TRADE POLICY REVIEW MECHANISM

THE ARAB REPUBLIC OF EGYPT

Report by the Secretariat

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the Secretariat submits herewith Volume A (Text) of its report on the Arab Republic of Egypt. Volume B (Tables and Appendices) is presented in document C/RM/S/28B.

The report is drawn by the Secretariat on its own responsibility. It is based on the information available to the Secretariat and that provided by the Arab Republic of Egypt. As required by the Decision, in preparing its report the Secretariat has sought clarification from the Arab Republic of Egypt on its trade policies and practices.


NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.

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SUMMARY OBSERVATIONS

1. Egypt's Economic Reform and Structural Adjustment Programme (ERSAP), introduced in 1990, is a comprehensive attempt to move the country's largely centralized, statist economy towards a more market-based, outward-oriented pattern of development. In scope, the programme surpasses all previous attempts at reform, starting with those initiated by President Sadat in 1974. The main areas of reform concern macroeconomic stabilization; foreign trade liberalization; deregulation of price controls and other administrative practices; reorganization of public enterprises and privatization; and the creation of a Social Fund for Development to alleviate the burden of adjustment on the population.

2. Under the programme, tariffs are intended to be the main trade policy instrument albeit, initially, at relatively high levels. Non-tariff measures, such as conditional import prohibitions, prior approvals and the fulfilment of special conditions, are to be phased out. Deregulation should encourage production and trade in cotton, Egypt's main traditional export, where low domestic procurement prices and a State monopoly in cotton trading in the past effectively taxed production and restricted exports.

3. The process of restructuring and privatization of State-owned enterprises is expected to take some time to yield significant results in productivity and output. Near term prospects appear brighter in agriculture, where Government intervention in the past affected the decision-making process rather than the structure of ownership. Earlier policies, which depressed agricultural production, turned Egypt, a net exporter of agricultural products until 1973, into a major importer of foodstuffs. This position has been exacerbated by the growth in imports of subsidized wheat and other farm products from major trading partners.
Fully implemented agricultural reforms should lead to a major reallocation of resources and a radical improvement in the agricultural trade balance.

4. Egypt has experienced recurring balance-of-payments problems since reserves of foreign exchange, accumulated during World War II and the Korean War, were exhausted in the late 1950s. Progress in implementing economic reforms and a positive external environment in the wake of the Gulf War, including the cancellation of some debt, allowed Egypt to move ahead with exchange rate unification and the floating of its currency in October 1991. Liberalization of capital transactions has been successful, attracting significant amounts of foreign funds into Egypt. Such capital inflows have contributed to the appreciation of the effective exchange rate of the Egyptian pound. While this may be expected to help slow inflation, it could have detrimental effects on the process of diversification and expansion in the industrial sector and on export performance.

5. The changes in trade policy which form part of Egypt's economic reform programme are being implemented autonomously, irrespective of the outcome of the Uruguay Round. A successful conclusion of the Round would, however, encourage the process of adjustment. In the face of opposition from vested interests, there have been long and complex consultations on the scope and place of reform. This has lent a certain unevenness to the implementation of the reform and generated some uncertainty as to the extent of the Government's ability to sustain the whole reform programme, which is a condition for reductions in external debt agreed with Paris Club creditors.
**Egypt in World Trade**

6. Egypt is the most populous country in the Arab world. However, its share of world merchandise trade amounts to no more than 0.16 per cent of the total and its merchandise exports to GDP ratio is less than 9 per cent.

7. The Egyptian economy has traditionally been based on agriculture, particularly cotton. In 1986-87, the latest year for which comprehensive data are available, the sector accounted for 21 per cent of GDP. Industrialization has largely been financed by taxing agriculture. In consequence, Egypt, which was earlier generally self-sufficient in food, is now a major net importer, with food the largest item in its import bill.

8. In the early 1960s, main economic activities were brought under State control. Nearly all imports and three-quarters of the export trade were nationalized. Attempts at economic reform, in particular to revive the private sector and encourage foreign investment, were made in 1973-74. Further cautious steps to improve the functioning of the economy were taken in a piecemeal fashion, so that overall improvements remained fragmentary.

9. Until the mid-1980s, Egypt enjoyed rapid economic growth, financed by earnings from workers' remittances, petroleum exports, Suez Canal dues and tourism. These revenues, however, stimulated growth in output of non-tradable goods and services and, by overheating the economy, encouraged inflation. When earnings of foreign exchange began to decline in the early 1980s, growth was maintained through foreign borrowing. Such an expansion could not be sustained; by 1986-87, Egypt had become the most heavily indebted country in the world in terms of the foreign debt to GDP ratio, which reached 150 per cent. Following a tightening of macro-economic
measures to control inflation, Egypt's economic growth has been sluggish since 1986.

10. The European Communities, with which Egypt has a cooperation agreement, account for around 40 per cent of Egypt's merchandise trade. During the 1980s, shortages of convertible currencies boosted the country's trade with centrally planned economies; the subsequent political and economic changes in these countries have affected Egyptian trade negatively.

11. In the past, Egypt has made extensive use of trade measures to attempt to control chronic balance-of-payments problems. In consequence, since its accession to the GATT in 1970, Egypt has held ten consultations in the GATT Committee on Balance-of-Payments Restrictions. The last full consultation was held in 1988 and a consultation under simplified procedures was conducted in 1990: a further full consultation is to be held back-to-back with this Trade Policy Review.

(2) Institutional Framework

12. The Egyptian State is considered to be the oldest continuing political entity in the history of mankind. Egypt has periodically been subject to varying foreign influences; its present legal system reflects principally the influences of Islamic law, English common law and the Napoleonic code.

13. The present Constitution was approved by the electorate in 1971. Legislative authority rests with the unicameral People's Assembly (Majlis ash-Sha'ab). Executive authority is vested in the President, who is nominated by the People's Assembly and confirmed by popular referendum. The President determines and supervises the general policies of the State in cooperation with his Cabinet. The Government is currently composed of 30 Ministries.
14. Prime responsibility for trade policies rests with the Ministry of Economy and Foreign Trade, together with the Ministries of Finance and Planning. Formulation, co-ordination and implementation of trade policies frequently involve consultations and conciliation between government institutions, public enterprise management and organized interest groups.

15. A High Ministerial Economic Reform Committee (HMERC) has been established to guide the implementation and timing of economic reforms, including trade liberalization. The HMERC is assisted by another committee comprising high-level officials and by a technical secretariat.

16. Egypt's main trade laws are the Customs Law (1963) and the Import and Export Law (1975). Executive implementing regulations are introduced by Ministerial Decree. The present Customs Tariff was promulgated by Presidential Decree in 1986.

17. Egypt has no statutory body for independent public reviews of trade policies. However, the Shura Council - an institution established to advise the President on major legal and policy questions - is consulted on trade and policy issues.

(3) Trade Policy Features and Trends

18. In addition to its status as a GATT contracting party, Egypt is a signatory to all the Tokyo Round Agreements except those on Government Procurement and Customs Valuation, where it is an observer. According to Egyptian officials, it has not been in Egypt's interest to join the Government Procurement Code. Acceptance of the Customs Valuation Code is said to involve cumbersome changes in the present valuation system.
Recent evolution

19. In August 1986, with the introduction of the present Egyptian Customs Tariff, tariffs were reduced by 50 per cent across the board, and all supplementary import charges and duties were eliminated. Another general cut (of about 30 per cent) was made in 1989. However, simultaneous devaluations of the exchange rate used for customs valuation purposes counteracted the effects of the reductions. At the same time, Egypt continued to use non-tariff measures for balance-of-payments purposes.

20. In May 1991, as a first step in trade policy reforms, prior approval procedures for certain imports were removed, as were requirements for foreign exporters to provide local servicing facilities for various products. A list of goods on which the issuance of letters of credit for importation was suspended, was also abolished. Simultaneously, tariffs were raised across the board by some 25 to 42 per cent, in substitution for the reductions in non-tariff measures.

21. Liberalization of domestic price controls began in 1983-84. The authorities currently set prices on basic foodstuffs and products receiving implicit input subsidies. Under the reform programme, all administered prices for industrial goods are scheduled to be eliminated by June 1995 except for a few basic commodities, cigarettes and cotton yarn. A start has also been made on phasing out public distribution monopolies to reinforce deregulation of prices. Gradual removal of input subsidies is proceeding hand-in-hand with elimination of production controls.

22. The system of multiple exchange rates for the Egyptian pound, in force throughout the 1980s, has been terminated. A temporary dual régime, introduced in early 1991, disappeared as exchange rates were unified. The Egyptian pound was allowed to float from October 1991. Contrary to initial
expectations of a substantial depreciation, the rate against the US dollar, the benchmark currency, has since then remained fairly stable around LE 3.3 to the dollar, and the Central Bank has purchased large amounts of foreign currency in order to avoid appreciation of the pound. The inflow of foreign exchange has been attributed to high nominal interest rates in Egypt and the effects of other macroeconomic stabilization measures.

23. Attempts have been made to make private and foreign investment in Egypt more attractive. A new investment law was promulgated in 1989. Applications are processed by the General Authority for Investment. A list of sectors in which investment is not encouraged was promulgated in December 1990. This negative list is subject to annual review.

24. Approval of investment in certain assembly industries is linked to local content provisions. These measures are stated to be temporary, and scheduled to lapse no later than in December 1993. Investment in projects which are not enumerated in the negative list should, in principle, be subject to automatic approval. However, the process is reported to be hampered by bureaucratic regulations. The investment law has also been criticized for its numerous exemptions and the delegation of authority to grant additional privileges, creating uncertainty concerning investors' legal rights and obligations. Recent delays in approving FDI have also been criticized by the business community.

(ii) Type and incidence of trade policy instruments

25. Most tariff items currently fall under nine steps ranging from 5 to 100 per cent. The simple average duty is estimated at 42.2 per cent (or 30.6 per cent when beverages are excluded). All rates are ad valorem, except for tobacco and tobacco products which bear specific duties. The tariff structure provides a high degree of tariff escalation, which is
increased by a significant number of duty exemptions and concessional arrangements.

26. Egypt bound about 15 per cent of its tariff lines under its original GATT schedule (Schedule LXIII). However, the bindings were not fully effective; in 1991, published m.f.n. rates exceeded bound levels on more than 200 of the 267 bound tariff lines. Egypt has recently been granted a temporary suspension of its obligations under GATT Article II, until 30 June 1993, in order to modify its tariffs in the context of its economic reform programme and to introduce the Harmonized System. The proposal for renegotiation of Egypt's GATT schedule includes increases and reductions in bound tariffs, as well as withdrawals of tariff concessions. Consultations and negotiations are to be held under Article XXVIII of the GATT.

27. Import licensing was formally abolished in 1986. However, 105 items are on a "negative list" subject to conditional import prohibition, admitted under certain circumstances. The conditional prohibition list is estimated to cover goods representing about 40 per cent of the value of Egyptian production.

28. The number of products requiring prior Government approval to be imported was reduced considerably in May 1991. The measure currently affects 18 items, including petroleum and derivatives, fire-fighting equipment, and various types of machinery and equipment.

29. As other non-tariff measures have been reduced in scope, Egypt has extended the coverage of quality controls on imports. Quality controls were extended to imported motor vehicle parts and durable consumer goods in 1989. Inspection requirements currently affect imports corresponding to about 20 per cent of the value of domestic production, up from 15 per cent
before May 1991. Most regulations have been justified by the Government for reasons of health, safety and consumer protection.

