

**Dr. Nader Riad, Counselor of the People's Assembly Industrial
Committee: It's a double edged equation called Floating Exchange
Rate**

**Depositing foreign currency revenues of exporters' in special
accounts and increasing their interest rates**

While many conflicting opinions are being debated about floating exchange rates, a new vision by Dr. Nader Riad is on our page today. Dr. Riad is the Counselor of the People's Assembly Industry Committee and Chairman of the Bavaria Group.

In this article he tackles the issue of floating exchange rates as a double edged equation. Dr. Nader Riad confirms that some people might be wrong when they speak about floating the exchange rate without looking at the other end of the equation. The equation is not balanced, and in many instances, leads to a zone that stands outside everyone's specialization and is not subject to inspection.

Dr. Raid stated that he belongs to the majority who prefer an analytical study, who are not prejudiced and who work on both sides of the equation in a balanced manner. From the point of view of financing, especially in regards to small and medium industries, and the affects of fluctuating the prices of foreign currencies is bound to create a shortage or corruption of working capital. This is with regards to its importing efficiency and ability to handle components and inputs in case of price increase.

The other side of the equation is the importance of the banks' response to this by being ready to finance the "shrinking" working capital for whoever has financing and credit standards and policies compatible with the bank.

Small and Medium Industries

With regards to the industrial activity of small and medium industrial institutions, such fluctuations provide the opportunity to handle two challenges which these institutions should pass successfully in order to benefit from good crisis management. The first challenge is replacing the most sizeable parts of imported components with local products to decrease cost and have a competitive advantage, seizing the opportunity of the increase in the prices of the foreign imported product.

The second is to provide the Egyptian replacement so that it is capable of competition both in a quality and marketability point of view, which will increase the local market share. Dr. Riad reminds us that the increase in the cost of foreign currencies is mainly handled by the importer of the products, with the local producer taking responsibility of a small portion.

Exports

In regards to exports, exporters represent the side welcoming the increase in the value of the foreign currencies against the local currency. This provides better profits with the same quantity of exports, without any further burdens or costs, along with not having to enlarge the scope of export markets but by gaining better rates from exporting to foreign markets.

“Exporters are facing a challenge that they can accept or refuse” Dr. Nader Riad said. “They can remain content with the increase in profits without further work, or work on increasing the scope of their market with their new competitive advantage, as a means to secure the present and build the future.”

The Banking System’s Role

We import more than we export, therefore demand over foreign currencies is always larger than the supply.

Rate Differences

Dr. Riad indicated that there is an ongoing debate between the banking system and exporters whether to grant or not to grant banks the revenues of exports. The debate centers on whether a percentage of the revenue will be sufficient. The debate regarding the price of selling to banks and the price of buying when needed is also still debated.

All of these issues are debatable with no apparent result. We cannot expect a final solution to be agreed upon by all parties which does not contradict the basis of application and the economic reform policy.

Exporter Accounts

Dr. Riad also pointed out that a more realistic opinion is to stop short of applying the principle of export and import exchange by a means of the banking

institutions. Thus, the revenues of the exports, foreign currencies, will in the end stay in the exporters' accounts in the Egyptian banks, to be used for their own purposes without procedures limiting the ability of accounts owners managing their balances.

Increase in revenues

Dr. Riad also believes that this procedure will increase the foreign currencies resources of these banks available in their clients' balances, where their interest rates can be increased more than the rates on the international level. This is a ratio between 1% and 2%, to help retain some of the money as deposits allowing the banking system to manage it with an active turnover policy. This will allow the industry to provide a part of its needed currency, encouraging export activities to expand, dropping the debatable side of the financing rate for those who sell foreign currencies then needs a part of it for financing imports for a coming period.

Attraction Force

Dr. Nader Riad confirmed that the above accounted for increase in the interest rates of dollar deposits that might become a force of attraction for deposits and savings in foreign currencies without fear of the "Dollarization" phenomenon, since the interests on the Egyptian Pound are still high in comparison.

The Future Challenge

Dr. Nader Riad indicated that this crisis is one of the continuous challenges in the industrial sector of any industry any where in the world. Future challenges must be dealt with immediately, with quality standards and the search for competitive advantages. They need vision as much as technical development and the ability to come out of the competition victorious on the international level, starting on the local level.

