360.21	286.55
	Wearing apparel, except																				
322	Footwear	4.80	8.13	24.90	43.32	0.26	0.45	1.09	1.40	1.92	3.17	8.11	16.24	54.97	55.30	43.94	32.25	400.20	390.33	325.71	374.95
323	Leather & fur products	3.40	3.29	3.20	3.55	0.26	0.35	0.24	0.17	1.22	1.47	1.48	1.22	77.61	104.96	75.19	46.83	358.63	445.77	462.39	343.02
	Footwear, except rubber or																				
324	plastic	7.30	7.62	9.60	7.57	0.55	0.72	0.57	0.23	2.41	2.49	2.70	1.69	74.79	94.70	59.47	30.52	330.33	327.34	281.16	223.12
	Wood products, except																				
331	furniture	7.20	8.20	8.50	6.19	0.56	0.90	0.50	0.28	2.36	5.02	2.49	1.96	78.35	109.33	58.41	45.09	327.35	612.20	293.13	316.47
	Furniture & fixtures, excl.																				
332	metal	4.00	5.04	5.80	11.82	0.32	0.59	0.37	0.44	1.81	2.78	2.04	3.36	79.62	116.82	63.21	36.79	453.00	552.07	351.98	284.53
341	Paper & products	13.30	27.74	23.30	23.65	1.21	2.95	1.37	1.40	10.72	13.15	11.97	23.36	90.99	106.18	59.01	58.98	805.66	473.88	513.93	987.44
342	Printing & publishing	20.30	23.22	14.30	11.72	2.29	3.02	1.44	1.13	7.92	12.93	8.30	8.14	112.96	130.20	100.68	96.08	390.26	556.88	580.31	694.68
351	Industrial chemicals	37.00	52.20	50.80	45.38	3.79	5.59	5.61	4.49	17.50	20.96	35.41	30.64	102.55	107.01	110.40	98.91	472.97	401.56	697.07	675.17
352	Other chemicals	36.80	42.59	50.30	61.28	4.25	5.94	5.09	5.15	25.65	40.34	45.27	51.98	115.47	139.48	101.28	84.02	697.12	947.25	900.07	848.18
353	Petroleum refineries	11.00	11.80	17.20	17.50	2.14	2.64	3.24	3.60	4.77	6.74	72.78	126.52	194.39	223.94	188.17	205.92	433.49	571.57	423.161	7229.12
	Misc. petroleum & coal																				
354	products	6.40	6.43	1.20	7.36	0.75	0.94	0.12	0.97	12.17	11.43	3.04	10.79	116.58	145.50	97.07	131.44	1900.97	1776.14	2536.58	1466.49
355	Rubber products	5.30	5.93	2.80	7.88	0.63	0.79	0.19	0.58	3.08	3.93	0.81	4.22	118.46	132.41	68.88	73.60	580.95	662.88	289.59	534.90
356	Plastic products	11.80	16.67	18.30	20.17	1.06	1.93	1.11	0.98	6.83	11.90	12.74	16.85	89.45	116.01	60.62	48.33	578.44	714.06	696.30	835.47
361	Pottery, china, earthenware	2.90	3.98	8.40	5.06	0.25	0.37	0.55	0.31	0.81	1.33	4.76	2.24	84.72	92.49	65.70	61.08	279.53	333.50	567.02	442.38
362	Glass & products	12.00	12.17	14.10	18.05	1.12	1.21	1.06	0.93	2.58	2.78	4.65	6.03	93.27	99.59	74.89	51.31	215.15	228.79	329.54	334.31
	Other non-metallic mineral																				
369	products	39.00	40.29	51.60	68.89	3.74	4.68	4.10	5.21	13.91	24.27	29.79	49.73	95.89	116.27	79.53	75.58	356.67	602.33	577.37	721.99
371	Iron & steel	46.60	45.70	51.30	51.87	4.93	5.37	5.62	5.15	24.92	26.37	42.88	41.22	105.83	117.50	109.47	99.25	534.73	577.03	835.80	794.70
372	Non-ferrous metals	26.00	26.06	20.60	26.78	2.95	3.47	2.16	2.34	21.78	21.64	21.69	27.16	113.39	133.21	104.65	87.25	837.61	830.45	1052.77	1014.04
381	Fabricated metal products	29.00	33.71	49.70	50.55	2.59	3.84	3.65	2.94	10.67	16.62	20.28	31.16	89.42	114.04	73.34	58.10	368.08	493.19	408.03	616.34
382	Non-electrical machinery	18.90	20.26	39.60	53.80	1.88	3.19	3.30	3.19	9.05	16.17	18.59	26.38	99.66	157.24	83.42	59.35	479.00	798.36	469.38	490.42
383	Electrical machinery	22.40	23.19	31.00	41.47	2.50	3.22	3.02	3.87	15.97	24.75	22.26	34.44	111.71	138.67	97.57	93.31	712.83	1067.23	718.22	830.61
384	Transport equipment	34.10	33.65	62.60	57.93	4.02	5.03	4.77	3.91	20.85	24.29	20.21	28.22	117.94	149.35	76.23	67.50	611.48	721.75	322.85	487.25
	Professional & scientific																				
385	equipment	1.30	5.10	6.60	6.46	0.28	0.55	0.80	0.52	0.83	1.96	3.07	1.94	216.98	107.13	121.51	79.67	639.28	383.57	464.58	300.59
	Other manufacturing																				
390	Industries	0.80	1.51	1.50	4.92	0.08	0.17	0.13	0.28	0.41	1.37	1.27	1.16	102.37	110.21	84.02	57.68	510.90	907.25	849.16	235.78
Total	Total manufacturing	874.70	906.84	1076.60	1163.36	81.45	99.69	82.78	75.29	422.30	523.29	566.66	809.38	93.11	109.93	76.89	64.72	482.80	577.05	619.22	695.72