30. Trade in cotton is dominated by six state-owned trading companies supervised by the Ministry of Economy and Foreign Trade. Procurement prices are set below world market levels. The pricing system thus taxes producers of raw cotton.

31. Export prohibitions affect six products: oilseeds and oleaginous fruits, rice straw, forage components, raw hides and skins, scrap paper and waste and scrap of iron and non-stainless steel, copper and aluminium. The restrictions on raw hides and skins and metal scrap are aimed at guaranteeing supplies to, and hence assisting, Egyptian processing industries.

32. Exports of cotton yarns and fabrics require prior Government approval. Annual export quotas are established for wool and wool waste, waste of cotton and cotton yarn, tanned hides and skins and recycled newspapers. Export taxes are, in principle, applied on nine tariff lines. However, some of these goods are also subject to export prohibitions.

33. Direct subsidies are generally not provided for exports from Egypt. However, input subsidies accrue to energy-intensive industries in the form of low domestic prices for petroleum products and electricity. The Export Development Bank of Egypt has obtained soft loans from the World Bank, the European Investment Bank and the Egyptian Government for medium-term lending on capital assets for export projects at below market rates.

34. A sales tax was introduced in May 1991 as part of the economic reform programme. The general rate is 10 per cent ad valorem, but some products are subject to other rates ranging from 5 to 30 per cent. The tax
generally does not differentiate between imported and locally produced goods; however, a few Egyptian goods are taxed at higher rates than foreign goods, and *vice versa*.

35. Egypt has established a number of public and private free zones. Goods exported from a free zone into Egypt are subject to normal customs tariffs only on the import content. Free-zone enterprises are generally exempt from taxation, including import duties. Instead, a duty of 1 per cent is levied on all import and export transactions.

(iii) **Temporary measures**

36. The 1963 Customs Law contains provisions authorising actions against dumped or subsidised imports. Import and export regulations also authorize the Ministry of Economy and Foreign Trade to prohibit imports from any foreign supplier who is "intentionally causing harm to Egyptian economic interests". These procedures have apparently never been used. The Egyptian authorities are examining the need to establish more detailed anti-dumping and countervailing regulations.

(iv) **New initiatives**

37. The trade liberalization programme aims to reduce tariff dispersion. The intention is to narrow the general tariff range from the present 5-100 per cent to 10-80 per cent over the next two years. Tariffs on consumer "luxuries" will remain above this range, while those on basic food items will be lower. The Government has also committed itself to reduce the number of items subject to tariff concession arrangements, and to improve the functioning of drawback and temporary admission schemes.
38. Egypt intends to continue reducing non-tariff measures on imports and exports. During 1992, the number of products affected by conditional import prohibitions is to be brought down to a level representing 30 per cent of the value of domestic production protected in this manner in March 1990. The authorities are also to lift four of the remaining 18 prior import approvals; to increase export quotas by 15 per cent annually; and to make the quota amounts public.

39. The Government also intends to deregulate cotton production, pricing and marketing. Only crop area controls that may be justified on technical grounds are to be maintained. Procurement prices for the eight main cotton varieties are scheduled to reach 66 per cent of equivalent world market prices by 1992-93. Further upward adjustments will be made to bring Egyptian producer prices for cotton equal to international prices. Private cotton trading is to be expanded, leading to the re-opening of the Alexandria Cotton Exchange by 1994.

(4) Trade Policies and Foreign Trading Partners

40. In the Uruguay Round, Egypt considers that trade in textiles should be integrated into the GATT. All relevant measures should also be integrated into the agricultural negotiations. However, Egypt, as an agricultural importer, has expressed concern about the negative effects of price rises on basic foodstuffs resulting from a general reduction in levels of agricultural subsidies. New issues of concern to Egypt include areas such as labour mobility, financial services and tourism.

41. Egypt has generally shown great interest in the rule-making aspect of the negotiations. It has particularly supported a comprehensive agreement on safeguards to strengthen the GATT. Egypt's position is that existing
GATT rights and obligations should not be disturbed, and there should be no linkage between new agreements or arrangements and the GATT.

42. Egypt's present reforms, directed towards deregulation and market-oriented growth, and its autonomous trade liberalization should lead to greater efficiency in the economy and improved market opportunities for its trading partners. However, implementation of the reforms may be threatened by some adversely affected organized interest groups. The pressure from such groups may become more difficult to resist if the multilateral trading system is not seen to be working effectively or in a credible manner. This makes a supportive international environment for Egypt's comprehensive economic reforms even more necessary.
I. **THE ECONOMIC ENVIRONMENT**

(1) **Major Features of the Egyptian Economy**

1. The Arab Republic of Egypt, in north-east Africa and West Asia, is centred on the Nile valley. In Upper Egypt, from the border with Sudan to the capital Cairo, the Nile forms a flat-bottomed valley between 2 and 15 kilometres wide. The river forks into two main branches, Rosetta and Damietta, twenty-five kilometres north of Cairo. The Nile Delta, situated between these two branches, is the most fertile land in the world. However, Lower Egypt - the Nile Delta and the northern part of the Nile Valley - is also one of the world's most densely populated areas (more than 1,000 persons per square kilometre).

2. Although Egypt covers a surface of just over 1 million square kilometres (Table I.1), inhabitable land amounts to less than 4 per cent of its total area. Apart from some scattered oases, the arid low-lying plateau between the Nile Valley and the borders with Libya and Sudan - the Western Desert - is generally devoid of human life. The more mountainous Eastern or Arabian Desert (between the Nile and the Red Sea) is somewhat less arid.

3. The Suez Canal, a 169 kilometre long waterway linking the Mediterranean Sea and the Red Sea, forms the western border of the triangular-shaped Sinai peninsula. Sinai is sparsely inhabited. The peninsula is considered to have considerable potential for the development of tourism, agriculture and mining.

4. Egypt is by far the most populous country in the Arab world. The population, at present some 55 million, began to rise rapidly in the early 1950s. Annual population growth rates of between 2.5 and 2.8 per cent in the period 1950-1980 reflected high fertility and a substantial decrease in child mortality. Life expectancy at birth rose from 39 years in 1952 to 62 years in the 1980s. The population boom has put severe pressure on Egypt's limited resources of fertile land and water.

5. Outward migration was negligible until the early 1970s. Subsequently, Egyptian workers obtaining employment in wealthier Arab countries provided a certain safety valve for population growth. Workers' remittances also became an important source of foreign exchange for Egypt. However, the migration of Egyptian workers increased Egypt's vulnerability to economic instability.

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1Currently, annual population growth is estimated at 2.3 per cent.
and political developments in other Arab countries, most recently demonstrated through the 1990-91 Gulf crisis.

6. The Egyptian economy is currently undergoing comprehensive economic reforms. The reforms entail a major shift in political thinking, as Egypt followed centrally planned, socialist-inspired policies for some thirty years following the deposition of King Farouk in 1952. Measures introduced included land reform, introduced in September 1952; nationalization of the Suez Canal Company in 1956; and confiscation of British and French property during the attack on Suez. However, most of the Egyptian economy remained in private hands until 1961, when all main activities were brought under State control.

7. Egypt enjoyed high economic growth until the mid-1980s. However, from 1973 to 1980, much of the growth was due to a boom in petroleum and an increase in Government services and employment. After 1982-83, when the negative effects of declining oil prices began to affect Arab economies, Egypt's economic expansion was mainly driven by high foreign borrowing. This process could not be sustained, and growth has been sluggish since 1986. Nominal GDP per capita declined from US$730 in 1984-85 to US$645 in 1989-90.

8. Social standards in areas such as food, health and education are high in Egypt compared to other developing countries at similar income levels. Food availability is comparable to levels in developed countries. However, the extensive food subsidy system - reaching nearly 95 per cent of the population - has created severe economic distortions, drained government resources and encouraged food imports, while low producer prices for agricultural products have negatively affected domestic production. Egypt, which ran a surplus in its agricultural trade before 1973, is currently a major net food importer.

9. Food pricing is politically sensitive in Egypt. Price increases have led to social unrest. Poor households represent an estimated 22 to 30 per cent of the population. The incidence of poverty is higher in rural areas than in urban areas, where average incomes are considerably higher.

10. Until recently, Egypt followed inward-looking trade policies. Merchandise exports (US$2.6 billion in 1990) amounted to less than 9 per cent of GDP (Table I.1). Merchandise imports, notably food items, are substantially larger - US$9.2 billion in 1990. Persistent substantial

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2 Reforms initiated under President Sadat revived the role of the private sector and foreign investment but did not fundamentally change the functioning of the Egyptian economy.
deficits in merchandise trade have been mitigated by surpluses in commercial services and capital transfers.

11. Suez Canal dues are a major source of foreign exchange. Egypt also derives substantial income from tourism. Capital transfers are dominated by workers' remittances. However, Egypt also relies on major transfers of foreign aid to balance its external accounts.

(2) Recent Economic Performance

12. Until the early 1960s, agriculture - in particular cotton - dominated the Egyptian economy. Under President Nasser (1956-1970) Egypt embarked upon an ambitious industrialization programme inspired by import substitution policies. State-led industrialization was to be financed by drawing resources from agriculture. All cotton exporting firms were nationalized during 1961, and the Alexandria future market was closed. Foreign trade was effectively nationalized as some 275 industrial and trading enterprises were wholly or partly taken over by the State. Although Government ownership was not extended to agriculture and urban real estate, rents and all major decisions related to agricultural production were controlled by the State.

13. Strong efforts were made between 1960 and 1973 to develop a centrally-planned economy, particularly following the 1962 National Charter which extended the scope of public sector controls to virtually all areas of economic activity. The first plan (1960-1965) was mainly an investment schedule with growth projections. The targeted 40 per cent growth in national income over the five years was largely met. A more ambitious second plan (1965-1972) was interrupted by the 1967 war with Israel.

14. Following the introduction of an open-door policy ("El-Infitah") in late 1973, supported, inter alia, through a new law on foreign investment, enacted in 1974, Egypt enjoyed rapid economic growth and significant social progress in the late 1970s and early 1980s. Current account receipts grew strongly because of exports, Suez Canal revenues, tourism and worker remittances. The exogenous foreign exchange earnings led to a real

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3 The Aswan High Dam, the most important construction project of the era, was inaugurated in January 1971.

4 A transitional 18-month plan ending in 1975 was succeeded by a five-year plan (1976-1980). The plan was postponed to cover 1978-1982 because of financial problems. The five-year "rolling plan" for 1978-1982 was subsequently revised for 1980-1984. The only purpose of the plan appears to have been to counterbalance the anarchic nature of the open-door policy. Economic performance fell short of the target for the 1982-87 Five Year Plan. Only 15 per cent of the outlined projects had been implemented at the end of the Plan.
appreciation of the exchange rate. Investment was largely directed to non-traded sectors (infrastructure, housing, electricity, transport and other services).

15. Inflationary pressures, which surfaced after the war in 1973, became a permanent concern for policymakers. The measures used to fight inflation - price controls, subsidies and an overvalued exchange rate - produced additional distortions in the economy, amplifying inefficiencies in resource allocation and resource use. The economy became strongly dependent on domestic petroleum production and oil-related inflows of foreign exchange.

16. Egypt's economic environment began to deteriorate in 1980. Growth in external resources declined sharply. When the income from oil sources began to fall in 1982, high economic growth was maintained through expansionist economic policies, financed by foreign borrowing. Egypt's total foreign debt doubled between 1982 and 1986, while growth in real GDP, which peaked at 9.9 per cent in 1982-83, continued to expand at more than 6 per cent per year in 1984 and 1985 (Table I.3).