"Ten Commandments" for Investors and Importers

Investors and importers have set a package of demands they see necessary for the success of liberalizing the exchange rate and achieving its goals. They have requested that transactions in dollars be through legal channels and that the Central Bank of Egypt (CBE) should intervene to strike a balance in the market when the need arises.

They also urged Egypt to request assistance from the International Monetary Fund (IMF) and the World Bank (WB) in order to increase its foreign monetary resources, particularly as both international organizations have recommended that the exchange rate be liberalized. They also offered to assist in this process.

Dr. Mahmoud Suleiman, the chairman of 10th of Ramadan Investors Association, said the black market is a tool of evaluation and there is no tool that can make people return to the right conduct.

Dr. Suleiman demanded the following:

1. Saving hard currency should end, confidence in the decision's benefit should be assured, and it is necessary to deal with legal channels.
2. The foreign monetary income from exports and tourism should be deposited into banks. Meanwhile, banks should provide currencies to meet the needs of foreign currency depositors on the spot.
3. There should be a code of honor commitment between unions, associations, businessmen and banks.
4. Reducing import expenditures which affects the trade balance and market mechanisms. Curbing the importation of luxury commodities.

Dr. Nader Riad, advisor to the Industry and Energy Committee at the People's Assembly says "It is necessary to provide enough time before assessing the experience, as we still pass through the high limits of the experience, which will decrease later so that dealing with the market mechanisms will achieve a fair rate of exchange."

The banking system is expected to move the rate of exchange on dollar deposits over the coming period to attract dollar deposits. Also, the CBE is expected to play a balancing role by acting as a seller and buyer of foreign currencies within the limits it sees suitable for achieving its policies. Dr. Riad adds that the pound will be assessed soon, allowing industry to organize the process of importation throughout the year at the price of transaction. Upon concluding contracts, he adds, some 1% shall be paid in charges.

This system is called "Hedging", which is meant to provide protection against the fluctuation of currency rates. This process is related to the stability of trade and industry transactions as well as fixing the prices of products in a way that protects them from sudden crises.

Matter of national security

Mohamed Abul-Enin, Chairman of the Housing Committee at the People's Assembly and Head of the Investors Division, sees that the issue has become a matter of national security and should be assessed from all directions. He also believed that speculators should be deterred in order to provide the dollar liquidity necessary for opening documentary credits for factories and national interests and buying necessary requirements.

He notes that the decision has no defect, but it should have been accompanied with other decisions like fixing the rate of customs dollar in order to alleviate importers and consumers' burdens.

Abul-Enin calls for narrowing the gap between supply and demand, which was created by speculators, thus having fabricated the supply and demand chain. Engineer Ismail Othman, the former chairman of Arab Contractors and head of the German-Arab Chamber of Commerce and Industry, calls for raising the interest rate of the local currency, cutting down customs duties and sales tax and encouraging legal dollar depositing. He states that the economy should be run by proficient people and calls for encouraging foreign resources, such as tourism, exportation and transferences.

Othman says he is currently heading a delegation from the Union of Construction and Building Contractors. This delegation consists of 140 companies. It is now in England, opening new avenues of cooperation, exporting construction and building industries and making use of foreign technology in the Egyptian industry.

Sherif Al-Gabali, Chairman of the Chamber of Chemical Industries at the Industries Federation, highlights several recommendations. The first is that banks should act as purchasers within 3-4 months so that there will not be a gap in the rate. Secondly, the gap between imports and exports should be bridged. The third recommendation states that the customs dollar's rate should be fixed monthly rather than adopting the daily exchange rate. The fourth request is that the CBE should inject enough dollar reserve. And finally, the fifth recommendation is that a sound economic strategy be developed.

For his part, Mustafa Zaki, Chairman of the importers division at the General Federation of Chambers of Commerce, says the current price rise in markets is not a result of the rise in dollar's rate, but rather a result of provocative practices by opportunist merchants. For instance, a bottle of cooking oil is currently sold at three different prices, just three days after the rise in dollar's rate. The price for mineral water has also increased, following the rise in the rate of the dollar. Merchants have also stated that the rise in the rate of the dollar has also affected the price of imported cardboard and paper.

Zaki says that merchants do not err often, as the Egyptian industry depends on foreign components with rates ranging from 55% to 60%. So, commodities' prices will increase so long as foreign components are used.

