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Egyptian-French Economic Relations .. Who Will Benefit?

Mamdouh Al-Wali

There are various forms of economic relations between Egypt and France, including commodity and service trade; presence of Egyptian labor in France and French labor in Egypt, and consequently provision of remittances in both directions; existence of branches for French companies in Egypt; and the ongoing activities of French infrastructure companies in Egypt; in addition to the passage fees of French ships in the Suez Canal, the French loans and grants to Egypt, and the French arms sales to Egypt.

However, the net outcome in these transactions between receipts and payments is in favor of France, with an increasing commodity trade surplus in its trade with Egypt over many years; securing operation areas for French companies in Egypt, especially in the transport and communications sectors; ensuring that the Egyptian authorities prevent illegal immigration to European countries across the Mediterranean Sea; and the diversified French arms sales to Egypt; in addition to allowing the French Navy to maintain training and existence in the Red Sea and the southern coast of the Mediterranean Sea.

The data disseminated by both the Egyptian and French sides emphasize the limited share of commodity and service in the trade of both countries, the limited tourism exchange and its fluctuation according to security stability in both countries, the limited French aid to Egypt, the decline in balances of French loans to Egypt in recent years, and the dwindling numbers of French ships passing through the Suez Canal, due to the increasing share of the France-European Union intra-trade.

First: Trade between Egypt and France

The impact of the COVID-19 pandemic reflected on the commodity and service trade between the two countries, as data of Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) indicate a 7% decline in the value of commodity trade between Egypt and France during 2020, as a result of the decline in the Egyptian imports from France by 2%, and the fall of the Egyptian exports to France by 19% compared to 2019.

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So, the Egyptian trade deficit continued in favor of France, amounting to \$ 1 billion and 174 million, as a difference between Egyptian imports from France amounting to \$ 1 billion and \$ 705 million and Egyptian exports to France amounting to only \$ 530.5 million.

However, the data of the French National Institute of Statistics and Economic Studies (Institut National de la Statistique et des Études Économiques - INSEE) emphasize existence of a continuous surplus in favor of France over the past years. In 2019, the Egyptian exports to France, according to the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) reached \$ 654 million, and imports from France \$ 1.746 billion, bringing the volume of trade to \$ 2,400 billion, with an Egyptian trade deficit amounting to \$ 1.092 billion.

According to data of the French National Institute of Statistics and Economic Studies, the French exports to Egypt in the same year reached \$ 2.575 billion, while imports from Egypt was \$ 815 million, bringing the volume of trade to \$ 3.395 billion, with a surplus of \$ 1.765 billion in favor of France.

The commodity classification of French exports to Egypt, which amounted to \$ 2.575 billion according to the French data in 2019, included: \$ 468 million for machinery, equipment, aircraft and spare parts thereof; \$ 334 million for electrical appliances, televisions and their spare parts; \$ 274 million for medical, surgical and optical devices, \$ 232 million for pharmaceutical products; \$ 170 million for grains, \$ 162 million for vehicles ,except for the railways and trams; \$ 160 million for mechanical devices and boilers; \$ 83 million for chemical products; \$ 65 million for organic chemicals; \$ 64 million for plastics and articles thereof; \$ 47 million for petroleum products; \$ 43 million for dairy products; \$ 35 million for grains, flour or starch products, \$ 32 million for iron and steel; \$ 24 million for iron and steel articles; \$ 23 million for paper and paper products; \$ 22 million for tableware; \$ 20 million for vegetables and tubers; 19 million for sugar and sugar manufactures, 16 million for tanning and dyeing extracts, 15 million dollars for oil and medicinal fruits, and 14 million dollars for enzymes and adhesives.

On the other hand, the commodity classification of French imports from Egypt, amounting to \$ 815 million according to the French data, included: \$ 169 million mineral fuel, mineral oils and petroleum derivatives, \$ 135 million fertilizers, \$ 134 million electrical appliances and their spare parts, \$ 55 million organic chemicals, \$ 51 million clothes and clothing supplies, \$ 45 million plastic and articles thereof; \$ 36 million articles of clothing; \$ 21 million fruits, citrus fruits and melons; \$ 21 million

vegetables and tubers; \$ 19 million other items of finished textiles; \$ 15 million perfumes and cosmetics; \$ 14 million glasses and glassware; \$ 14 million aluminum and its articles; \$ 9 million cars and their spare parts; \$ 9 million carpets and floor coverings; \$ 6 million cement, stone, gypsum, or asbestos articles; \$ 5 million cotton; \$ 4 million iron and steel items; \$ 4.5 million paper and paper products; \$ 4 million oil seeds and medicinal plants; and \$ 4 million for soap and laundry detergents and lotions.