17. Thus, at the end of 1986, Egypt was one of the most heavily indebted countries in the world with a debt to GDP ratio approaching 150 per cent. Debt rescheduling was linked to IMF acceptance of a structural adjustment programme from 1986. As part of this, tighter fiscal measures were introduced in 1987, affecting principally government consumption, gross fixed investments and imports. A stand-by agreement reached with the IMF in May 1987 and debt rescheduling among Paris Club creditors provided some respite, but did not fundamentally improve the economic situation. Private consumption continued to rise and the domestic resource gap widened.

18. The external debt problem has been a direct consequence of high public budget deficits, although central Government deficits have tended to decline in the 1980s (Table I.3). If account is taken of the budgets of local governments and the General Authority for Supply Commodities (food subsidies), Egypt ran fiscal deficits equal to 20 per cent or more of GDP in the 1980s (not covered in Table I.3). Limiting the funds available for the private sector, the deficits have also provoked excessive monetary expansion leading to high rates of inflation. Official estimates of

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5 The multilateral lending institutions were unwilling to provide financing as they considered Egyptian authorities had not addressed the situation with adequate macroeconomic policies.

6 The recorded deficits do not appear to include operating losses of certain public sector enterprises.
movements in the consumer price index indicate annual inflation rates well above 10 per cent during the last decade (Table I.3).

19. These official inflation figures are disputed by some observers. The index is said to be biased downward because of the weights given to items subject to subsidies or price controls. The same objections could be leveled against the official GDP deflator. It is thus possible that although modest economic growth was reported for the second half of the 1980s (Table I.3), there was actually a contraction of the Egyptian economy during the period.

20. Following three years of difficult negotiations, Egypt signed an agreement with the IMF for a standby loan of 278 million SDRs in May 1990. The World Bank approved a structural adjustment loan of US$300 million shortly afterwards. Egypt began systematic implementation of a comprehensive Economic Reform and Structural Adjustment Programme (ERSAP) in March 1990. The ERSAP includes major cuts in government subsidies, restructuring of the large public sector and unification of exchange rates (see Note I.1).

21. The Egyptian economy experienced a severe shock during the Gulf crisis in 1990. Housing, unemployment and foreign exchange problems were aggravated by the forced repatriation of several hundred thousand workers from Iraq, Kuwait and Jordan. The tension also hurt tourism and traffic in the Suez Canal. The World Bank estimates that Egypt lost US$3.4 billion, excluding assistance to refugees, on the conflict in 1990-91. Earnings of foreign exchange appear, however, to have recovered since the end of the Gulf War.

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7 The reform programme was linked to the debt forgiveness package, affecting 50 per cent of Egypt's official debt - US$20 billion - concluded with the Paris Club creditors. A high-level team from the IMF visited Cairo in mid-November 1991. Concern has been expressed about the budget deficit, which is likely to exceed the target (10 per cent of GDP) agreed with the IMF. According to the Government, tax revenues have been lower than anticipated because of the economic recession.

8 Net loss estimates of the IMF are of similar magnitude (US$3.7 billion). The Egyptian Government claims that the losses were considerably higher.
Note I.1 The Economic Reform and Structural Adjustment Programme (ERSAP) in Egypt.

The ERSAP was formulated in November 1989. Implementation began in March 1990. The programme aims at structural adjustment to stimulate medium- and long-term growth, while restoring macroeconomic stability and reducing inflation. The ultimate objective is to create a decentralized, market-based, outward-oriented economy which can restore Egypt's creditworthiness and a resumption of non-inflationary economic growth. Social policies are to be modified to mitigate the effect of economic reforms on the poor. The programme is supported by an IMF standby credit, approved in May 1991, and a structural adjustment loan provided jointly by the World Bank, the African Development Bank and the European Economic Community. The second tranche release of the SAL (July 1992) and the end of the ERSAP (June 1995) are linked to the implementation of reform measures.

A major element in new macroeconomic policies applied under the ERSAP has been reform of the exchange rate system. Multiple exchange rates for the Egyptian pound were abandoned in October 1991, several months ahead of the scheduled date of March 1992. Financial reforms include elimination of all ceilings on nominal interest rates, specific ceilings on the expansion of net domestic assets of Egyptian banks, elimination of any direct credit line between the Central Bank and the Central Government, weekly auctions of Treasury Bills and new regulations concerning bank supervision. Modifications of liquidity ratios, reserve requirements and capital adequacy have been agreed with the IMF. The Government will inject equity in public sector banks with large exposures in foreign currency.

Public enterprise reform aims to privatize and restructure public enterprises. The financial "umbilical cord" with the Government shall be severed. Credit should be provided by commercial and investment banks based on the financial soundness of the individual enterprise. Increasing the autonomy of public sector management is expected to limit the rôle of the Government to that of a major shareholder in a private enterprise.

Most prices (public and private sector) are to be determined by market forces within three years as a result of domestic price liberalization. Prices for pharmaceuticals are based on a modified version of standard costs. Price adjustments based on a standard cost formula agreed with the World Bank apply to some items produced with high input subsidies. Price deregulation is reinforced through the termination of public distribution monopolies. A schedule has been set for gradual increases in prices for petroleum products in order to raise these to international levels. Electricity prices are to equal long-run marginal cost by 1995. The price increases will boost government non-tax revenue. Coupled increased taxes and improved tax collection, the measures should contribute to a substantial reduction in public sector borrowing requirements.
Liberalization of foreign trade involves phasing out most non-tariff barriers on imports within two years, reductions in high tariffs and a dismantling of restrictions on exports. Details of the programme are provided in Chapter IV.

Private sector investment and production is to be encouraged through the abolition of licensing requirements and controls. Investment will be restricted in sectors enumerated in a short negative list. The list is to be reviewed annually with the objective to reduce the coverage further. Private sector distribution of cement and fertilizer is set to increase gradually.

A Social Development Fund (SDF) has been established to deal with the inevitable impact of economic reform on the poor. The SDF is also to finance programmes to facilitate the return of Egyptian workers from Iraq and Kuwait.

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22. Once-for-all inflows of foreign exchange and debt relief associated with the Gulf War (see also section on Outlook below) improved Egypt's balance-of-payments position and allowed it to move ahead with the unification of exchange rates for the Egyptian pound in late 1991. The floating of the pound was initially expected to lead to a major depreciation of the currency (to around LE 4.0 - 4.5 to the US dollar). However, since unification, the pound/US dollar exchange rate has stabilized around LE 3.3 per dollar. The Central Bank of Egypt is said even to have intervened to avoid an appreciation of the pound by buying US$1.4 billion worth of foreign exchange in the market since May 1991. The inflow of foreign currency is accredited to high nominal interest rates in Egyptian pounds (around 20 per cent) and growing confidence in the Egyptian economy.

(3) Trade Performance

23. Egypt has a substantial and chronic deficit in its merchandise trade. The deficit emerged in the 1970s as windfall revenue from petroleum, workers' remittances, tourism and Suez Canal dues boosted imports. In the first half of the 1980s, Egypt exported merchandise worth US$3 to 4 billion annually. Imports, however, surged to more than US$10 billion a year until falling oil prices hit the economy in 1986 (Chart I.1). Imports declined in fiscal years 1986-87 and 1987-88, but subsequently surged once again. However, import growth has been constrained by the domestic recession and a shortage of foreign exchange.

24. The balance in agricultural trade is both a symptom of Egypt's trade and industrial policies as well as a vivid illustration of its trade performance over the past three decades. Egypt's surplus in agricultural trade declined in the 1960s and the country became a net importer of agricultural products in 1974. Food imports, mainly wheat and flour, continued to increase rapidly. The agricultural trade deficit reached more than US$3 billion in 1985. The precarious foreign exchange position subsequently also forced a cut in food imports. Some simulations have indicated that Egypt could restore a surplus in agricultural trade through the removal of distortions in the foreign exchange system and reform of pricing policies.

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9 The substantial transfers into Egyptian pounds also bears witness to the large funds deposited in foreign currency accounts in Egyptian banks or held by Egyptians abroad.

25. Egypt's exports of merchandise amounted to US$2.65 billion in 1989, down from US$3.14 billion in 1984 (Table I.4). The decline was caused by falling prices for petroleum; the value of oil exports fell from nearly US$2 billion in 1980 to US$806 million in 1989. However, fuels are still Egypt's major export, accounting for 30 per cent of total merchandise exports. Fuel exports mainly consist of crude petroleum, but some petroleum products (kerosene, residual fuel oils, etc.) are increasingly being exported (Table AI.1). Production of natural gas is largely for domestic consumption.

26. As a result of declining revenues from petroleum, cotton has regained some of its prominence in Egyptian exports. In 1960, when cotton still dominated the Egyptian economy, 80 per cent of Egyptian exports were agricultural products. Cotton is currently exported in the form of raw cotton, yarn and woven cloth. Egypt is the world's leading supplier of

\[\text{The share fell to 18 per cent in 1980.}\]

27. More than 13 per cent of Egypt's merchandise exports consist of ores and metals, principally aluminium, although Egypt also exports some iron and steel products and ferro-alloys.

28. Egypt's main exported food crops are onions, potatoes, oranges and rice. Onions are planted three times annually. The winter crop is exported, benefiting from off-season shortages of supply in the world market. Abundant supplies of winter crop potatoes also coincide with the shortage period in Europe. Citrus is one of Egypt's main fruit exports. Egypt could easily export more fruits and vegetables, but EC preferences favour other established exporters; Israel, Turkey, Morocco and Tunisia. Egypt could be a major exporter of tomatoes, but complex procedures favour domestic processing industries. Rising domestic production has moved Egypt from an importer into an exporter of beans.

29. On a customs basis, Egypt imported nearly US$7.5 billion worth of merchandise in 1989 (Table I.5). Food imports amounted to US$2.37 billion - almost 32 per cent of the value of all imports. The share of food in merchandise imports rose steadily during the 1980s.

30. Egypt, the largest per capita consumer of wheat in the world, imports 5 to 7 million tons of wheat annually. Intense US - EC competition in exports of grain has led to steadily declining prices for Egyptian imports of wheat and flour. Other major imported food items are meat, sugar, vegetable oils, tea, butter, animal oils and fats, cheese and fish (Table A1.1). Egypt imports large quantities of maize for the production of poultry feed, starch, yeast and glucose. Seed potatoes are imported for the summer planting.

31. Chemicals - mainly plastic materials, artificial resins, medicines and pesticides - are the second largest product group of imports. Non-electric machinery imports include machine parts and accessories, pumps and centrifuges, textile machinery, piston engines, construction and mining equipment and heating and cooling appliances. The share of transport equipment in total import value declined from more than 10 per cent in the early 1980s to 5 per cent in 1989 (Table I.5), reflecting both the compression of imports due to scarcity of foreign exchange and import substitution policies. Components and parts for motor vehicles represented 35 per cent of imports of transport equipment in 1989, up from 13 per cent in 1980 (Table AV.2). Assembled items imported by Egypt include passenger motor vehicles, minibuses, lorries, trucks, railway equipment and tractors.

32. Lacking forests, Egypt imports wood for the construction and furniture industries and pulp for the production of paper. Paper products are also
an important import item. Egypt also imports a range of iron and steel products for the construction industry.

(ii) Regional pattern of trade

33. The EC is Egypt’s most important trading partner. It accounts for just over 40 per cent of exports and slightly less than 40 per cent of imports (Table I.6). Italy and France are important markets for Egyptian exports. Egypt nevertheless records a substantial deficit in its merchandise trade with the EC, amounting to US$1.75 billion in 1989.

