

The Impact of Exchange Rate Liberalization on Egyptian Agricultural Foreign Trade

Abstract:

Egypt pays great attention to foreign trade. In this respect, boosting exports primarily comes as a means of reducing the deficit in the Egyptian trade balance, which increased from about 11.5% in 2015 to about 12.2% in 2016, which resulting that the Central Bank took the decision of liberalizing the Egyptian pound exchange rates against foreign currencies on 3 November 2016, where market forces control the daily trading prices according to demand and supply conditions. Although the liberalization of the exchange rate aimed at reducing the deficit in the Egyptian trade balance and reducing the value of imports and increasing the value of exports, it was noted that the deficit in the Egyptian trade balance increased in the period following the decision of liberalization and the increase in Egyptian exports was not as expected or targeted before the liberalization of the Egyptian currency.

The aim of this research is to analyze the current situation of Egyptian foreign and agricultural trade and measure the impact of exchange rate liberalization on the most important Egyptian agricultural exports and imports.

The main results of the study revealed that the average coverage rate of total foreign trade during the period (2007-2018) was about 38.9%, and the average coverage rate of agricultural foreign trade during the study period was about 37.5%, which indicates that the inability of country to cover its total agricultural imports from the total agricultural exports, and also revealed the existence of a gap between Egyptian total and agricultural exports and imports.

The study also showed that exchange rate liberalization led to an increase in the value of total exports, and a decrease in the value of imports. There was also a decrease in the deficit in the trade balance in the second period (December 2016- September 2018) at a rate of an average change between the two periods decreasing by about 20.4%. It was also found that exchange rate liberalization led to an increase in the value of agricultural exports, and an increase in the value of agricultural imports in the second period after exchange rate liberalization. The results also indicated an increase in the value of the agricultural trade balance in the second period with a rate of change between the two periods increased by about 0.2%.

The results of the study illustrated some positive effects of exchange rate liberalization on major agricultural exports of Egypt, namely the high in quantities and values of orange, grapes and potatoes exports, and lower in values of maize imports in comparison to the period before exchange rate liberalization.

The study also revealed some negative effects of exchange rate liberalization on important agricultural imports of Egypt, namely, higher values

of imports of wheat and soybeans compared to the period before exchange rate liberalization.

The study concluded with a recommendation of focusing on agricultural commodities in which Egypt has achieved a competitive advantage, rationalizing imports with local counterparts and replacing the imported products with their local counterparts.