1979 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH THE ARAB REPUBLIC OF EGYPT
Statement Submitted by the Arab Republic of Egypt Under Simplified Procedures for Consultations

I. Balance-of-payments position and prospects

In the document for 1977 consultation (BOP/177), balance-of-payments developments during the period 1973/1975, and the first half of 1976 were reviewed. The deterioration on current account referred to in that document has persisted during the past three years or so. The salient features of balance-of-payments developments are given below:

(1) Merchandise transactions

Export proceeds recorded an expansion during the period 1976/78. The increase of about 24 per cent and 23 per cent in 1977 and 1978 respectively, compared with 1976, was mainly due to the rise in export prices.

The improvement, however, was offset by the increase in import payments which went up in 1978 by about 25 per cent as compared with 1976. This increase in import payments was brought about mainly by the rise in world prices of imported goods and the increased imports needed for the implementation of development plans and to cope with the requirements of a rapidly growing population.

The excess of actual payments for imports over export proceeds recorded LE 1,016 million and LE 986.4 million in 1976 and 1977 respectively. This adverse trade balance totalled LE 1,282.1 million in 1978.

(2) Invisible transactions

Invisible receipts have shown continuous and substantial growth in the last three years. From LE 773.4 million in 1976, they went up to LE 998.5 million in 1977, and further up to LE 1,351.4 million in 1978.
This performance was attributable mainly to the "interest, dividend and other revenues including remittance from nationals working abroad", "tourism and other receipts", and Suez Canal dues.

"Interest, dividend and other revenues including remittance from nationals working abroad" amounted to LE 323.4 million in 1976, LE 394.9 million in 1977, and increased to LE 754.1 million in 1978.

"Tourism and other receipts" increased from LE 290.3 million in 1976 to LE 376.2 million in 1977 but declined in 1978 to LE 346.6 million.

Suez Canal dues contributed LE 121.7 million in 1976 and increased to LE 167.4 million in 1977 and further to LE 201 million in 1978.

On the other hand, invisible payments which amounted to LE 349.9 million in 1976, increased to LE 505.2 million in 1977 and reached LE 565.2 million in 1978. The balance of invisible transactions during these three years 1976, 1977, 1978 recorded LE 423.5 million, LE 493.3 million, and LE 786.2 million respectively.

(3) The current account

As a result of the above developments the large deficit in current account reached LE 593 million in 1976, LE 493.1 million in 1977 and LE 495 million in 1978. Considering transfer payments which amounted to LE 135 million in 1978 against LE 174.2 million in 1977 and LE 278.1 million in 1976, the overall balance of current transactions and transfers recorded a deficit of LE 360.9 million in 1978 compared with LE 318.9 million in 1977 and LE 314.9 million in 1976.

(4) The capital account

The net inflow on the capital account, representing net utilization of foreign loans, commercial credits and other flows, increased in the past three years, particularly in 1977.

As a result, the current and capital accounts, or the basic balance, left an overall surplus amounted to LE 31.1 million in 1976, LE 69.1 million in 1977, and LE 29.8 million in 1978.

II. Foreign trade system and import policies

As stated in the document for 1977 consultation (BOP/177), Egypt's foreign trade is conducted in a non-discriminatory manner on a commodity rather than on a country basis, and is guided solely by commercial considerations. Import policy is not restrictive in essence. Within the framework of the foreign exchange budget allocations and priorities, import policy is primarily designed to regulate imports in such a way as to satisfy the country's needs for foodstuffs, raw materials, intermediate products and capital goods required for development purposes.
### BALANCE OF PAYMENTS

#### 1976/1978

1. **Current transactions:**
   - **A. Merchandise transactions**
     - **Proceeds of exports**: 629.7, 779.6, 773.8
     - **Payments for imports**: 1,646.2, 1,766.0, 2,055.9
     - **Balance**: -1,016.5, -986.4, -1,282.1

   - **B. Invisible transactions**
     - **Receipts**: 773.4, 998.5, 1,351.4
     - **Payments**: 349.9, 505.2, 565.2
     - **Balance**: +423.5, +493.3, +786.2
     - **Balance of current transactions**: -593.0, -493.1, -495.9

2. **Transfers:**
   - **Balance of current transactions and transfers**: -314.9, -318.9, -360.9

3. **Net capital transactions**: +346.0, +388.0, +390.7

4. **Overall surplus or deficit**: +31.1, +69.1, +29.8
As regards the foreign trade system, the Supreme Council for the Planning of Foreign Trade is entrusted with establishing long-term policy for export and import, determining the annual export and import plan and supervising the implementation of the foreign exchange budget. The ministries concerned are responsible for setting priorities regarding imports and their timing.

The annual foreign exchange budget provides for a specific quota for each sector. Import transactions are implemented upon the approval of a foreign trade committee. The private sector have been accorded certain facilities, chiefly among them the banks are authorized to provide foreign exchange needed at the prevailing market rate. This system known as the "open licence" system does not require any prior approval.

Further steps have been taken to improve the functioning of foreign trade system and to introduce more liberal actions. The policy of reducing payments agreements have continued with the objective of conducting foreign trade operation on the basis of convertible currencies.

Imports volume under the own exchange system has been increased considerably during 1977 and 1978. This increase reflects on one hand, a growing demand for productive and consuming purposes and, on the other hand, the shortage in foreign exchange balances of the banking system, as a result of balance-of-payments difficulties.

The growth of Egypt's foreign trade and the expansion of imports including those from GATT partners are attributable to the liberalization measures taken in the context of the open-door economic policy adopted and developed in the last few years.