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## Contents

<b>Egypt in Transition: Challenges and Economic Prospects</b>	1
<b>Editorial</b>	3
<b>Personalities</b>	3
<b>Westerwelle meets Egypt's new Foreign Minister Mohamed Kamel Amr</b>	4
<b>SAR 40bn extension of the Grand Mosque announced</b>	5
<b>Saudi Arabian airport expansion projects</b>	6
<b>Massive investments in Saudi Arabia's power plants</b>	6
<b>Qatar one of the fastest growing economies worldwide</b>	7
<b>IMF Article IV Consultation reveals positive outlook for Kuwaiti economy</b>	8
<b>Kuwait to increase investment in its energy infrastructure and water supply</b>	9
<b>Kuwait allocates USD 127bn for healthcare sector</b>	9
<b>IMF confirms strong macroeconomic basis in Morocco</b>	10
<b>Oman invests USD 78bn in economic modernisation and diversification</b>	11
<b>Clean technology investments in MENA</b>	11
<b>Abu Dhabi to increase production capacity of Zakum oilfield by 2012</b>	12
<b>Dubai is most attractive city for Foreign Direct Investment in the MENA region</b>	12
<b>UAE exports increase by 59%</b>	13
<b>UAE to be safe haven for investors</b>	13
<b>MENA petrochemicals industry set to become dominant global force</b>	14
<b>Conference on Legal and Tax Conditions for Business Activities</b>	16
<b>Jordan mobile communications market on course for positive growth</b>	17
<b>Workshop on the situation in Libya</b>	18
<b>NUMOV invites Young Diplomats</b>	18
<b>Business Forum Turkey in Stuttgart</b>	19
<b>Renewed plans for Saudi-Egyptian bridge project in the Gulf of Aqaba</b>	21
<b>Subsidies reform in Iran meets with praise from IMF</b>	22
<b>Iran to modernise its electricity sector</b>	22
<b>High-speed ferry connection between Oman and Iran coming soon</b>	23
<b>USD 52m World Bank grant to help Afghanistan manage natural resources</b>	23
<b>News &amp; Projects</b>	24
<b>Banks in the GCC perform well in the first half of 2011</b>	27
<b>News in brief</b>	28
<b>Exchange rates</b>	28
<b>First signs of economic recovery in Tunisia</b>	29
<b>Business page</b>	30
<b>Business enquiries</b>	30
<b>Services for NUMOV members</b>	31
<b>NUMOV Services</b>	32
<b>Application form for membership</b>	32
<b>Introducing a NUMOV member: BERNER Group</b>	33
<b>Imprint</b>	34
<b>Board of NUMOV</b>	34

## Egypt in Transition: Challenges and Economic Prospects

by Matthias Canzler



Tahrir Square in Cairo

Egypt has enjoyed stable economic growth rates in recent years driven by several economic reforms providing a business-friendly environment and attracting domestic and foreign investments, but unfortunately neglecting various aspects such as political participation, youth unemployment and the development of the rule of law. These are some of the reasons for the revolution at the beginning of 2011 that led to the end of the Mubarak regime after 30 years. In the long-term, it is most likely that the economy will benefit from further reforms initiated by the new government and keep on growing substantially.

Egypt's future economic prospects are therefore even more promising than in the past, provided that the political transition we are now witnessing

will not protract for too long. For the fiscal years (FY) (from 1<sup>st</sup> July to 30<sup>th</sup> June) 2008/2009 and 2009/2010, the International Monetary Fund (IMF) reported an annual real economic growth rate of 4.7% and 5.2% respectively, despite negative impacts following the global financial and economic crisis. Increases in nominal GDP have been even higher. The positive economic development has been driven by several economic reforms which made starting and doing business in Egypt much easier. However, further reforms are crucial in order to sustain economic growth and attract further Foreign Direct Investment (FDI).

In 2010, the real Gross Domestic Product (GDP) amounted to USD 141.2bn compared to USD

continued on page 20

# NUMOV

NAH- UND MITTELOST-VEREIN E.V.  
GERMAN NEAR AND MIDDLE EAST ASSOCIATION

Jägerstr. 63 D, D-10117 Berlin  
Phone: +49 (0)30 - 206410-0  
Fax: +49 (0)30 - 206410-10  
E-mail: numov@numov.de  
Internet: www.numov.de