34. The Middle East is the only region with which Egypt has a surplus in merchandise trade. Saudi Arabia (and Iraq before the Gulf crisis) is the major Arab importer of Egyptian goods, followed by Jordan, Tunisia, Oman and Yemen (Table AI.2). Egypt enjoys a certain advantage in the production of consumer goods for these markets, being the only Arab country with a relatively diversified manufacturing base. Its leading cultural position facilitates exports of media material in Arabic language. Egypt’s own petroleum resources may explain the low share of imports from other Arab countries (Chart I.2).

35. The United States is the single most important source of Egyptian imports, a reflection of Egypt’s purchases of substantial amounts of food. In addition, Egypt receives large amounts of food aid. Australia is also a major supplier of wheat to Egypt both in the form of commercial transactions and food aid.

36. The political and economic upheavals in the former Soviet Union and eastern Europe have had serious repercussions on Egypt’s trade. Lack of hard currency in the 1980s boosted Egypt’s trade with centrally planned economies under bilateral payments arrangements to reach about one fifth of Egypt’s exports in the 1980s (Table I.6). In 1989, the Soviet Union was the second largest customer for Egyptian products (Table AI.2). In the
Chart I.2
Main trading partners of Egypt, 1990
Per cent

Imports

<table>
<thead>
<tr>
<th>Region</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>44.1%</td>
</tr>
<tr>
<td>Asia</td>
<td>13.0%</td>
</tr>
<tr>
<td>North America</td>
<td>14.9%</td>
</tr>
<tr>
<td>Other America</td>
<td>2.9%</td>
</tr>
<tr>
<td>Africa</td>
<td>0.75%</td>
</tr>
<tr>
<td>Oceania</td>
<td>4.9%</td>
</tr>
<tr>
<td>Other regions</td>
<td>4.5%</td>
</tr>
<tr>
<td>Arab Countries</td>
<td>2.0%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

Total imports: L.E. 24,823 million

Exports

<table>
<thead>
<tr>
<th>Region</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>38.1%</td>
</tr>
<tr>
<td>Asia</td>
<td>10.9%</td>
</tr>
<tr>
<td>North America</td>
<td>8.8%</td>
</tr>
<tr>
<td>Arab Countries</td>
<td>10.4%</td>
</tr>
<tr>
<td>Africa</td>
<td>0.1%</td>
</tr>
<tr>
<td>Other America</td>
<td>0.8%</td>
</tr>
<tr>
<td>Oceania</td>
<td>0.04%</td>
</tr>
<tr>
<td>Other regions</td>
<td>0.9%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>23.9%</td>
</tr>
</tbody>
</table>

Total exports: L.E. 6,954 million

Source: Central Agency for Public Mobilisation and Statistics, Statistical Year Book, June 1991
1980s, private sector exports were increasingly directed towards countries with bilateral payments arrangements.

37. The Soviet Union defaulted on a US$700 million barter deal with Egypt in 1991, leaving Egypt being owed goods worth nearly US$300 million. A delegation of high-level Egyptian officials toured the Commonwealth of Independent States (CIS) in January 1992. Egyptian and Russian officials were reportedly discussing the establishment of a joint bank to finance bilateral trade.

38. Japan is Egypt's major trading partner in Asia. Trade with Latin America and sub-Saharan African countries is negligible.

(4) Outlook

39. The current labour force is about 15 million people. Because of a baby boom following October 1973 war, the labour force will grow rapidly in the 1990s. Estimates of new jobs needed during this decade range between 6 and 10 million. The possibilities of further outward migration are limited and uncertain. No major increase can be expected in employment in agriculture or in the government sector. In fact, privatization and restructuring of public enterprises will make more labour redundant (details of the privatization programme are provided in Note 1.2). The private sector, in particular export-oriented activities, will accordingly have to be the engine of growth in Egypt in the 1990s.

40. Real output is expected to contract in 1991-92, before recovering to reach a growth rate of about 4 per cent throughout the second half of the 1990s. Unemployment is likely to remain high. Structural price adjustments will boost consumer price inflation to an annual rate of 30 per cent in the short run. Tight monetary policies are expected to lead to rapid declines in inflation after the initial shock effect. If these are maintained, annual inflation rates close to 5 per cent may be reached by the mid-1990s.

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16. Egypt is one of the few countries in the world which impose controls on its expatriate workers. Law No. 173/1958 requires every Egyptian to obtain a work permit from the Ministry of Interior before taking up employment abroad regardless of the nature of the employment.
17. The estimates referred to in this section are World Bank forecasts. Their results are similar to projections made by the IMF.
Note 1.2 The privatization programme in Egypt.

A public enterprise reform programme, announced by President Mubarak on 1 May 1990, included a detailed privatization programme covering the period until end-June 1992. The programme included divestiture of public sector equity in some 240 joint-ventures worth around LE 2.6 billion and the sale of more than 2,000 small enterprises owned by local governments.

A new "Public Business Sector Law", including bylaws for new holding companies and their affiliates, was enacted in June 1991, with the Government taking the rôle more of an investor than a manager of enterprises.

A Public Enterprise Office (PEO) has been established for the privatization, liquidation and management of State assets. The PEO will organize and guide new public sector holding companies, which will own and manage the public sector enterprises. The main objective of a holding company will be to achieve financial profitability. Management will be free to seek higher profitability through portfolio adjustments, including liquidation and privatization of PSCs. However, portfolios should be adequately diversified to ensure sufficient exposure to market forces and avoid concentration of market power.

A list of 33 candidates for privatization was announced in February 1992, slightly behind schedule. It included enterprises in the steel, electrical, fertilizer and chemicals, paper, cement, hotels, food processing, textiles, construction and transport sectors. The authorities will give priority to employees wishing to purchase shares in their companies.

Of the locally owned enterprises, more than 1,900 had been put up for sale and 1,166 had been sold by June 1991. Two publicly owned real estate companies have been liquidated. Land has been leased or sold, mostly to private individuals. The Ministry of Health has announced plans to privatize management and operations in 22 hospitals. The Government has sold its stakes in several hotels and more hotels are being prepared for privatization. The divestiture of many joint-ventures is proceeding more slowly. This may not be surprising as 160 of the 245 enterprises are reported to be in financial difficulties.
41. Increased exports of non-oil merchandise and services (particularly tourism) should reduce the merchandise trade deficit. Assisted by a recovery of private transfers, the current account deficit is targeted under the economic reform programme to decline from about 10 per cent of GDP in 1991-92 to around 7 per cent in 1993-94. The domestic savings gap should diminish despite an increase in domestic investment, particularly by the private sector. However, fiscal deficits are to be reduced from levels around 20 per cent of GDP in the 1980s to no more than 3.5 per cent by the mid-1990s.

42. The implementation and success of the economic reform and structural adjustment programme is inextricably linked to substantial reductions of the external debt. Egypt has received exceptional support through the Gulf Crisis Financial Coordination Group. In that context, the United States has written off around US$6.7 billion of military debt. Arab donors have forgiven about US$6.5 billion of their debt.

43. The agreement between Egypt and its Paris Club creditors allows for a 50 per cent reduction in the net present value of the debt presented to the group in May 1991. The three-phase programme will reduce Egypt's debt burden by US$20.2 billion. However, creditor commitments to be implemented in December 1992 and July 1994 depend on continued IMF approval of Egypt's economic policies.

44. Egypt's estimated financial gap - additional foreign funds from non-regular sources - in 1991-92 and 1992-93, US$8.2 billion, is expected to be filled by rescheduling of Paris Club obligations. Thereafter, the financing gap will have to be filled by additional borrowing or further rescheduling of debt.

45. A potential threat to Egypt's economic reform programme is the lack of experience in implementing bold and comprehensive reforms. It has also been argued that the Government may be blocked by interest groups whose short-term interests are threatened. However, the near-term hardships associated with comprehensive economic reforms must be weighed against the long-term benefits these should bring to the population and the encouraging stance taken by multilateral lending institutions and Paris Club creditors.

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18 Middle East Economic Digest, 6 December 1991.
19 Richards (December 1991).
II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(1) General Framework

46. The Egyptian State, founded by King Menes in 3200 B.C., is considered to be the oldest political system in the history of mankind. Egypt played a prominent rôle in ancient human civilization, but periodically became subject to foreign dominance, becoming part of the Roman Empire in 34 B.C. Egypt became a province of the Ottoman Empire in the early 16th century. Following a struggle for control between 1798 and 1801, French troops were defeated by a British and Ottoman force. Power was eventually gained by Muhammad Ali, an Albanian officer in the Ottoman forces. However, the influence of European powers gradually resumed as Egypt ran into financial difficulties, and Egypt again fell under to British rule in 1882.

47. Egypt became an independent monarchy in 1936. Following the 1952 revolution, the independent State of Egypt was declared in 1954. A Constitution proclaimed in January 1956 provided for a strong presidency. The Constitution and the election of Gamal Abdel-Nasser as President was approved by a referendum in June 1956. Vice-President Anwar Sadat was appointed provisional President when President Nasser died in 1970. His appointment was confirmed by the electorate in 1971. A new permanent Constitution the one currently in force - was approved in September 1971.

48. President Sadat was assassinated by a group of Islamic fundamentalists in October 1981. He was succeeded by the current President, Muhammad Hosni Mubarak. His first six-year term as President was confirmed in October 1981. President Mubarak was re-elected in a referendum on 5 October 1987.

49. Emergency laws, introduced after the assassination of president Sadat, are still in force. Egypt's legal system in general reflects the influence of different systems of government. The structure is based on Islamic law, British common law and Napoleonic codes.

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1 The President is nominated by the People's Assembly. The nomination must be confirmed by popular referendum.

2 The Constitution was amended in 1980.
(2) Structure of Trade Policy Formulation

(1) Legislative and Executive branches of Government

50. Legislative authority rests with the unicameral People's Assembly (Majlis ash-Sha'ab), which has 458 members. Members are elected for five years by direct suffrage, except for some members (maximum 10) appointed by the President of the Republic. Nine political parties are registered in Egypt. However, one party - the National Democratic Party (NDP) - controls the Parliament, public administration, governorships and local councils. The NDP is headed by the President of the Republic, who also chairs its Politburo. The entire Cabinet and all ministers are members of the NDP.

51. A 258-member advisory assembly, the Shura Council, is consulted concerning motions to amend the Constitution or draft laws complementing it, draft laws referred to the Council by the President of the Republic, the draft general socio-economic development plan and relevant general or foreign policy issues. All elected members of the Council come from the National Democratic Party. The President appoints another 70 Council members.

52. Executive authority is vested in the President of the Republic. The President may appoint one or more Vice-Presidents. He selects his Cabinet, consisting of the Prime Minister, deputies, ministers and their deputies.

53. The post of Vice-President is currently vacant. The Council of Ministers comprise the Prime Minister, three Deputy Prime Ministers, 22 Ministers and six Ministers of State. Government administration includes 30 Ministries.

54. At the regional level, the Arab Republic of Egypt is divided into 26 governatorates, each with a capital city. The local governor represents the President of the Republic and is appointed and relieved by Presidential Decree. The governor chairs an Executive Council comprising the chiefs of marakaz, cities, districts and important entities in the governorate. Community councils operate locally.

