

DRUM COMMODITIES LIMITED (DCL)

COUNTRY REPORT

EGYPT

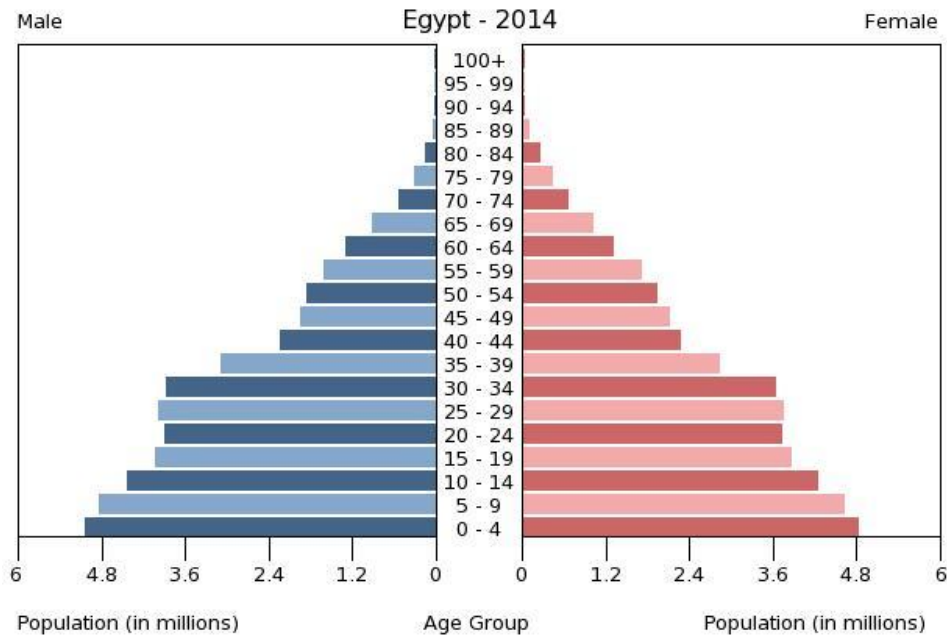
1. INTRODUCTION

1.1 Egypt is located in Northern Africa and borders the Mediterranean Sea. It lies between Libya to the west and the Gaza Strip and the Red Sea to the east, with Sudan to the south. Egypt includes the Asian Sinai Peninsula. The capital city, Cairo, is located in the north on the River Nile, which is commonly regarded as the longest river in the world.



Map of Egypt http://www.lonelyplanet.com/maps/africa/egypt/map_of_egypt.jpg

- 1.2 Egypt's total area is 1,001,450 square kilometres making it the world's thirtieth largest country. The coastline is 2,450 kilometres long.
- 1.3 The population of Egypt is 87 million with 11.2 million living in the capital Cairo. Alexandria is the second most populous city at 4.4 million. The population growth rate is nearly 2% per annum.
- 1.4 The pyramid graphic below provides an overview of the principal demographics of the population. The country has an average age of 25 years and the life expectancy is 73 years.



Egypt Population Pyramid (<https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>)

- 1.5 The currency of Egypt is the Egyptian Pound (EGP). Currently, the exchange rates are as follows: 1 USD = 7.15 EGP and 1 GBP = 12.18 EGP.
- 1.6 Egypt's international telephone country code is +20 and its internet country code is .eg
- 1.7 Egypt's climate is generally hot with dry summers and moderate winters.
- 1.8 Below is an image of the Egyptian flag. It contains 3 equal horizontal bands of red, white and black. The national emblem (a gold eagle of Saladin facing the hoist side, with a shield superimposed on its chest, above a scroll bearing the name of the country in Arabic) is centred in the white band. The band colours derive from the Arab Liberation Flag and represent oppression (black), overcome through bloody struggle (red), to be replaced by a bright future (white).



Egyptian Flag (<https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>)

- 1.9 The literacy rate for the population is 74% of the total.