Six Commandments

Mustafa Zaki blames the phenomenon of the black market to the fact that our banks suffer from high demand and low supply despite the fact that the positions of many banks are uncovered.

However, the gross money of these banks is only enough to pay off those positions. In addition, there is speculation amongst banks, as some sell the dollar ten Piaster higher than other banks. Zaki calls for raising the interest rate of local currency so that the exchange rate becomes fully liberalized. When the US Federal Reserve Bank saw an increase in the inflation rate to 3%, it increased the interest rates, increasing investments.

In regards to a solution to the problem of liberalizing exchange rates, Mustafa Zaki said:

First, we warn against importation through levying documents unless the imports are foreign components or spare parts used in local industry.

Second, we call on the International Monetary Fund and the World Bank to help Egypt strike a balance between the supply and demand of the dollar, particularly as both international organizations recommended that the exchange rate be liberalized and offered their help.

Third, we seek the assistance of the US similar to the request of Mexico, where the US injected \$ 56 billion in order to help Mexico get out of its crisis.

Fourth, the interest rates on local deposits should be increased.

Fifth, laws should be passed on tax, local consumers, customs, competition, anti-trust and banks.

Sixth, foreign currency resources should be increased through exporters, companies, societies and businessmen. These resources should be deposited into banks."

Dr. Nader Riad...Berater des Industrie-Komitees im ägyptischen Parlament:

Eine doppelte Gleichung mit dem Namen Befreiung des Wechselkurses

Die Einzahlung der Einnahmen von Exporteuren an freier Währung auf Privatkonten und die Erhöhung der Zinsbeträge

Befreiung des Wechselkurses...man kann sich über den Effekt streiten! Diese Woche hat das Blatt einen neuen Blickwinkel von Dr. Nader Riad, Berater des Industrie- und Energie-Komitees im ägyptischen Parlament und Leiter der Firma "Bavaria", geschildert, in dem er die Befreiung des Wechselkurses als zweischneidige Gleichung bezeichnet.

Dr. Nader Riad bestätigte, manche irren sich, wenn sie die Entscheidung der Befreiung des Wechselkurses nur einseitig betrachten. Auf diese Art und Weise ist die Gleichung nicht im Gleichgewicht und so gerät sie oft in eine Region, für die keiner zuständig ist und befindet sich außerhalb des Bereichs der klaren Zuständigkeit, den man genau beschreiben könnte.

Er erklärte, er gehöre zu der Mehrheit, die das Thema analytisch angeht, Vorurteile vermeidet und beide Seiten der Gleichung parallel betrachtet. Aus der Perspektive der mittleren und kleinen Industrien hinsichtlich der Finanzierung würde die Bewegung zum freien Kurswechsel ein Schrumpfen oder Kürzen des Kapitals bedeuten. Mit Kapital ist hier, die Importfähigkeit und die Kapazität mit Preisschwankungen bzw. Steigerungen umzugehen, gemeint.

Der andere Arm der klassischen Gleichung für diese Situation weist auf die Notwendigkeit hin, dass Banken darauf reagieren, indem sie bereit sind, die Schrumpfung des zirkulierenden Kapitals zu finanzieren. Voraussetzung für die Finanzierung ist die Erfüllung der entsprechenden Kreditbedingungen, die durch die Verwaltungspolitik der Bank notwendig sind.

Kleine und mittlere Industriegewerbe

Hinsichtlich der kleinen und mittleren Industriegewerbe stellt das Ereignis bzw. der Beschluss zwei Herausforderungen dar, die sie durch weisen Umgang mit der Krise überwinden lassen. Die erste Maßnahme wäre das Ersetzen von importierten Bestandteilen durch lokale, so dass die Produktionspreise herunter geschraubt werden und damit die Konkurrenzfähigkeit der Endprodukte steigt. Dabei soll der hohe Preis der eingeführten Produkte so ausgenutzt werden, um dem ägyptischen equivalenten Produkt mit angemessener Qualität und besseren Preisen mehr Anteil an dem lokalen Markt zu verschaffen. Die hohen Preise der eingeführten Ware fallen hauptsächlich den Importeuren zur Last, während bei dem ägyptischen Produkt nur ein Bestandteil mit dem Wechselkurs belastet ist.