Source: UNIDO Database, 2001 and IFS, 2000

Note: Wages were deflated by the CPI, and the output was deflated by the whole sale price index

Table (A-9) Unit Labour Cost in the Manufacturing Sector in Egypt in Selected Years

Code	Activities	1980	1985	1990	1995
311/312	Food products	0.13	0.15	0.08	0.06
313	Beverages	0.23	0.12	0.19	0.12
314	Tobacco	0.06	0.06	0.11	0.07
321	Textiles	0.30	0.29	0.18	0.17
322	Wearing apparel, except footwear	0.14	0.14	0.13	0.09
323	Leather & fur products	0.22	0.24	0.16	0.14
324	Footwear, except rubber or plastic	0.23	0.29	0.21	0.14
331	Wood products, except furniture	0.24	0.18	0.20	0.14
332	Furniture & fixtures, excl. metal	0.18	0.21	0.18	0.13
341	Paper & products	0.11	0.22	0.11	0.06
342	Printing & publishing	0.29	0.23	0.17	0.14
351	Industrial chemicals	0.22	0.27	0.16	0.15
352	Other chemicals	0.17	0.15	0.11	0.10
353	Petroleum refineries	0.45	0.39	0.04	0.03
354	Misc. petroleum & coal products	0.06	0.08	0.04	0.09
355	Rubber products	0.20	0.20	0.24	0.14
356	Plastic products	0.15	0.16	0.09	0.06
361	Pottery, china, earthenware	0.30	0.28	0.12	0.14
362	Glass & products	0.43	0.44	0.23	0.15
369	Other non-metallic mineral products	0.27	0.19	0.14	0.10
371	Iron & steel	0.20	0.20	0.13	0.12
372	Non-ferrous metals	0.14	0.16	0.10	0.09
381	Fabricated metal products	0.24	0.23	0.18	0.09
382	Non-electrical machinery	0.21	0.20	0.18	0.12
383	Electrical machinery	0.16	0.13	0.14	0.11
384	Transport equipment	0.19	0.21	0.24	0.14
385	Professional & scientific equipment	0.34	0.28	0.26	0.27
390	Other manufacturing industries	0.20	0.12	0.10	0.24
	Total manufacturing	0.19	0.19	0.12	0.09