Egyptian-French trade according to Egyptian CAPMAS data (in million dollars)

Year	Egyptian Exports	Egyptian Imports	Total Trade	Trade Deficit
2010	927	1886	2813	-959
2011	1281	2052	3333	-771
2012	1144	2343	3487	-1199
2013	963	2124.5	3087	-1162
2014	831	2131	2962	-1300
2015	479	2484	2964	-2005
2016	464	1730	2194	-1266
2017	573	1480	2052	-907
2018	875	1650	2525	-775
2019	654	1746	2400	-1092
2020	530.5	1705	2235	-1174

Source: Central Agency for Public Mobilization and Statistics (CAPMAS)

The data of the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) indicate a decline in the relative share of Egyptian trade with France from 3.1% in 2015 down to 2.2% in 2019, and to 2.3% in 2020; as well as a decline in the ranking of Egyptian trade with France to the twelfth position among countries of the world in 2020, compared to ranking seventh in 2010, but this ranking position continued to gradually decline until it became fifteenth in 2016, and then improved to fourteenth, and then declined again after that.

It is also noteworthy that Egyptian exports to France were exposed to fluctuations, reaching their maximum in 2011, when they amounted to \$ 1.281 billion, then declined during the following years, until they reached \$ 464 million in 2016; and despite improvement after that, they decreased again.

The Egyptian imports from France, which witnessed a boom due to French wheat imports, were also exposed to fluctuations, where they declined again, especially with the Egyptian government's policy of reducing imports of merchandise in recent years to relieve pressure on the local dollar exchange rate.

In 2020, France ranked fifteenth among world countries with respect to the Egyptian exports that it received in terms of value; but in Egyptian imports, France ranked twelfth among countries importing from Egypt, after France used to be in the second position after England with respect to Egyptian trade during most of the twenties of the last century.

It is also noteworthy that there has been trade deficit in the Egyptian-French trade balance for decades and until 2020, with the exception of achieving a surplus of \$ 177 million in 2006 -only according to Egyptian data- but by referring to the official French data, according to the French National Institute of Statistics and Economic Studies (INSEE) with respect to trade with Egypt in the same year, it was found that the surplus was in favor of France, differing from the Egyptian trade data, according to the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS), for 2006.

French-Egyptian trade, according to French data (in million euros)

Year	French Exports	French Imports	Total Trade	Trade Surplus
2010	1804	1119	2923	685
2011	1839	1345	3184	494
2012	1726	1324	3050	402
2013	1355	1193	2548	162
2014	1588	1036	2624	552
2015	2113	473	2586	1640
2016	1533	494	2027	1039
2017	1852	616	2468	1236

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2018	1711	770	2481	941
2019	2299	727	3026	1572

Source: National Institute of Statistics and Economic Studies (Institut National de la Statistique et des Études Économiques - INSEE)

The trade data between France and Egypt, according to the French National Institute of Statistics and Economic Studies (INSEE), show agreement with the Egyptian data that the year 2011 was the largest in terms of the value of trade despite the difference in value between the two sides, as well as the continued achievement of trade surplus in favor of France throughout the ten years, and the fluctuation of the surplus value despite its temporary rise due to Egypt's imports of French wheat; and Egyptian imports from France are expected to continue to rise in light of the abolition of customs duties on Egypt's car imports from European Union countries, including France, as of early 2019.

According to data on Egyptian car imports during the first eight months of 2020, French Renault cars ranked first among European car imports, with imports amounting to 8916 cars during the eight months, with 22% of all imported European brands. French Peugeot cars came fourth and French Citroen came in the fifth position out of 19 imported European brands.

Some may explain the continuation of the French trade surplus as being due to the limited Egyptian exports, but there are also other factors for that: despite the partnership agreement between Egypt and the European Union countries, including France, which was activated in June 2004, allowing Egyptian exports to France and other European Union countries to enter the country without customs duties, yet the European Union countries usually circumvent it by placing some restrictions, such as dumping, which they tried to apply to some Egyptian goods, including cotton fabrics and textiles, such as cotton bed sheets and others.

The European Union Agreement also included the division of agricultural commodities that Egypt exports to EU countries, including France, into four categories as follows:

1- Commodities that have quantitative quotas at specific export seasons, that is, the customs exemption for them is limited to the quotas only, most prominently cut flowers, potatoes, onions, garlic, cabbage, cauliflower, lettuce, carrots, cucumbers, green beans, cantaloupe, peaches, plums and strawberries.