55. The President determines and supervises the general policies of the State in cooperation with the Cabinet. He is authorized to issue law-implementing regulations and pass orders and decrees. Four Specialized

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3 A party must gain a minimum of 8 per cent of the total vote to be represented in the Assembly. Votes for parties that fail to pass the threshold are transferred to the leading party.
National Councils, established by Presidential Decree No. 615 in 1974, assist the President in the formulation of policies and long-term planning in the areas of Production and Economic Affairs; Services and Social Development; Education, Scientific Research and Technology; and Culture, Arts, Literature and Information.

56. Formulation, co-ordination and implementation of trade policies generally fall under the responsibility of the Ministry of Economy and Foreign Trade, assisted by the Ministry of Finance and the Ministry of Planning. Their respective rôles are established in the presidential decrees promulgating their terms of reference.

57. The process involves formal participation of the Cabinet Policy Committee, the Cabinet Economic Committee and the Supreme Council for Foreign Trade Planning. The Supreme Council includes representatives of the Ministries of Economy and Foreign Trade; Finance; Planning; Industry; Agriculture; and Transport.

58. The structure of the Ministry of Economy and Foreign Trade is shown in Chart II.1. A more detailed description of the foreign trade departments and the commercial representation offices is available in Charts II.2 and II.3.

(ii) Advisory bodies

59. The Prime Minister heads the High Ministerial Economic Reform Committee (HMERC). A member of the Cabinet serves as co-ordinator. The function of the HMERC is to guide implementation and the timing of the current reforms, including trade liberalization. The Committee is also in charge of monitoring and institutional co-ordination support to the reforms.

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4 Other members are economic ministers, relevant sector ministers, the Chairman of the Public Enterprise Office (PEO) and the Chairman of the High Officials Committee.

5 Other policy areas falling under the scope of the Committee are price liberalization, the macro-economic framework, reforms of public enterprises, privatization, private sector development and protection of vulnerable groups.

6 Consulting and decision-making procedures can be very complicated in Egypt. Dethier (1989), for example, mentions that government intervention in agriculture may involve consultations among numerous Ministries, committees and the private sector. Institutions involved in the process would include the Ministries of Agriculture, Supply, Economy and Finance, Trade and Planning; the Ministerial Production Committee; Cotton Higher Board; National Institute of Planning; General Authority for Export and Import Controls; Green Revolution High Commission; Ministerial Economic Commission; Principal Bank of Development and Agriculture Credit; Agricultural Orientation Agency; Agriculture and Irrigation Committee of the People's Assembly; Plan and Budget Committee of the People's Assembly; National Democratic Party; National Food Security Company; Ministerial Committee for the Development of Animal Wealth; etc. (Dethier (1989), p.66).
Chart II.1
Organigramme of the Ministry of Economy and Foreign Trade in Egypt

The Minister

- The Minister's Office Sector and its attachés
  - Under Secretariat for legal affairs
    - Investigations & legal cases
    - Draft laws & regulations - legal research
  - Under Secretariat for organisations
    - Banking system
    - Cotton matters
    - Foreign trade
  - Under Secretariat for Minister's Cabinet
    - Financial & administrative inspection
    - Public affairs
    - Security
  - Public Relations
  - Consultants Office
  - Follow-up unit
  - Statistics and research

- Commercial Representation Sector
  - Authority of Companies Affairs

- Financial and administrative sector
  - Under secretariat for enhancement
    - Organisation and Admin.
    - Staff matters
  - General Secretariat
    - Admin. matters
    - Financial matters

- Economic research and information sector
  - Under secretariat for research & info
    - Translation & Publication
    - Statistics
  - Under secretariat for economic research
    - International Trade Studies
    - Trade and investment studies
    - Financial and Monetary studies

- Foreign Trade Sector
  - See Chart II.2

- Foreign Exchange and Exchange Budget
  - See Chart III.1

Source: Government of Egypt.
Chart II.2
The foreign trade departments of the Ministry of Economy and Foreign Trade in Egypt

Source: Government of Egypt.
Chart II.3
The organisation of commercial representation activities in the Ministry of Economy and Foreign Trade, Egypt

Source: Government of Egypt
60. The HMERC is assisted by a High Officials Committee composed of high-level government officials (First Undersecretaries/undersecretaries), Chairpersons of relevant agencies and two members representing the private sector. This committee prepares quarterly reports to the HMERC and the Prime Minister assessing the state of the economy and the reforms and recommending further actions to be taken. The committee is supported by a technical secretariat which provides relevant data and analytical submissions. Funding sources include the UNDP, the African Development Bank and the EC.

61. The Government routinely seeks and receives advice from the Ministry of Scientific Research and institutions such as the Egyptian Society for Political Economy, Statistics and Legislation and various universities. Communication with academic circles is facilitated by recruitment of academic professionals to political positions.

62. Policy issues are also subject to consultations between the Government and organized interest groups. Trade matters are discussed with the General Federation of Chambers of Commerce, the Federation of Egyptian Industries (FEI), the Egyptian Businessmen's Association (EBA) and associations of exporters, importers and investors. Other major organized interest groups which can be consulted regarding the formulation of economic policies include the Egyptian Trade Union Federation (ETUF) and the Banks' Association of Egypt (BAE).

63. Trade statistics and other trade information are issued periodically by the Central Bank of Egypt, the Central Agency for General Mobilisation and Statistics, the Cotton Consolidation Fund and the General Federation of Chambers of Commerce.

(iii) Review bodies

64. The Egyptian Government has not established any independent, statutory authority to review its trade policies. The Shura Council is consulted concerning draft laws and the socio-economic development plan. Import and export regulations are apparently submitted to the Shura Council for advice.

(3) Trade Policy Objectives

(i) General trade policy objectives

65. The ultimate objective of the current economic reform programme is to develop a decentralized, market-based, outward-oriented Egyptian economy. Thus, all undue barriers to private economic activities are to be removed. Tariffs are to emerge as the main policy instrument as non-tariff barriers
of any consequence are eliminated. Tariff protection is to be made more uniform.

66. Structural reforms, particularly in the area of exchange rates and competition, aim to reduce the existing anti-export bias in the Egyptian economy. Export-led growth is the policy objective of the 1990s. At the moment, exports appear to be constrained more by domestic policies and lack of export experience than by problems of access to other markets.

67. The political and economic upheavals in the former Soviet Union and eastern Europe have caused disruptions in Egypt's trade. In the medium-term, exports are likely to be directed to alternative markets in developed market economies and the Arab world, increasing the importance of quality controls and professional marketing of Egyptian products.

68. Imports have traditionally been constrained by foreign exchange restrictions and other controls. Reductions in the foreign debt burden and higher export earnings should ease the foreign exchange constraint on Egypt's capacity to import.

(ii) Sectoral trade policy objectives

69. Exports of the petroleum sector are not expected to rise in the years to come. Export growth must therefore result from increasing sales of agricultural products and manufactures. Structural reforms have progressed substantially in agriculture, and production is said to be ready for a "take off". However, it is acknowledged that reforming the main industrial activities will take more time.

70. Egypt derives substantial earnings of foreign exchange from workers' remittances, Suez Canal dues and tourism. Plans exist to expand the transit capacity of the Suez Canal. The tourist industry is one of the least regulated sectors in Egypt and is targeted for considerable expansion.

(iii) Objectives in the Uruguay Round

71. In the Uruguay Round, Egypt has sought improved market access for items of major export importance, such as textiles and clothing and agriculture (including tropical products). Modalities should be found permitting the integration of trade in textiles into the GATT. Improved

*State-owned hotels have been among the first assets to be sold under the Government's privatization programme.*
market access for textiles should not be tied to agreements in a number of other areas.

72. Egypt considers that all relevant trade measures should be included in the agricultural negotiations. Developing countries, especially net importers, should be allowed to adopt measures which would allow them to continue the development process, overcoming and correcting structural deficiencies while increasing production. Non-economic objectives, such as social, environmental and other concerns should also be taken into account. The interest of developing country net importers of foodstuffs should be taken into account when considering how to deal with export subsidies, existing surpluses and imbalances between world supply and demand. On behalf of net food-importing developing countries, Egypt has expressed concern about the negative effects of price rises on basic foodstuffs. 

73. In the tariff negotiations in the Uruguay Round, Egypt has included in its offer list a 50 per cent tariff reduction in August 1986 and a 30 per cent across-the-board tariff reduction in June 1989. Egypt's initial position was that tariffs below 10 per cent (bound rates) applied by developing countries should not be included in the tariff negotiations.

74. In the rule-making area, Egypt has opposed the limitation of existing rights of developing countries under the GATT, for example with regard to balance-of-payments provisions. Egypt has supported the strengthening of GATT through a comprehensive agreement on safeguards. Developed countries should as a general rule not apply safeguards to imports from small suppliers. Safeguard actions would need to be authorized by "a special body to be established in GATT". Egypt has argued that existing rights and obligations should not be disturbed and has opposed a linkage between new agreements or arrangements and the GATT.

75. In relation to new issues, together with a number of other developing countries Egypt has presented a multilateral framework of principles and rules for trade in services. Satisfactory treatment of the issue of labour mobility is of vital importance to Egypt. Initial commitments from Egypt include financial activities and tourism. Egypt has been concerned that agreements in the areas of TRIPs, TRIMs and services could require

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commitments from developing countries which would not take sufficient account of the development process and the impact on their economies.

(4) Trade Laws and Regulations

76. Details of trade regulations are presented in Chapter IV. The main trade laws and regulations are the following:

- The Customs Law No. 66/1963, contains general provisions concerning customs duties, prohibitions of trade, rules of origin, customs valuation, administration and procedures including temporary admission, duty drawback and duty exemptions.

- The Customs Tariff - promulgated by Presidential Decree No. 351/1986 - includes both import tariffs and export taxes. The most recent changes in tariff rates were implemented through Presidential Decree No. 178 in May 1991. Supplementary duties and taxes were abolished in 1986 (Presidential Decree No. 187).


- Law No. 118/1975 in respect of Import and Export is implemented in regulations contained in Ministerial Decision No. 1036/1978. These regulations apparently concern, inter alia, the privileges enjoyed by certain public sector trading entities. They were not made available to the Secretariat. According to the Egyptian authorities, these privileges have not been applied since May 1991.

- The most recent executive regulations implementing the 1975 Import and Export Law were promulgated in Minister of Economy and Foreign Trade Decision No. 275/1991. The regulations include the main non-tariff measures applying to imports and exports. Annex (1) of the regulations contains the list of conditional import prohibitions (import "bans"). Imports of these items may be admitted under certain circumstances. Licensing of imports, as defined by the Egyptian authorities, was abolished in 1986.
Goods which may be imported under "certain conditions" or "prior approval" are specified in Annex (4) of the Import and Export Regulations. Certain imports, mainly foodstuffs, are subject to quality inspection (Annex (8)). Radiation inspection is also required for some agricultural products (Annex (3)). Products subject to export prohibitions or export quotas are listed in Annex (6). Non-trade exportation of certain goods is covered in Annex (7). Egypt imposes quality controls on certain exports (Annex (9)). The remaining annexes concern the importation of goods in second-hand condition (Annex (2)), detailed conditions for importation of motor vehicles for private use (Annex(5)), import documentation (Annex (10)) and an application form for foreign currency (Annex (11)).

- Monetary and banking measures for the conduct of barter transactions are specified in Decision No. 276/1991 of the Minister of Economy and Foreign Trade.

- Foreign exchange transactions are regulated by Law No. 97/1976. The most recent revisions are contained in Decrees Nos. 117/1991 and 491/1991, issued by the Minister of Economy and Foreign Trade.