2. HISTORY

- 2.1 The regularity and resultant richness of the annual Nile River flood and Egypt's semi isolation, provided by deserts to the East and West, nurtured the development of one of the world's greatest civilizations. Egypt has been occupied since approximately 3,200 BC and a series of dynasties ruled for 3 millennia. The last native dynasty fell to the Persians in 341 BC who in turn were replaced by the Greeks, Romans and Byzantines.
- 2.2 The Arabs introduced Islam and the Arabic language in the 7th Century and it was not until the year 969 that the city of Cairo was founded as the capital. Between 1250 and 1517, the Mamluk Sultanate took control and its rule was characterised by great prosperity and well-ordered civic institutions. In 1517, Egypt was absorbed into the Ottoman Empire.
- 2.3 Napoleon Bonaparte's forces invaded in 1798, but were repelled by the British and the Turks in 1801 when Egypt once more became part of the Ottoman Empire.
- 2.4 Between 1859 and 1869, the Suez Canal was built and this had a vast impact on Egypt and made it a major world transport hub.
- 2.5 Britain took control of Egypt in 1882 and in 1914 it became a British protectorate. This move was clearly motivated by the strategic importance to the British Empire of the trade routes which passed through Egypt towards India.
- 2.6 Faud I became king in 1922 and helped Egypt to gain its independence. Six years later in 1928, the Muslim Brotherhood was founded by Hassan al-Banna, who was a young school teacher renowned for preaching in mosques and coffee shops. Now a political party, the Muslim Brotherhood began as a pan-Islamic, religious, and social movement.
- 2.7 British policies dissatisfied both Arabs and Jews and this prompted the Arab revolt in Palestine between 1936 and 1939. The Jewish resistance developed into the Jewish insurgency in Palestine between 1944 and 1947. These ongoing tensions erupted on 30th November 1947 when it developed into a civil war between the Arab and Jewish populations in response to the UN plan to divide Palestine into 3 areas: an Arab state, a Jewish state and the Special International Regime for the City of Jerusalem.
- 2.8 Egypt, Iraq, Jordan and Syria attacked the new state of Israel in 1948. As a result of the war, the State of Israel retained the area that the UN General Assembly resolution 191 had recommended for the proposed Jewish state. Moreover, the State also took control of almost 60% of the area allocated for the proposed Arab state including the Jaffa, Lydda and Ramle area, Galilee, some parts of the Negev, a wide strip along the Tel-Aviv to Jerusalem road, West Jerusalem, and some territories in the West Bank. Transjordan took control of the remainder of the West Bank, including East Jerusalem, and the Egyptian military took control of the Gaza Strip. An Arab Palestinian state was never created. In 1949 all the belligerents, except the Iraqis and the Palestinians, signed the 1949 Armistice Agreements.
- 2.9 In February 1949 Hassan al-Banna of the Muslim Brotherhood was assassinated. This resulted in the formation of the Free Officers' Movement, a group of nationalist officers in the armed forces of Egypt and Sudan that instigated the Egyptian Revolution of 1952.



Al-Banna (third from left) with Aziz Ali al-Misri (fourth from right) and Egyptian, Palestinian and Algerian political and religious figures at a reception in Cairo, 1947. Source: http://en.wikipedia.org/wiki/File:Al-Banna_and_al-Masri.jpg

- 2.10 The completion of the Aswan High Dam in 1971 and the subsequent formation of Lake Nasser dramatically altered the Nile River as well as the agriculture and ecology of Egypt. Furthermore, the addition of a rapidly growing population (the largest in the Arab world), limited arable land and a dependence on the Nile all continue to overtax key resources such as food and water.
- 2.11 In more recent years, the Government has struggled to meet the demands of Egypt's increasing population through economic reform, massive investment in communications and physical infrastructure. Inspired by the 2010 Tunisian revolution, Egyptian opposition groups led demonstrations and labour strikes countrywide, culminating in President Hosni Mubarak's removal. As a result, Egypt's military assumed National Leadership until a new parliament was in place in early 2012. Later that same year, Mohammed Morsi won the presidential election.
- 2.12 Following frequent and often violent protests through the spring of 2013 against Morsi's government and the Muslim Brotherhood, the Egyptian armed forces intervened and removed Morsi from power in July 2013. He was replaced by an interim president, Adly Mansour. The following January, Egyptians voted in a referendum for a new constitution that was drafted after the July 2013 overthrow of the Islamist led government, this banned parties based on religion.
- 2.13 Presidential elections to replace Mansour occurred in May 2014 and Abdel Fattah el-Sisi became the new President of Egypt.