2- Commodities that have quantitative quotas but do not have export seasons, that is, customs exemption for them is limited to quotas only, including tubers, frozen and preserved vegetables, dried vegetables, potatoes, oranges, pears, fruits, rice, sesame oil, molasses, and peanuts.

3- Seasonal export commodities that do not have quantitative quotas, that is, their exemption from customs duties is limited to their specified export seasons, most artichokes, mushrooms, asparagus, paprika, fresh grapes and melons.

4- Commodities that do not have quantitative quotas or export seasons, most notably dates, guavas, mangoes, tangerines, grapefruit, black pepper, anise, fennel, coriander, caraway, seeds and plants used in the manufacture of perfumes, medicines; as well as salty and sweet lemons.

Second: French investments in Egypt

There are many types of French investment in Egypt, including the telecommunications, banking and energy sectors, electrical appliances, food industries, pharmaceutical industries, cement, retail trade and tourism. Egypt has also provided French companies the privilege to establish the Cairo subway project.

Foreign direct investment from France to Egypt (in million dollars)

Year	French Investment in Egypt	Total Foreign Investment in Egypt	France's Relative Share of Foreign Investments in Egypt %	Total French Investment Worldwide	Egypt's share of French foreign investment %
2010	253	11855	2.1	11008	0.4
2011	275	8103	3.4	9574	0.5
2012	305	12496	2.4	11768	0.9
2013	233	10740	2.2	10274	1.1
2014	340.5	10937	3.1	10856	0.7
2015	281	12797	2.2	12546	0.5
2016	580	13843	4.2	12529	0.9
2017	210	12511	1.7	13366	0.6

2018	244.5	14597	1.7	13163	0.2
2019	344	17546	2	16394	0.9

Source: Central Bank of Egypt (CBE) Monthly Bulletin and UNCTAD Annual Report (various years)

- The data about foreign direct investment coming into Egypt from France indicate that it is limited, with weak percentage, whether to the total foreign direct investment to Egypt, or compared to the total foreign direct investment out of France to various countries of the world.

According to the data of the French Central Bank (Banque de France), the French foreign direct investments to Egypt in 2019 amounted to about one hundred million euros, the same value during 2018 and 2016; but in 2017, the value of French investments in Egypt was negative, which means that the outward investment was greater than the influx during the year.

Data from the French embassy in Egypt indicate that there are about 160 French companies operating in Egypt, providing about thirty thousand job opportunities, most prominently Orange Telecom (Egypt) and Total Egypt for the distribution of petroleum products, Lafarge Egypt (a member of Lafarge Holcim Group) in the field of cement, Credit Agricole Egypt, AXA Insurance Company, L'Oréal, Sanofi Pharmaceuticals, Carrefour, Accor and Lactalis. Also, the French bank Bari Ba has been operating in Egypt for several years, but it exited the country a few years ago.

There are current agreements on participation of French companies in the execution of the third phase of the Cairo subway third line, which is being implemented by the alliance of the VINCI Group (French company), Orascom Construction PLC (Egyptian company), and Arab Contractors (Egyptian company); as well as a contract for the management, operation and maintenance of the Cairo subway third line extending from Cairo University through Imbaba Avenue, up to Adly Mansour station; two projects for developing the Abu Qir railway line in Alexandria and converting it into a subway, rehabilitation of the al-Raml Tramway in Alexandria as well as train signals electricity; installation of natural gas pipes to homes, establishment of a wind-powered electricity production station, re-establishment of the French University in Egypt, and execution of sanitation projects in Helwan.

Third: French tourism in Egypt

- The incoming French tourism to Egypt was subjected to a number of shocks that reduced the number of tourists, starting with the crash of the Egyptian private Air Flash plane on January 3, 2004

in Sharm El-Sheikh (where a Boeing 737-300 operated by Flash Airlines on a passenger charter flight from Sharm el-Sheikh Egypt to Cairo for a refueling stop en route to Paris CDG crashed into the sea 2½ minutes after a night take off into VMC and was destroyed and all 148 occupants killed), killing 148 French citizens in addition to 13 crew members. French tourism was also affected by the crash of the Russian plane in the Sinai Peninsula on October 31, 2015, and the death of all 217 people on board (where an Airbus A321-231 operating Metrojet Flight 9268 on 31 October 2015, at 06:13 local time, was destroyed by a bomb above the northern Sinai Peninsula following its departure from Sharm El Sheikh International Airport, Egypt en route to Pulkovo Airport, Saint Petersburg, Russia. All 224 passengers and crew on board were killed).