Source: UNIDO Database, 2001 and IFS, 2000

Table (A-10) Public Versus Private Percentage Shares in GDP by Activity (1969/70-1999/2000)

Activity		1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
Agriculture	Public	1.75	1.40	1.46	1.93	1.27	0.53	0.42
	Private	98.25	98.60	0.00	98.07	98.73	99.47	99.58
Manufacturing & Mining	Public	66.20	67.10	63.81	58.09	44.40	39.71	15.36
	Private	33.80	32.90	36.19	41.91	55.60	60.29	84.64
Petroleum	Public	81.16	39.93	70.45	78.58	79.11	83.06	87.05
	Private	18.84	60.07	29.55	21.42	20.89	16.94	12.95
Electricity	Public	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction	Public	46.35	55.01	75.41	37.47	28.83	25.89	23.25
	Private	53.65	44.99	24.59	62.53	71.17	74.11	76.75
Commodity Sectors	Public	32.80	31.18	41.45	40.27	29.61	34.32	23.53
	Private	67.20	68.82	58.55	59.73	70.39	65.68	76.47
Transportation	Public	90.83	91.07	71.23	59.37	52.04	43.78	17.18
	Private	9.17	8.93	28.77	40.63	47.96	56.22	82.82
Suez Canal	Public	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade	Public	26.99	24.96	22.49	19.24	13.11	7.26	4.02
	Private	73.01	75.04	77.51	80.76	86.89	92.74	95.98
Finance	Public	100.00	100.00	96.66	77.88	72.00	69.32	67.35
	Private	0.00	0.00	3.34	22.12	28.00	30.68	32.65
Insurance	Public	100.00	100.00	100.00	78.79	60.34	60.16	56.85
	Private	0.00	0.00	0.00	21.21	39.66	39.84	43.15
Tourism	Public	22.84	25.60	20.99	19.83	13.59	12.49	1.80
	Private	77.16	74.40	79.01	80.17	86.41	87.51	98.20
Production Services	Public	49.76	50.50	54.66	41.17	32.64	31.95	21.60
	Private	50.24	49.50	45.34	58.83	67.36	68.05	78.40
Housing	Public	22.19	16.00	20.45	7.62	6.04	4.43	3.69
	Private	77.81	84.00	79.55	92.38	93.96	95.57	96.31
Utilities	Public	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Social insurance	Public	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other services	Public	70.42	71.25	74.48	60.77	49.18	49.11	49.93
	Private	29.58	28.75	25.52	39.23	50.82	50.89	50.07
Social Services	Public	60.12	61.52	68.77	53.43	45.35	45.88	46.31
	Private	39.88	38.48	31.23	46.57	54.65	54.12	53.69

Source: Ministry of Planning (2000), Main Changes in the National Economy

Table (A-11) Public Versus Private Percentage Shares in Investment by Activity (1969/70-1999/2000)