3. POLITICS

- 3.1 Egypt has the oldest continuous parliamentary tradition in the Arab world and there are over 30 registered political parties. The country received a score of 32 and ranked 114 out of 177 in the Corruptions Index 2013 published by Transparency International.
- 3.2 Abdel Khaliq Sarwat Pasha was named the first Prime Minister of Egypt in 1922.
- 3.3 In 1953, coup leader Muhammad Najib became president as Egypt was declared a Republic. In 1954 fellow coup leader Gamal Abdul Nasser became prime minister and in 1956, president. He ruled until his death in 1970 when Anwar as-Sadat took over the Presidential duties.
- 3.4 Hosni Mubarak was voted as the new president in 1981 in a national referendum after Anwar as-Sadat was assassinated by Jihadists. Mubarak was re-elected for 5 further consecutive terms. During his presidency, in May 2005, a referendum voted in a constitutional amendment that allowed multiple candidates to stand in presidential elections.
- 3.5 Anti-government demonstrations were held in January 2011, apparently encouraged by Tunisian street protests that prompted the sudden departure of Tunisia's President Ben Ali. President Mubarak reshuffled his cabinet but failed to placate demonstrators who called for his resignation. Mubarak promised to step down in September 2011. However, owing to violent protests, he

resigned in February 2011 and handed power to the Army Council. Mubarak and his sons, Ala and Gamal, were arrested on suspicion of corruption 2 months later¹.

- 3.6 After several months of continued violence and protest, the National Unity Government ran the country, headed by the new Prime Minister, Kamal al-Ganzouri, who took office in December 2011. However, it was not until 2012 that the first free presidential poll was held.
- 3.7 Mohammed Morsi became Egypt's first freely elected head of state when he won the presidential election in 2012, narrowly beating Ahmed Shafiq, a military general during the Mubarak era and a former Prime Minister.
- 3.8 Chief justice Adly Mansour was sworn in as interim president in July 2013 after the army ousted and detained President Mohammed Morsi in an abrupt end to his first year in office. Mr Morsi's government unravelled after the army gave him a 48 hour ultimatum in the wake of the massive demonstrations against his turbulent rule. His opponents accused him of failing the 2011 revolution by concentrating power in the hands of the Muslim Brotherhood.
- 3.9 Since being removed from office, Mohammed Morsi has been put on trial in 3 separate cases, and faces trial in a fourth. If he is found guilty he could be sentenced to death.

4. MAIN INDUSTRIES AND ECONOMY

- 4.1 Egypt's GDP is currently \$262.8 billion and the GDP real growth rate was estimated at 1.8% in 2013. According to the African Economic Outlook, economic growth has fallen, the fiscal balance of payments deficits has deteriorated and foreign exchange reserves have fallen to a critical minimum level.
- 4.2 According to 2008 estimates, 22% of the population are living below the poverty line and in 2012 nearly one quarter of Egyptians between the ages of 24 to 29 were unemployed. Moreover, just over half of all young Egyptians are classified as living in poverty according to Egypt's Central Agency for public mobilization and statistics.
- 4.3 To help facilitate international trade, Egypt is a member of several trade blocs including the African Economic Community (AEC), Preferential Trade Area for Eastern and Southern Africa (PTA) and Common Market for Eastern and Southern Africa (COMESA).
- 4.4 Egypt is not a major energy exporter, however, it does play a vital role in international energy markets through the operation of the Suez Canal and the Suez Mediterranean Pipeline². These are both vital pieces of infrastructure within the global oil market.
- 4.5 Egypt's exports account for about a quarter of GDP. Below is a table showing the major exports and their proportions of the total as a percentage. The major export partners are Italy, Spain, France, Saudi Arabia, India and Turkey. Other export partners include the United States, Brazil and Argentina.