Likewise, an EgyptAir plane crashed in the Mediterranean Sea on May 19, 2016, killing all its 66 passengers, including 15 French citizens (where an Airbus A320 flying overnight from Paris to Cairo on 19 May 2016 at 02:33 Egypt Standard Time (UTC+2), crashed into the eastern Mediterranean Sea, killing all 56 passengers, 3 security personnel, and 7 crew members on board. Debris from the aircraft was found in the Mediterranean Sea approximately 290 km north of Alexandria).

Also, tourism was affected by the events of the Egyptian revolution in January 2011, and the imposition of a state of emergency and a curfew after the Rabaa Al-Adawiya massacre in August 2013.

French tourism to Egypt (in thousand tourists)

Year	French Tourists to Egypt	Total Foreign Tourists to Egypt	Rate of French Tourists to Egypt %	Total French Tourists Worldwide	Egypt's Share of French Tourists
2010	599	14731	4.1	4.1	2.4
2011	345	9845	3.5	3.5	1.3
2012	318	11532	2.8	2.8	1.3
2013	192	9464	2	2	0.7
2014	145	9878	1.5	1.5	0.5
2015	136	9071	1.5	1.5	0.5
2016	101	5401	1.9	1.9	0.4

2017	140	8292	1.7	1.7	0.5
2018	217.5	11346	1.9	1.9	0.8
2019	300	13026	2.3	Not Known	Not Known

Source: Central Agency for Public Mobilization and Statistics (CAPMAS) and other statistics sources

- The number of French tourists coming to Egypt has fluctuated over the past years, which although it peaked in 2010 with about six hundred thousand tourists, it declined in the aftermath of the Russian plane accident in Sinai in 2015, and was affected by the repercussions of the COVID-19 pandemic in 2020.

The French Central Bank data highlight the limited spending of French tourists in Egypt, amounting to about 200 million euros in 2019 and similarly in 2018, while their spending amounted to about 100 million euros in 2017, due to the spread of less-spending charter tourism.

On the other hand, there is Egyptian tourism destined for France, especially medical and purchase tourism, taking into mind that tourists coming from the Middle East countries to France stay long periods with so many tourist nights they spend there, compared to other nationalities, up to 8.1 nights compared to 2.7 nights for American tourists, five nights for Spanish tourists, 5.4 nights for Chinese tourists, 5.5 nights for Swiss tourists, 5.9 nights for Italian tourists, 6.2 nights for Belgian tourists, and 6.7 nights for German tourists. Only Russian tourists exceed Middle Easterners with an average of 8.3 nights, but in fact, Middle Eastern tourist spends more money than the Russians.

Fourth: Remittances of Egyptian labor in France

- The Egyptian Ministry of Foreign Affairs data indicate that there were about 366,000 Egyptians living in France in 2017, while the World Bank data stated a less number for Egyptian workers in France in the same year, down to 31,000 people. On the other hand, the World Bank data indicate that the number of French labor operating in Egypt is estimated at three thousand. Hence, remittances of expatriates move in both directions, although the volume of remittances moving from France to Egypt is greater. However, the value of these transfers is low compared to the size of Egyptian labor in France as mentioned by the Egyptian Ministry of Foreign Affairs.

Remittances of labor from France to Egypt & Vice Versa (in million dollars)

Year	Labor Remittances from France to Egypt	Total Overseas Remittances to Egypt	France's Share of Total Remittances to Egypt	Labor Remittances from Egypt to France
2010	106	12453	0.9	17
2011	120	14324	0.8	19
2012	172	20515	0.8	19
2013	151	17833	0.8	24
2014	167	19590	0.9	26
2015	156	18325	0.9	24
2016	143	16590	0.9	25
2017	172	19983	0.9	26

Source: The World Bank

The remittances of Egyptian labor from France to Egypt indicate how limited and low they are, where their percentage to the total transfers was even less than 1% during eight years from 2010 to 2017, and also compared to the value of Egyptian labor remittances from the Arab Gulf countries.

Perhaps one of the reasons for this is the difference in the quality of Egyptian labor in Paris, characterized by higher education, holding good professions that stabilized their conditions in the country of immigration. Meanwhile, the educational level of most Egyptian labor in the Gulf is low, with inclinations for returning to the homeland after a period of time, in addition to being affected by the sharp changes in oil prices, prompting part of them to return, as it has actually happened recently due to the decline in oil prices and the repercussions of the COVID-19 pandemic together.