Activities		1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
Agriculture	Public	95.60	93.66	72.04	62.52	49.72	55.34	36.57
	Private	4.40	6.34	27.96	37.48	50.28	44.66	63.43
Manufacturing & Mining	Public	96.53	87.06	65.84	60.20	53.85	36.31	11.32
	Private	3.47	12.94	34.16	39.80	46.15	63.69	88.68
Petroleum	Public	100.00	32.73	24.97	25.30	16.69	20.12	9.46
	Private	0.00	67.27	75.03	74.70	83.31	79.88	90.54
Electricity	Public	100.00	100.00	95.85	99.32	100.00	100.00	84.25
	Private	0.00	0.00	4.15	0.68	0.00	0.00	15.75
Construction	Public	70.59	97.06	89.13	68.69	49.04	53.50	25.41
	Private	29.41	2.94	10.87	31.31	50.96	46.50	74.59
Commodity Sectors	Public	96.79	78.54	64.56	58.70	52.26	49.03	25.97
	Private	3.21	21.46	35.44	41.30	47.74	50.97	74.03
Transportation & Suez Canal	Public	93.98	98.51	94.85	83.56	76.66	78.81	44.37
	Private	6.02	1.49	5.15	16.44	23.34	21.19	55.63
Trade, Finance & Insurance	Public	77.78	93.63	96.60	48.51	31.97	46.82	37.36
	Private	22.22	6.37	3.40	51.49	68.03	53.18	62.64
Tourism	Public	82.93	90.45	71.53	9.33	11.89	10.68	4.87
	Private	17.07	9.55	28.47	90.67	88.11	89.32	95.13
Production Services	Public	92.67	98.02	93.42	71.39	60.82	65.40	32.50
	Private	7.33	1.98	6.58	28.61	39.18	34.60	67.50
Housing	Public	31.51	72.79	18.91	14.62	7.09	6.60	1.05
	Private	68.49	27.21	81.09	85.38	92.91	93.40	98.95
Utilities	Public	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Social insurance	Public	100.00	100.00	100.00	100.00	100.00	100.00	0.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Health services	Public	92.59	95.65	98.48	72.81	83.69	86.21	67.19
	Private	7.41	4.35	1.52	27.19	16.31	13.79	32.81
Education services	Public	92.42	96.00	97.96	83.14	90.50	91.57	70.04
	Private	7.58	4.00	2.04	16.86	9.50	8.43	29.96
Other services	Public	97.06	95.65	99.13	86.21	85.24	92.32	92.97
	Private	2.94	4.35	0.87	13.79	14.76	7.68	7.03
Social Services	Public	57.91	82.01	55.81	52.94	53.53	68.36	46.13
	Private	42.09	17.99	44.19	47.06	46.47	31.64	53.87

Source: Ministry of Planning (2000), Main Changes in the National Economy

Table (A-12) Public Versus Private Percentage Shares in Employment by Activity (1969/70-1999/2000)

Activity		1969/70	1975	1980/81	1984/85	1989/90	1994/95	1999/2000
Agriculture	Public	2.42	2.58	3.26	3.26	3.26	1.86	1.86
	Private	97.58	97.42	96.74	96.74	96.74	98.14	98.14
Manufacturing & Mining	Public	66.20	67.10	64.86	55.30	44.96	39.03	23.84
	Private	33.80	32.90	35.14	44.70	55.04	60.97	76.16
Petroleum	Public	100.00	95.63	96.04	67.69	74.24	69.74	77.55
	Private	0.00	4.37	3.96	32.31	25.76	30.26	22.45
Electricity	Public	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction	Public	18.69	22.95	18.55	24.59	21.88	15.63	10.97
	Private	81.31	77.05	81.45	75.41	78.13	84.37	89.03
Commodity Sectors	Public	15.90	17.79	19.55	18.04	16.37	14.59	10.97
	Private	84.10	82.21	80.45	81.96	83.63	85.41	89.03
Transportation & Suez Canal	Public	56.83	56.53	53.59	63.58	59.40	53.41	37.57
	Private	43.17	43.47	46.41	36.42	40.60	46.59	62.43
Trade, Finance & Insurance	Public	30.34	27.95	26.23	20.05	13.55	10.01	9.64
	Private	69.66	72.05	73.77	79.95	86.45	89.99	90.36
Tourism	Public	35.63	23.15	13.20	8.97	4.55	4.78	3.00
	Private	64.37	76.85	86.80	91.03	95.45	95.22	97.00
Production Services	Public	38.24	35.83	32.72	30.53	26.09	21.82	17.08
	Private	61.76	64.17	67.28	69.47	73.91	78.18	82.92
Housing	Public	10.93	11.62	11.14	11.22	11.36	13.21	14.24
	Private	89.07	88.38	88.86	88.78	88.64	86.79	85.76
Utilities, Social insurance & Government services	Public	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Private	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personel services	Public	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Private	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Social Services	Public	60.73	64.07	65.36	64.66	66.21	68.44	68.35
	Private	39.27	35.93	34.64	35.34	33.79	31.56	31.65

Source: Ministry of Planning (2000), *Main Changes in the National Economy*