¹ On 21 May 2014 while awaiting his retrial, Mubarak and his sons Gamal and Alaa were convicted on charges of embezzlement; Mubarak was sentenced to three years in prison and his sons received 4 year sentences. The 3 were fined the equivalent of USD2.9 million and were ordered to repay USD17.6 million.

² The Suez-Mediterranean Pipeline (SUMED) was opened in 1977. It consists of 2 pipelines 338 km long and 1 m in diameter. It has a capacity of 2.4 million barrels per day. SUMED allows the Persian Gulf oil-producing states to bypass the Suez Canal, which cannot accommodate tankers larger than 200,000 tonnes. The pipeline can provide an alternative route to Gulf exporters if the Suez Canal is blocked, as happened in 1973. Half of the pipeline is owned by the Egyptian General Petroleum Company. The pipeline terminates in the Mediterranean at the Sidi kerir Terminal, west of Alexandria.

Products	Percentage
Oil and other mineral products	32%
Chemical products	12%
Agricultural products, livestock and other fats	11%
Textiles (mainly cotton)	10.5%
Base metals	5.5%
Machinery and electrical appliances	4.5%
Foodstuffs, beverages and tobacco	4%

- 4.6 Crude Oil Production was approximately 530,000 barrels per day in January 2014. Additionally, Egypt is the tenth largest producer of phosphates in the world, which represents 1% of the total world output.
- 4.7 Egypt exports were valued at \$24.81 billion and imports valued at \$59.22 billion in 2013. Egypt's imports are significant due to the decreasing soil fertility and therefore an inability to produce enough food for the increasing population.
- 4.8 Below is a table showing Egypt's imports and their ratios to each other as percentages. Their main import partners are Germany, Italy, China, Turkey, Saudi Arabia, Kuwait and Lebanon, United States and India.

Products	Percentage
Mineral and Chemical products	25%
Agricultural products, livestock and foodstuff (mainly wheat, maize and meat)	24%
Machinery and electrical equipment	15%
Base metals	13%
Raw hides, wood, paper-making products, textiles and footwear	9.5%
Artificial resins and rubber	6%
Vehicles and aircraft	5.5%

- 4.9 Over the last 15 years, more than 180 petroleum exploration agreements have been signed and multinational oil companies have spent more than \$27 billion on exploration. These activities led to finds of approximately 18 crude oil fields and 16 natural gas fields in 2001. The total number of finds of oil and gas fields rose to 49 in 2005.
- 4.10 Crude oil reserves were estimated at 3.7 billion barrels in 2009. Proven natural gas reserves were 1.65 trillion cubic metres and it is likely that even greater reserves will be established. The main natural gas producer in Egypt is the International Egyptian Oilfield Company (IEOC), a branch of Italian Eni. Other companies such as British Petroleum (BP), British Gas Group (BG Group), Texas based Apache Corporation and Shell are carrying out exploration and production allowed by concessions granted for a period of approximately 20 years in different geographic zones of oil and gas deposits in the country.

5. CULTURE

- 5.1 Being one of the oldest recorded civilizations, Egypt has a rich and varied culture. It is a recognized cultural trend-setter of the Arabic-speaking world, and contemporary Arabic and Middle-Eastern culture is heavily influenced by Egyptian literature, music, film and television.
- 5.2 The official language is Modern Standard Arabic and the languages spoken include Egyptian Arabic (68%) and Sa'idi Arabic (29%). The main foreign languages taught in schools, in order of popularity, are English, French, German and Italian.
- 5.3 Egypt is a predominantly Sunni Muslim country with Islam as the state religion. The percentage of followers for each of the varying religions is a controversial topic in Egypt. An estimated 90% are identified as Muslim, 9% as Coptic Christians and 1% as other Christian denominations. Non-denominational Muslims³ form roughly 12% of the population.
- 5.4 The main sport in the country is Football. The Cairo Derby is one of the fiercest contests in Africa between the Egyptian clubs Al-Ahly SC and Zamalek SC. It is the equivalent of the premiership final in the UK.
- 5.5 Egyptian music is a rich mixture of indigenous, Mediterranean, African and Western elements.