- Law No. 230/1989 - the Investment Law - includes provisions concerning imports for investment projects and the entry and exit of goods in Egypt's free zones.

- Government procurement is, to the knowledge of the Secretariat, governed by the provisions of the Tenders Law No. 9/83 and subsequent amendments.


- Egypt is a signatory to the Tokyo Round Agreements on anti-dumping measures and on subsidies and countervailing measures. The agreements have been incorporated in Egyptian legislation. However, dumping and countervailing provisions have apparently never been used. The authorities are studying the possibility of establishing procedures for imposition of such duties.

77. Imports and exports are affected by a multitude of other regulations. For example, the Middle East Library for Economic Services has listed translations of 21 Egyptian standards pertaining to specific products.
However, none of these were provided to the Secretariat during the time of the review.

(5) **Trade Agreements and Arrangements**

(1) **Multilateral agreements**

78. Egypt acceded to the GATT in 1970. The Protocol of Accession was approved by Presidential Decree No. 2029 on 5 December 1970. Egypt is a signatory to all the Tokyo Round Agreements except the Codes on Government Procurement and Customs Valuation, where it maintains observer status. Egyptian officials argue that Egypt does not consider it to be in its interests to accede to the Government Procurement Code, while joining the customs valuation Code is said to involve cumbersome changes in the Egyptian valuation system, currently similar to the Brussels Definition of Value.

79. Egypt accords most-favoured-nation tariff treatment to all other GATT members. According to Article 7 of the Customs Law, additional taxes may be imposed by Presidential Decree on imports originating in countries which do not conclude commercial agreements based on the m.f.n. principle. The surcharge on each product is to equal the ordinary rate of tariff specified in the customs tariff, or minimum 25 per cent ad valorem. According to the Egyptian authorities, these provisions have never been used.

80. Egypt participates in the international commodity agreements on jute, tropical timber, wheat and olive oil. Egypt also participates in the Global System of Trade Preferences (GSTP) amongst developing countries (Chapter IV).

(ii) **Regional agreements**

81. Egyptian officials state that Egypt has "certain bilateral and regional arrangements with some Arab countries". These arrangements also involve tariff concessions. No further details have been provided.

82. The Arab Common Market (ACM) was established in 1964 by the Arab Economic Unity Council; one of the major institutions of the League of Arab States. Jordan, Syria, Iraq and Libya have joined the ACM. The members have in principle agreed to remove all tariffs on agricultural, animal and natural resource-based products. Tariffs on manufactured goods have, with a few exceptions, been removed. However, bilateral trade
agreements impose quantitative restrictions on the trade in manufactures between the members. 12

83. Plans for Arab economic unity include the creation of a customs union. The ultimate aim is to remove all internal trade barriers and establish a common external customs tariff toward third countries. Egypt, Iraq, Jordan and North Yemen founded the Arab Cooperation Council in early 1989. The community was designed to lead to a common market and encourage investment in joint projects.

84. Egypt has an cooperation agreement with the EC whereby the EC accords tariff reductions on Egyptian products. Egypt is not required to grant reciprocal preferences. Egyptian exports of industrial products and raw materials generally enjoy free access to the EC. Annual ceilings are imposed on certain cotton fabrics and cotton yarn. Substantial tariff reductions apply to Egyptian exports of agricultural products not covered by the Common Agricultural Policy, covering about 70 per cent Egypt's agricultural exports. However, certain agricultural items are under seasonal quotas. Some highly sensitive products are subject to safeguards in the form of reference prices, quotas (rice) and suspension of imports.

(iii) Bilateral agreements

85. Egypt, India and Yugoslavia have exchanged tariff preferences on 129 items. The Tripartite Agreement has been notified to the GATT. 13 Egypt is also a member of the 1971 Protocol relating to Trade Negotiations among Developing Countries within GATT.

86. Egypt probably has some 30 to 40 bilateral trade agreements, containing provisions to facilitate trade flows without preferences. Only some of the agreements with certain Arab countries contain clauses providing preferential treatment.

(iv) Other agreements or arrangements

87. Foreign exchange constraints led Egypt to examine the virtues of countertrade in the early 1980s. Countertrade arrangements are not imposed by any law. However, there appears to be an understanding among government officials and top management of public sector enterprises that countertrade...

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12 Exporters' Encyclopaedia (1990/91).
13 GATT document L/2980 and Add.1.
is to be encouraged whenever possible. A government committee was established specifically to negotiate, evaluate and decide upon proposals for countertrade. This committee has now been incorporated into a holding company (see Note 1.2 on the privatization programme).

88. Barter arrangements are concluded between one enterprise in Egypt and one company in another country. The companies are responsible for the timely execution of the contract. The barter agreement includes an exact list of the goods to be exchanged. Product prices are specified in US dollars based on world market prices for such products. Special banking arrangements apply for transaction payments.

89. Information concerning barter agreements signed by Egypt between 1985-1987 is presented in Table II.1. The Secretariat has not come across any more recent systematic compilation of such arrangements. Further deals have been concluded. A countertrade agreement worth US$14 million, signed by the State-owned El-Nasr Export & Import Company and an unidentified counterpart in the United Kingdom, was recently reported in the press. The agreement covers Egyptian exports of rice, cement, aluminium products, vehicle tyres, farm equipment, fertilizer, cotton yarn, textiles, pharmaceuticals, veterinary products, chemicals and cigarettes. In return, the Egyptian company will import tea, coffee, sesame seeds, beans and uncured leather.

90. The same Egyptian company has apparently also concluded a contract worth US$170 million with several countries of the Commonwealth of Independent States (CIS). The agreement is reported to cover exports of drugs, hospital equipment, ambulances, computers and perfume preparations. In return, Egypt will import cooking oil, timber, kraft paper, wool, leather, coal, tomato paste, glass, fertilizers, silk, sugar and chemicals.

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15 Provisions regarding "Barter Deals" can be found in Part III of the 1991 Import and Export Regulations. Monetary and banking measures are outlined in Decision No. 276/1991 of the Minister of Economy and Foreign Trade.
16 Middle East Economic Digest, 28 February 1992.
III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

91. Egypt unified its exchange rate on 8 October 1991, four months ahead of the schedule agreed with the IMF in May 1991 (see Note III.1). The value of the Egyptian pound is currently allowed to float, determined by transactions in the single currency market. Central Bank intervention is restricted to buying and selling. The Central Bank has reportedly built up foreign exchange reserves worth US$ 3 billion which can be used to defend the pound should it come under pressure. In this sense the Egyptian currency is subject to a managed float, with its performance against the United States dollar being used as yardstick.

92. The ability of the Central Bank to unify rates well ahead of schedule was largely attributed to its tight monetary policy, which had succeeded in stabilizing the value of the pound. News of the unification made no immediate impact in the Egyptian currency market; the Egyptian pound remained at 3.31 to the US dollar and has fluctuated close to that level since then.

93. Trading in foreign exchange is regulated by Law No. 97/1976, amended by Decree No. 117/1991 of the Minister of Economy and Foreign Trade. Changes in the regulations, necessitated by the unification of the exchange rates, were introduced by Ministerial Decree No. 491, dated 5 October 1991. Under the current system, each bank determines daily the rate of exchange which it will apply. The US dollar is used as the reference currency, with exchange rates against other currencies being determined by the cross rates in the London exchange market. The rates are reported to Banque Misr which calculates the average exchange rate. The average opening, mid-day and closing rates are reported to the media and published.

(1) Exchange Rate Movements and Trade

94. Exogenous earnings of foreign exchange led Egypt to develop "Dutch disease" in the 1970s. The massive exposure to external account imbalances became apparent in 1982-83, when revenue from petroleum, the Suez Canal, tourism and workers' remittances fell sharply. Egypt has also faced ongoing pressure on its trade balance from a prolonged deterioration in its terms of trade (Table III.1).

95. Egypt has frequently resorted to import restrictions as a reaction to imbalances in its external accounts. In consequence, since its accession to the GATT in 1970, Egypt has been obliged to hold ten consultations in

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the Balance-of-Payments Committee. The use of import restrictions was seen by Egypt as reducing the need to make drastic adjustments in the exchange rate to restore external equilibrium. The reluctance to make active use of the exchange rate in this connection was probably motivated by fears that currency depreciation would fuel domestic inflation.

96. As a partial consequence of this policy, the real effective exchange rate of the Egyptian pound appreciated by 28 per cent from 1970 to 1982 and a further 38 per cent between 1982 and 1985 (World Bank, 1990). Non-oil exports were severely discouraged by the overvaluation of the Egyptian pound.

97. The real appreciation of the Egyptian pound was halted in 1985-86. Measures were introduced to make the exchange rate system more flexible. The official Central Bank rate remained unchanged at LE 0.7 to the US dollar. However, the exchange rate for the pound was allowed to depreciate in the commercial bank market and the "tolerated" free market. The official "Free Banks' Market", introduced in May 1987, allowed the commercial bank market to disappear gradually. From the beginning of 1988, roughly 50 per cent of all foreign exchange transactions were conducted at the official "free" market rate. Most other transactions were effected at the official Central Bank rate, which was subsequently devalued (see Note III.1). Special exchange rates were applied to trade under bilateral payments agreements with the Democratic People's Republic of Korea, the then Soviet Union and Sudan.

98. The effect of the currency depreciation on Egypt's overall trade performance is difficult to judge. Imports were, until recently, constrained by the availability of foreign exchange. No major export boom has taken place. Some private sector exporters may have improved their competitive edge, but these entrepreneurs still represent a small segment of the Egyptian economy.

2 As of 31 December 1990, the following transactions took place in the free market; on the receipts side, workers' remittances, tourism receipts, bank purchases of foreign exchange, commissions and bank interest receipts, retained private sector export receipts, surrendered private sector export receipts, all public sector visible and invisible receipts except for cotton, petroleum, rice, Suez Canal and Snumed Pipeline dues and profits by Egyptian companies and banks; on the payments side, public sector payments within the limits of the foreign exchange budget, some private sector invisibles payments, private sector merchandise imports, and settlements of letters of credit opened by the private sector before 11 May 1987.

3 Despite the exchange rate unification, at the end of 1991, visible trade with the former Soviet Union was effected at a rate of LE 3 to the US dollar under the bilateral payments agreement. Similarly, the bilateral payments agreement with Sudan provided a rate of LE 1.3 to the US dollar. A rate of LE 0.3913 per US dollar was used to liquidate accounts related to past bilateral payments agreements (IMF (1992)).
Note III.1: The management of multiple exchange rates in Egypt.

Under the recently abolished system of multiple exchange rates, a Central Bank rate applied to most transactions of the Government and the public sector. Foreign exchange in the Central Bank pool consisted of exports earnings from petroleum, cotton and rice, Suez Canal transit fees and royalties from the Sumed pipeline. These proceeds were used to finance specific public sector capital transactions and imports of pesticides, fertilizers and essential foodstuffs such as wheat, wheat flour, edible oils, tea and sugar. The exchange rate was fixed at LE 0.7 per US dollar in 1979. The Central Bank rate remained unchanged until August 1989, when it was adjusted to LE 1.1 to the dollar. It was devalued further, to LE 2 per US dollar, on 1 July 1990.

The Egyptian pound was traded at a depreciated rate in the commercial bank pool. This market received foreign exchange from workers' remittances, tourism and other export earnings. In addition, foreign exchange was traded at a premium in the "tolerated" free market. Transactions involving residents' holdings of foreign exchange in free accounts in domestic banks were effected outside the banking system. Foreign currency could also be traded in an unofficial market in Port Said (a free trade zone) and in illegal street markets.

