Foreign Trade Regimes and Economic Development: Egypt.—By Bent Hansen and Karim Nashashibi. New York: Columbia University Press. 1975. XXXV +358 pp. (Published by the National Bureau of Economic Research, New York).

The book under review is one of a series of studies conducted under the auspices of the National Bureau of Economic Research. The primary object was the empirical exploration of a classical doctrine that trade is an engine of growth.

The book consists of three major parts. In part one analysis of the Egyptian trade regimes at an aggregate level, from World War II to the Sixties, is presented in five chapters.

Chapter 1 outlines Egypt's foreign trade, economic development and political characteristics in a historical perspective. After discussing ninety years of free trade it moves on to explain how Egypt's industrial sector expanded through protection and the increased demand resulting from the outbreak of World War II. Thereafter, during the Nasser regime the economy underwent a metamorphosis, namely, nationalization of all industries, finance and trade. Consequently, by the end of the Sixties the public sector's share in gross domestic product and investment was as high as 50 percent and 90 perecent. respectively.

In Chapters 2 and 3, Egypt's foreign exchange regimes (FER) are classified and her effective exchange rate (EER) over the period 1948-61 is appraised. The British exchange controls on Egypt's foreign exchange reserves, the inflation of World War II, overvaluation of Egypt's currency and declining prices of her cotton exports generated persistent balance of payments deficits and foreign exchange problems for Egypt. An evaluation of the aggregate effect shows an increased depreciation of Egypt's effective exchange rate.

In Chapter 4, Egypt's critical position in 1962 is presented. Exhaustion of her foreign exchange reserves, persistent balance of payments deficits, decreased exports of cotton and rice, depreciated exchange rate, simultaneous commitments of public investments requiring extraordinary capital expenditures, and military expenses created an acute foreign exchange crisis and led to devaluation. However, because of the more spectacular well publicizd planning programmes, the devaluation was overshadowed and went as an unnoticed ripple.

Appraisal of the performance of Egypt's new administrative system with greater nationalizations over the Sixties is undertaken in Chapter 5. Egypt's balance of payments deficits, inadequate export performance and inefficient resource allocation, accompanied by her already mounting foreign exchange crisis, retarded the growth rate of the gross domestic product from 6.4 percent in 1963-64 to 0.3 percent in 1966-67.

Part Two consists of Chapters Six and Seven in which analysis of the competitiveness of Egyptian agriculture in the light of her protection and other controls is done. The basic characteristics of Egyptian agriculture like output, inputs, value-added, crop rotation and the irrigation system are presented in Chapter 6. Chapter 7 explains agriculture's protected position in terms of domestic resource costs and effective rates of protection. The effects of market imperfections, price distortions and other government quantitative regulations in agricultural production and resource allocation have been evaluated through a well-developed methodological framework, given in Appendix A.

Part Three comprises Chapters Eight to Ten. In this part attempt is made to measure the impact of protection and controls on the competitiveness of the Egyptian manufacturing sector. Each industry's historical development and competitiveness is assessed by effective rates of protection and domestic resource costs.

Dealt with in Chapter 8 are the traditional industries like cotton spinning and weaving, sugar and cement, which were established long ago and are now the largest employers and foreign exchange earners in the manufacturing sector.

In Chapter 9 the competitiveness of new industries, for example, fertilizer, rubber tyre, pulp and paper, iron and steel, and the automobile industries are dealt with.

In Chapter 10 the discussion on the competitiveness of the manufacturing sector is summed up. The Government's inadequate investment planning is characterized by little attention to industrial competitiveness. It is shown that on the whole, the industrial sector's performance was not much affected by severe problems like devaluation, employment drive, wage increases, stagnant international prices and permanent foreign exchange crisis.

In conclusion, one can say that a worthwhile attempt has been made to analyse Egypt's trade-growth relationship. The analysis is comprehensive and results have been illustrated graphically. The sub-optimality of agricultural acreages has been assessed through an attractive econometric framework. Detailed references at the end of each chapter are indicative of the vigilance of the authors. However, certain data limitations have constrained the analysis. For instance, comparative analysis of the manufacturing sector as a whole has been inhibited by the non-availability of up-to-date input-output tables (p. 203). Much reliance has been placed on somewhat less reliable measures like average depreciation, price distortions, effective exchange rate and domestic resource costs (pp. 54 and 167). In spite of these limitations, the quality of the analysis remains almost unaffected. The optimality of Egypt's foreign trade and exchange regimes has been probed in a detailed historical perspective.

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