6. ENVIRONMENT

- 6.1 Egypt is susceptible to a variety of natural hazards that include: periodic droughts, earthquakes, flash floods, landslides, driving windstorms, dust storms and sandstorms. The country faces a variety of natural and man-made environmental challenges. At present agricultural land is being lost to urbanisation and windblown sands. In addition, soil fertility has declined because of poor agricultural practices.
- 6.2 Egypt's crowded cities and almost all agricultural activities are concentrated along the banks of the Nile, and on the river's delta. The remainder of the landscape is mostly desert. Following the completion of the Aswan High Dam in 1970 and more intensive irrigation over a greater area, there has been an increase in soil salinity and the spread of waterborne diseases.
- 6.3 In June 1997, the responsibility of Egypt's first full time Minister of State for Environmental Affairs was assigned. The new ministry has focused, in close collaboration with the national and international development partners, on defining policies for the environment, setting priorities and implementing initiatives with a context of sustainable development.
- 6.4 Egypt is taking steps to reduce the environmental damage and on 1st January 2014, a protocol was signed by the Egyptian and Italian Ministries of the Environment to declare the city of El Gouna in Hurghada as a carbon neutral city. The protocol actually aims to move the city to low-carbon emissions.
- 6.5 The nation's beaches, coral reefs, and wildlife habitats are increasingly threatened by oil pollution and the use of pesticides, inadequate sewage disposal and uncontrolled industrial effluents. These threats have all been brought about by a rapid growth in the population and inadequate services to cope with demand.

7. INFRASTRUCTURE

- 7.1 Egypt has 83 aircraft runways, 72 of which are paved. There are 5,083 km of railway lines and 137,430 km of roadways, 126,742 km of which are paved.
- 7.2 In the past half a century, Egypt has experienced remarkable progress in the provision of infrastructure in all areas, including transport, telecommunication, power generation and water sanitation. However, in the last 15 years, infrastructure investment has reduced, which is at odds with the country's goals of raising economic growth. The World Bank recommends that

³ Non-denominational Muslims are those who adhere to a form of Islam that is not restricted to any specific denomination such as Sunni or Shia.

improvement of infrastructure in Egypt requires a combination of more expenditure and more efficient investment.

7.3 The major seaports are Alexandria, Damietta, El Dekhelia and Gulf of Suez. Alexandria, the largest, has the facilities for the following:

7.3.1 General cargo handling.

7.3.2 Ro-Ro, passenger terminal and stuffed bulk cargoes.

7.3.3 Barge discharge.

7.3.4 Container handling.

7.3.5 Oil products.

7.3.6 Livestock.

The oil dock situated on the western boundaries of the port is used for handling edible oil, oil products and providing bunkers. The port does not include oil storage facilities, but all berths are connected to a refinery through a 2km long pipeline.

7.4 Port Safaga, close to the Red Sea, is regarded as the phosphates export centre of Egypt because of its proximity to numerous phosphate mines. A paved road of 164km connects Safaga to Qena of Upper Egypt.

8. SUMMARY

8.1 Egypt is a large country located in an influential global position with a young population offering strong business prospects. The Egyptian economy can draw upon a large population, with more than 50% having finished secondary education, which is far above the average of the African peers analyzed in a recent report by Price Waterhouse Coopers.

8.2 The country's political instability, however, results in social insecurities and an adverse influence on foreign investors, acting as a brake on the country's progress. Political riots have been intensively broadcast throughout the world, which has negatively affected tourism.

8.3 Egypt plays a vital role in international energy markets through the operation of the Suez Canal and the Suez Mediterranean Pipeline. Both are vital pieces of infrastructure within the global oil market. Major ports, such as Alexandria, provide the facilities for a large quantity of imports and exports thus offering a large number of opportunities for Egypt.

8.4 There is a good infrastructure in Egypt with a general provision in all populated areas, including transport, telecommunications, power generation and water sanitation. Road and railway networks enable Egypt to be widely accessible, allowing easy transport of goods and provision of services.

8.5 To conclude, the very public trial of President Mohammed Morsi, which began in May, will inevitably focus more attention on Egypt. With the addition of a new President, Abdel Fattah el-Sisi and the very public sentencing of 3 Aljazeera journalists to 7 years in jail today, Egypt is not helping their cause internationally.

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