The commercial bank rate was devalued gradually reaching LE 1.36 to the US dollar in 1986. The exchange rate in the "tolerated" free market rate fluctuated around LE 2 to the US dollar in 1986-87. The commercial bank rate and the "tolerated" free rate were merged in May 1987. A committee was established to set the new Free Banks' market rate.

The eight-member committee consisting of representatives of authorized foreign exchange banks met at the end of each business day to fix the exchange rate applicable to all transactions to be effected on the following business day. The rate was adjusted regularly in line with the perceived demand for and supply of foreign exchange. Demand for foreign exchange was tightly controlled and limited through licensing, non-issuance of letters of credit and annual import budgets for all public entities. A parallel market existed, where the pound was traded at 3 to 4 points below the free Bank's market rate. Prospective importers seeking foreign currency at the Central Bank were required to make non-remunerated, up-front currency deposits. Private capital transactions were forbidden.

In February 1991, the Government introduced a primary market for all currency proceeds from public and private exporters. The Central Bank pool was merged into the primary market. All other transactions, mostly related to tourism, were to take place in a secondary market. Independent non-bank dealers were admitted into the market and full capital mobility was guaranteed. The exchange rate in the secondary market was freely determined to equal supply and demand. The primary market exchange rate was not allowed to deviate by more than 5 per cent in absolute terms from the rate in the secondary market. The dual exchange rate system was to be in place for one year. However, the unification of exchange rates took place ahead of schedule on 8 October 1991.
99. The recent move to a floating, single exchange rate should assist in reducing the strong anti-export bias prevailing in the Egyptian economy (see Chapter V). Other elements in the economic reform and structural adjustment programme should work in the same direction. The exchange rate may accordingly be expected to play a more important rôle in Egypt's trade performance in the future.

(2) Foreign Exchange Allocation

100. Under the previous exchange system, expected foreign exchange receipts from the Central Bank pool and the commercial bank market were allocated to various uses through the annual foreign exchange budget. The formulation of long-term trade policies, control of the annual export and import plan and the supervision of the execution of the foreign exchange budget were entrusted to the Supreme Council for the Planning of Foreign Trade. Authorities in charge of each sector decided foreign exchange allocation priorities and who would be allowed to import the relevant goods. Imports were either effected at the official exchange rate (through the Central Bank pool) or at the commercial bank exchange rate.

101. Public sector imports were subject to sector-specific quotas. Foreign exchange from the commercial bank market was generally allocated to enterprises on the basis of past needs. Rationing was imposed to stave off excess demand.

102. Private sector imports were financed by own exchange or through the commercial bank market. Exporters could retain earnings of foreign exchange for one year. After this period, any unused amounts were to be sold to commercial banks at the free bank rate. Importers needing foreign exchange had to resort to the parallel market, where foreign exchange commanded a premium. The allocation system thus discriminated against private sector imports. An example of how imports have been financed in Egypt is presented in Table III.2.

103. Although the exchange rate established in the free bank's market was supposed to balance supply and demand for foreign currency, demand was sometimes regulated through delays in the issue of letters of credit for imports. The volume of outstanding applications for letters of credit at

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4Foreign exchange could be held in Free Accounts, Foreign Exchange Retention Accounts, Import Accounts in Foreign Exchange or Capital and Working Accounts. Most private sector export proceeds were kept in Foreign Exchange Retention Accounts. According to the Egyptian authorities, only Free Accounts in Foreign Currency now exist; Import Accounts have been eliminated. The IMF (1992) refers to Free Accounts, D Accounts, Nonconvertible Capital Accounts, certain nonresident accounts, Foreign Exchange Retention Accounts and Capital and Working Accounts existing at the end of 1991.
one point amounted to US$300-400 million. This volume has subsequently declined to US$7-8 million, corresponding to regular commercial demand, after the introduction of the single exchange rate.

104. The new economic reform programme does not include a foreign exchange budget or a reference to allocation of foreign exchange to public enterprises. However, even though the foreign exchange budget has been suspended, the public sector is apparently still obliged to perform the paperwork associated with the former allocation system. The requirement will disappear along with the reorganization of public sector organizations into new holding companies. Government entities are still required to surrender foreign currency proceeds from exports of raw cotton, rice and broken rice. The administration of trade-related foreign exchange transactions falls under the Ministry of Economy and Foreign Trade, whose organizational structure is presented in Chart III.1.

105. Deregulation of the foreign exchange trading has increased the number of participants in the market. The first non-bank financial institution authorized to trade in Egyptian currency, the Egyptian Exchange Company, opened in July 1991. Currently, all commercial banks and numerous, newly established foreign exchange dealers are operating in the market. The authorities have received more than 100 applications from entities wishing to enter the market.

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5 According to the IMF, the foreign exchange budget is still established for the Government and the public authorities. The requirement was terminated for public enterprises on 27 February 1991 (IMF (1992)).

6 Article 135 of Ministerial Decree No. 491/1991. Public sector entities may retain 10 per cent of proceeds of invisible earnings; derogations from the surrender requirements must be approved by the Ministry of Economy and Foreign Trade. Tourism receipts must generally be surrendered to the banking system but hotels may retain 25 per cent of their foreign exchange in Working Accounts, or 100 per cent if a hotel operates under the Investment Law (Law 230/1989). Travel agencies may retain 10 per cent of foreign exchange earnings (100 per cent for agencies under Law 230/1989); Misr travel is allowed to retain 25 per cent (IMF (1992)).

7 Middle East Economic Digest, 9 August 1991.

8 A non-bank trader in foreign exchange must be organized as an Egyptian Joint Stock Company. All shares must be owned by Egyptians. The minimum capital requirement is one million Egyptian pounds.
Chart III.1
The foreign exchange department of the Ministry of Economy and Foreign Trade in Egypt

Foreign exchange and Exchange budget sector

Technical and administrative secretariat

Under secretariat for exchange budget

Technical and administrative secretariat

Under secretariat for foreign exchange

Technical and administrative secretariat

Budget and payments

Invisible payments

Budget and financing

Payments

Production sectors

Service sectors

Merchandise imports

Agriculture and industry

Supply, trade and health

Services sectors

Oil and electricity

Housing, construction and transportation

Defence and military production

Follow up

Resources

Visible resources

Invisible resources

Capital and miscellaneous budget

Exchange law cases

Law cases

Banking

Tourism and hotels

Air, maritime and investment

Other law cases

Foreign exchange

Regulations

Capital transfers

Tourism

Importation

Exportation

Air and maritime

Other invisible transactions

Source: Government of Egypt.
106. Egyptians may keep deposits in foreign currency with domestic banks. These deposits have at times represented more than 50 per cent of all deposits. Foreign currency deposits were an attractive alternative when nominal interest rates on Egyptian pound deposits were strictly regulated and confidence in the pound was low.

107. The dollarization of the Egyptian economy is currently reversing. Deposits in Egyptian pounds have become more attractive under the new régime, with its liberal rules on foreign exchange transactions and high nominal interest rates. The Egyptian authorities estimate that investors have switched some US$1.4 billion from foreign currency accounts to pound deposits since the unification of the exchange rates.

108. Capital transactions out of Egypt are said to have been completely liberalized. Any amount may be transferred through the banking system without restrictions in accordance with provisions stipulated in the foreign exchange regulations. Travellers may carry unlimited amounts of foreign currency. However, banknotes and travellers cheques totalling more than the equivalent of US$500 must be recorded in the traveller's passport. Imports and exports of Egyptian currency notes is limited to LE 100 per person.

109. Egypt has bilateral payments agreements with Sudan and the republics of the former Soviet Union. An agreement with the Democratic People's Republic of Korea was terminated on 5 September 1990. Transaction payments are channelled through clearing accounts held by the Central Bank of Egypt. The exchange rates established under the bilateral arrangements are intended to be adjusted gradually until they reach free market rates. Certain imports under the payments agreements which were reserved for the public sector are now permitted to the private sector. The private sector may import goods which are not covered by Trade Protocol agreements with these countries using convertible currencies.

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9 Although nearly 100 banks operate in Egypt, two-thirds of the assets are in the hands of four publicly owned banks. The largest bank - Banque Misr - has more than 2 million depositors and about 300 branches. The other State banks are the National Bank of Egypt, the Bank of Alexandria and the Banque du Caire.

10 Egypt has adopted Swiss-type bank secrecy laws. The country is thought to suffer from considerable capital flight. No reliable estimates are available of the amount of Egyptian-owned capital deposited in other countries. Suggestions range from US$50 to 100 billion - more than Egypt's official debt.

(3) Foreign Direct Investment and Trade

110. Investment in Egypt is currently regulated by Law No. 230/1989, repealing the "Law No. 43 for 1974 regarding the System on the Investment of Arab and Foreign Capital and Free Zones". The law covers both investment in free zones and capital under the so-called Inland Investment System - investment in land reclamation and cultivation, industry, tourism, housing and real estate development.

111. Land ownership rights are established in the law, which also contains provisions against nationalization or confiscation of investment projects (Article 8). Investments under Law No. 230 are exempt from certain regulations (importer and exporter registration requirements, price controls, profit margin ceilings and public sector laws and regulations) and enjoy tax privileges. Projects are exempted from taxes on industrial and commercial profits, corporate tax, revenue tax on movable capital and the general income tax during the first five fiscal years following the start of production. The duration of the tax exemption is extended by two years if the local content of machinery, equipment and outfits exceeds 60 per cent (Article 11). Privileges continue to apply to the taxation of distributed profits after the initial grace period (Article 16).

112. Investment applications are processed by the General Authority for Investment. Approval is given automatically, subject to existing laws and regulations, except for investments in sectors specified in a negative list. The "List of Sectors and Activities in the National Economy where Investment is not encouraged" was promulgated in December 1990. The enumerated sectors are: (i) energy intensive activities; (ii) assembly industries; (iii) all military products and related industries; (iv) tobacco and tobacco products and (v) projects located in the Sinai peninsula (except petroleum and mining). The negative list is reproduced in Annex III.1.

113. Investment in energy intensive projects - raw aluminium and ferro-alloys - is regulated for energy saving. (In the past, these industries have benefited from import subsidies in the form of low-priced electricity.) Approval is not automatic in certain assembly industries because the Egyptian authorities wish to increase the proportion of value

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12 The status of animal husbandry, fisheries, services, holding companies, equipment leasing, brokerage and mining projects, which were specifically mentioned in Egypt's previous investment law, is not clear (National Bank of Egypt (1990)).

13 Tax exemptions apply for ten years for investments in new industrial zones, new urban communities, remote areas, land reclamation and real estate development. Tax exemptions may be extended for five years in some cases.
added in Egypt. A minimum local content of 60 per cent is sought in the production of household appliances (air conditioners, refrigerators, driers, dish washing machines, washing and drying machines, etc.), trucks, buses, motorcycles, diesel engines, electric motors, bicycles, tractors and equipment for agriculture and irrigation. The local content provisions are somewhat less strict (40 per cent) for the domestic assembly of passenger vehicles, pharmaceuticals and audio-video appliances.

114. The negative list is subject to annual review. The local content provisions in assembly industries are temporary and scheduled to lapse no later than December 1993.

115. The 1989 investment law does not generally contain special provisions for foreign investors or investors from other Arab countries. However, the Prime Minister, acting on proposals from the Board of Directors of the investment authority, may (for considerations of public interest) stipulate that foreign or Arab investment in certain sectors can only be undertaken in joint ventures with Egyptian investors (Article 5).