Die Exporte

Auf der entgegengesetzten Seite der Gleichung liegen die Exporteure ägyptischer Waren, die sich über den steigenden Wert der ausländischen Währung gegenüber der eignen sehr freuen, da dies bessere Einnahmen für dieselbe Menge Ware bedeutet, ohne zusätzliche Ausgaben, Lasten oder Bemühungen um weitere Exportmöglichkeiten im Ausland.

Dr. Nader Riad erklärte, hier stehe den Exporteuren eine Herausforderung bevor, die sie annehmen oder ablehnen können. Entweder sie geben sich zufrieden mit den vermehrten Einnahmen ohne zusätzliche Mühe, nach dem Moto "Der Segen kommt vom Himmel" oder sie nutzen die Chance und bieten billige Exportpreise an, womit sie ihre Konkurrenzfähigkeit steigern und einen größeren Exportanteil erreichen; ein Schritt zur sicheren Gegenwart und besseren Zukunft.

Rolle der Banken

Er fügte hinzu, es verbleibe noch die organisatorische Rolle des Staates und der Banken zur Erhaltung des Gleichgewichts von Preisen ausländischer Währungen gegenüber dem ägyptischen Pfund; und zwar unter der Last der historischen Kluft, die über einen längeren Zeitraum in der Handelsbilanz existiert hat. Damit ist der Unterschied zwischen den großen Mengen an Importwaren und dem geringen Anteil an Export gemeint. Für die harte Währung bedeutet dies viel Nachfrage und wenig Angebot.

Der Preisunterschied

Außerdem erwähnte er, es bestehen Meinungsverschiedenheiten zwischen den Banken und den Exporteuren, ob die Exporteure ihre Erträge den Banken abzutreten haben?!?!

Weitere Diskussionen werden geführt, ob denn ein Prozentsatz für die Banken ausreichen würde, wie hoch die Preise an den Banken sein dürfen und wie teuer der Erwerb von harter Währung sein soll?!?Außerdem noch der Unterschied zwischen Kauf- und Verkaufspreis! Alles strittige Themen, für die weder ein zufriedenstellender Kompromiss für beide Seiten noch eine Lösung, die nicht gegen die Politik der freien Wirtschaft verstößt, zu finden ist.

Die Konten der Exporteure

Eine Meinung, die der Realität am nächsten liegt, befürwortet, dass alle Export- wie auch Importtransaktionen über Banken laufen. So landen die Einnahmen der Exporte in harter Währung letztendlich auf den Konten der Exporteure an ägyptischen Banken, die sie wiederum einsetzen, ohne jegliche

Maßnahmen, die die Kontoinhaber bei ihrer Verfügung über die Konten einschränken.

Die Steigerung der Einnahmen

Riad ist der Ansicht, dies würde automatisch den Geldzufluss an harter Währung zu den Banken –auf die Konten der Kunden- steigern, so dass der Zinssatz um 1% bis 2% höher als der internationale Prozentsatz erhöht werden kann. Auf diese Weise soll ein attraktives Angebot verschafft werden, um mehr Festgelder auf den Banken anzulegen. Das Geld könnten die Banken der Industrie zur Verfügung stellen oder damit den Exportsektor unterstützen. So entfällt der Streit um Kauf- und Verkaufspreise bei denen, die ausländische Währung abtreten und zu einer späteren Phase sie für Importfinanzierung benötigen.

Anziehungskraft

Dr. Nader Riad bestätigte, die errechnete Erhöhung der Zinsen für Festgelder in Dollar sei ein attraktives Angebot für Sparkonten und Festgelder, ohne das Phänomen der “Dollarisierung” befürchten zu müssen, da der Zinssatz für das ägyptische Pfund weiterhin viel höher steht.

Die nächste Herausforderung

Diese Krise, laut Dr. Nader Riad, sei eine der vielen und ständigen Herausforderungen, die der Industrie, irgendwo auf der Welt, im Wege stehen kann. Das Boot und die Ruder in der Sprache der Industrielleute ist der

Herausforderung gewachsen und dafür vorbereitet zu sein, und zwar mit ständig sich erneuernden Qualitätsstandards und der sich wiederholenden Suche nach konkurrenzbefähigenden Vorteilen. Die Vorbereitung auf die Zukunft sollte mit einer Vision neben dem technischen Fortschritt und einem Siegesgeist auf nationaler sowie auf internationaler Ebene verbunden sein.