Fifth: balance of receipts and payments between the two countries

The data of the Central Agency for Public Mobilization and Statistics (CAPMAS) on Egyptian receipts from dealing with France in FY 2018/2019 revealed the limited French aid to Egypt, estimated to less than \$ 25 million, the limited revenues of French tourism to Egypt, estimated at less than \$ 37 million during the fiscal year, in addition to the limited benefits that Egypt obtained from its deposits in

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France, amounting to less than \$ 12 million within a year due to the low interest rates in French banks.

Receipts and Payments between Egypt and France in 2018/2019 (in \$ million)

No.	Items of Receipts	Value of Receipts	Items of Payments	Value of Payments
-	Total	2041.9	Total	3963.8
1	Export Commodities	745.2	Import Commodities	2258.3
2	Transportation Services	55.6	Service Payments	68.1
3	Receipts of Travel and Tourism	36.9	Travel Payments	50.6
4	Receipts of Government	4.6	Government Payments	38.1
5	Receipts of Other Service	178.3	Other Services Payments	192.5
6	Financial Investment Income	-	Portfolio Investment Payments	7.3
7	Direct Investment Income	5.4	Direct Investment Income Payments	28.4
8	Other Investment Income	11.6	Income Payments of Other Investments	19.2
9	Government Cash Aid	24.7	Government Transfers Payments	0.4

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10	Egyptian Labor Remittances	112.8	Payments for French labor in Egypt	11.6
11	Government Capital Transfers	-	Capital Transfers Payments	..
12	Private Capital Transfers	0.017	Private Capital Transfers	11.6
13	Other Capital Accounts	0.091	Direct Investment Overseas	6
14	Foreign Direct Investment	139.6	Direct Investment Payments in Egypt	21.6
15	Inbound Portfolio Investments	155.7	Portfolio Investment Payments	166.3
16	Other inbound Investments	136.5	Other Investments Payments	1063.9
17	Internal Transactions, Free Market Purchases	1.1	Free Market Transactions Payments	..
18	Receipts of Statistical Entries	433.9	Payments of Statistical Entries	19.9

Source: Central Agency for Public Mobilization and Statistics (CAPMAS)

The latest data about receipts and payments between Egypt and France during the fiscal year 2018/2019 has indicated that there was an Egyptian deficit of \$ 1 billion and 922 million, as a

difference between the receipts amounting to \$ 2 billion and 42 million and the payments amounting to \$ 3 billion and 964 million.

Among the eighteen items of receipts and payments that covered all aspects of economic relations between the two countries, only five items achieved surpluses totaling \$ 658.4 million, while thirteen items made a deficit of \$ 2 billion and \$ 580 million.

The five surplus items were: the receipts of statistical entries valued at \$ 413.9 million, foreign direct investment worth \$ 118 million, remittances of Egyptian labor in France by \$ 101.2 million, French government aid to Egypt by \$ 24.2 million, and the free market purchases by \$ 1.1 million.

The most prominent deficit items between receipts and payments manifested in merchandise trade between the two countries with some \$ 1.513 billion as export-import differences; while the difference in other investments in terms of loans and deposits was estimated at \$ 927.5 million, and the difference between government receipts and payments amounted to \$ 33.5 million. The data also indicated that the payments of Egyptians traveling to France outweighs the revenues of French tourism in Egypt with about \$ 13.7 million.

Conclusion

France achieves a surplus in its overall economic relations with Egypt, especially with the declining proceeds that Egypt receives from the remittances of Egyptian labor in France, the low French tourism in Egypt, and the modest French aid to Egypt. Paris has achieved surpluses out of its commercial relationship with Cairo for decades, making for part of the chronic French trade deficit. Meanwhile, Egypt continues its efforts to prevent the illegitimate migration of Africans and Egyptians to Europe via the Mediterranean Sea.

French investments in Egypt are also achieving good returns, as the profits of the French Crédit Agricole Bank in 2019 amounted to about EGP 2.360 billion, bringing the proceeds on the bank's property rights to 32.9%; and despite the decline in the bank's profits during 2020 due to the repercussions of the coronavirus on markets down to EGP 1.371 billion, the bank's property rights return amounted to EGP 7.2 billion, by 18.9%, while the interest rate on deposits in euro countries amounts to 0%.

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However, the Egyptian authorities are keen on continuation of these benefits to France as a way to win it over so that it would not address the deteriorating human rights situation in Egypt. The Egyptian regime has overlooked the French President's abuse of the Islamic religion and Muslims, and pushed its supporters to thwart the popular campaign to boycott French goods in response to this abuse.