116. Compared to the 1974 investment law, the new legislation is more investor-friendly in certain respects. Foreign investment is no longer limited to joint-ventures with Egyptian partners. Land ownership rights are available for investment in construction and project expansion and owners will be entitled to equitable compensation in cases of land expropriation, based on the market value of the property concerned (Article 8). Fifty-year land lease contracts may be offered for desert reclamation and cultivation. New projects are to enjoy the same treatment concerning charges or financial obligations as existing private sector investment in the area. Investors are also offered tax incentives.

117. According to information provided by the Central Bank of Egypt, direct foreign investment in Egypt fluctuated between US$ 160 million and 370 million annually in the 1980s. Foreign investment peaked in 1986 and has declined every year since then (Chart III.2). President Mubarak has decided to chair GAFI Board meetings in order to give a push to investment.

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14 Projects established under Law No. 159 (1981) have received energy at subsidized prices. These subsidies are to be phased out. All other investments are, according to the Egyptian authorities, charged world market prices for energy.

15 The stock of US direct investment in Egypt amounted to US$1.8 billion in 1989. Investment is concentrated in the petroleum sector.
118. Investment in projects which are not enumerated in the negative list is reported to be hampered by bureaucratic regulations. The General Authority for Investment (GAFI) has been designated as a one-stop agency for investors. Automatic approval should in theory be granted within one week. However, the process of acquiring certificates and papers is reported to take from three to eight months. Unidentified sources have requested improvements in labour laws, tax regulations and incentives.

119. The investment law itself has been criticized for a number of shortcomings. Investment is currently confined to a more narrow range of sectors than previously. The treatment of projects involving purchases of

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second-hand machinery is unclear. Uncertainty prevails with respect to the extent and time-table for elimination of differential treatment in government pricing of inputs. Article No. 20 of the law, requiring distribution of 10 per cent of the net profits to labour, is controversial and may have adverse effects on investment in technology-intensive sectors. Finally, the law has numerous exemptions and extends powers to grant additional privileges, creating uncertainty concerning investors' legal rights and obligations.

120. Investment in free zones is regulated by Chapter 3 of Law No. 230/1989 (see Chapter IV, sections 2 (xxii) and 3 (xv) for details). The negative list does not apply to investment in free zones. Projects are also exempt from Egyptian import and export regulations, price controls and profit ceilings. Public free zones have been established in Nasr City, Alexandria, Port Said, Suez and Ismailia. New free zones have been established in Damietta and at Cairo Airport.

121. Data on investment in free zones is provided in Table III.3. The Secretariat has no information on the annual value of production in free zones. Private free zones may be established, but the Secretariat has no information concerning such zones.
Annex III.1
List of sectors and activities in the Egyptian economy where investment is not encouraged, December 1990.

The following list provides a census of activities where investment approval will not be granted automatically and will need to be submitted to the concerned authority. All activities not mentioned in this list are hereby granted automatic approval for investment subject to existing laws and regulations.

A. Energy Intensive Activities
   I - Raw Aluminium and Ferro-alloys

B. Assembly Industries

Assembly Industries are classified according to the percentage of local content in the final product. For a transitional period ending in December 1993, all products listed below will not be granted automatic approval if they do not satisfy the minimum local content listed.

I - Products with a local content of less than 60%
   1- Household appliances
   2- Trucks and complete buses
   3- Agriculture and irrigation equipment and tractors
   4- Motorcycles and bicycles
   5- Diesel engines and electric motors

II- Products with a local content of less than 40%
   1- Domestic audio-video appliances
   2- Passenger cars
   3- Pharmaceutical formulation industries

C - All military products and related industries

D - Tobacco and tobacco products

E - Investments in Sinai except for exploration of oil, gas and mineral resources

The above list is comprehensive. All sectors and activities not mentioned in this list will be granted automatic approval for investment. The list will be reviewed annually with the aim of further reductions.

1Related industries are defined as producing explosives, ejection and propulsion materials and the special chemicals involved in their production or which have exclusive military uses, radiation materials and communication equipment (wired or wireless) with exclusive military application.
Explanatory note concerning assembly industries

Assembly industries are classified according to the percentage of local content in the final product. For a transitional period, ending no later than December 1993, all products listed below will not be granted automatic approval if they do not satisfy the minimum local content listed.

I. Products with a local content of less than 60%

1. Household Appliances

   CCCN Number

   84.12 Air conditioning machines, self-contained, comprising a motor driven fan for changing temperatures and humidity of air
   84.15b1 Refrigerators for domestic use
   84.18a1 Driers for domestic use
   84.19a Dish washing machines for domestic use
   84.40a1 Washing and drying machines for domestic use
   85.06 Electro-mechanical domestic appliances with self-contained electric motors.
   85.07 Shavers and hair clippers with self-contained electric motors
   85.12a Electric smoothing iron and other electric-thermic domestic appliances

2. Trucks and Complete Buses

   87.02a, Ambulances, Hearses, Buses, micro-buses and 1,2,3 trollybuses
   87.02b Motor vehicles for the transport of goods and materials
   87.03 Special purpose lorries and vans

3. Agricultural and Irrigation Equipment and Tractors

   84.23 Excavating, levelling, etc.

   CCCN Number

   84.24 Agricultural and horticultural machinery for soil preparation (ploughs, seeders, etc.)
   84.25 Harvesting and threshing machinery
   87.01a Tractors of track laying type
   87.01b Road tractors of motor vehicle type

Local content is calculated as the balance after subtracting the percentage value of imported components (completely knocked down, CKD) to the value of the finished products, based on international ex-factory prices of original suppliers and/or manufacturers.
87.01c Other Agricultural tractors

4. **Motorcycles and Bicycles**
   87.09 Motorcycles, etc.
   87.10 Cycles (including delivery tricycles) not motorised

5. **Diesel Engines and Electrical Motors**
   84.06c Diesel Engines of various horse power
   85.01b Electric motors of various sizes

III. **Products with local content less than 40%**

1. **Domestic Audio and Video Appliances**
   85.14 Microphones, loudspeakers
   85.15 Radiotelegraphic and telephonic transmission and reception, i.e. radio broadcasting, television transmission and reception apparatus

2. **Passenger Cars**
   87.02a Passenger cars, pickup cars and jeeps 4, 5 and 6

3. **Pharmaceutical Formulation Industries**
   30.01 Dried or powdered organo-therapeutic glands or organs
   30.02 Antisera vaccines, toxins, etc.
   30.03 Medicaments

*Source:* Government of Egypt
IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

122. Egypt's trade policies over the last thirty years have generally reflected the philosophy of a high level of State intervention. Almost all import and export enterprises were taken over by the Government in 1961. The foreign trade régime was completely centralized until 1973, dependent on budgeting of foreign exchange, import quotas and other controls.

123. Imports have been constrained by shortages of foreign exchange since the early 1960s. Egypt has held ten consultations in the GATT Committee on Balance-of-Payments Restrictions following its accession to the GATT in 1970. At the same time, export performance has been poor and has not been assisted by the large and generally inefficient public sector. Although attempts were made to revive private initiative under President Sadat, the Government still dominated the economy and the public sector continued to play the major rôle in Egypt's foreign trade.

124. The foreign exchange constraint and the implicit overvaluation of the exchange rate were aggravated by mounting inflationary pressures in the Egyptian economy. The Government responded by enforcing strict price controls on a wide range of goods, which kept many prices, including those of imported foodstuffs, artificially low. Price controls on output were partly offset by input subsidies provided to producers and distributors.

125. Liberalization of price controls began in 1983-84. By 1986-87, the coverage of administered prices was reduced to 26 per cent of the production value of public sector enterprises. The present economic reform programme envisages further deregulation of prices. Since July 1992, price controls should only affect products receiving implicit input subsidies and basic foodstuffs. Price controls for all industrial goods except a few basic commodities, cigarettes and cotton yarn are to be eliminated by June 1995; public distribution monopolies are being phased out to reinforce deregulation of prices.

126. Removal of input subsidies is proceeding hand-in-hand with deregulation of production controls. Prices of petroleum products are to be raised to the level of their internationally traded equivalents. Electricity prices should reflect long-run marginal costs by June 1995. In agriculture, an agreement signed in 1990 by the Government of Egypt and the United States Agency for International Development contains targets to eliminate or reduce agricultural input subsidies, limit subsidization of farm credit and deregulate remaining price and procurement practices. Mandatory delivery quotas for rice were abolished in early 1991. Cotton and sugar cane crops remain subject to compulsory arrangements. Procurement prices for cotton were to be raised to two-thirds of the
international level by 1992-93; according to the Egyptian authorities, this level was achieved in early 1992.

127. These moves towards a market economy reinforce the rôle of trade policies in the context of protection and structural adjustment. Tariffs, which had very little effect during the period of nationalized foreign trade, are regaining importance as the major trade policy instrument. The authorities are preparing the introduction of a customs schedule based on the Harmonized Commodity Description and Coding System on 1 January 1993. The current tariff schedule, a single column tariff based on the Customs Cooperation Council Nomenclature, was promulgated in August 1986. All rates are ad valorem except for tobacco and tobacco products.

128. The simple average of applied tariffs is currently 42.2 per cent (30.6 per cent excluding alcoholic beverages, which are subject to rates equivalent to 1,800 to 3,000 per cent). Most tariff lines fall under 9 tariff steps ranging from 5 per cent to 100 per cent, although some basic foods and medicines enter at 1 per cent and passenger cars, camping vans (and alcoholic beverages) face tariffs higher than 100 per cent.

129. The tariff structure provides a high degree of tariff escalation. The trade liberalization programme aims to reduce tariff dispersion by narrowing tariffs from the present 5 to 100 per cent to 10 to 80 per cent over the next two years. Exemptions will continue to apply for certain basic foodstuffs and consumer "luxuries". The number of duty concession arrangements was cut under the ERSAP by 30 per cent.

130. Increases in some of the lower tariffs and reductions in some higher rates, agreed with the international lending institutions, are intended to raise revenues, as well as reduce tariff dispersions and hence effective rates of protection. Such increases conflicted with Egypt's schedule of tariff bindings in the GATT and a suspension of GATT tariff concessions under Article XXVIII was granted on 14 July 1992, until 30 June 1993 (L/7071).

131. The relative importance of tariffs in government finances is expected to decline somewhat due to increasing revenue from other sources. A general sales tax, introduced in May 1991, is intended to reduce distortions in indirect taxation. It is, in principle, levied on all products sold in Egypt, as well as on certain services.

132. Non-tariff measures on imports are being dismantled. The import licensing system was abolished in 1986 and replaced by a list of conditionally prohibited or "banned" imports. Such imports are admitted on
a discretionary basis.\(^1\) Items were added to the list in 1987 and 1989. Reductions in its product coverage began in May 1990. The list is subject to six-monthly review. The share of domestic production covered by import "bans" is to be reduced to 30 per cent of the level prevailing in March 1990, by July 1992.

133. Importation requires the issuance of a letter of credit. The suspension of opening of letters of credit for imports of specific products created an additional list of (provisionally) banned imports in 1988. This measure was eventually abolished in May 1991. Some items were transferred to the conditionally prohibited list.

134. The authorities recently removed regulations obliging foreign exporters to provide local servicing facilities for certain products. The application of other non-tariff measures - prior import approvals and imports subject to "special conditions" - has been reduced considerably. However, Egypt has extended the use of quality inspection of imports. Some commentators suggest that this instrument may have been used for protective purposes on some non-food items.

(2) Measures Directly Affecting Imports

(1) Registration, documentation

135. A registry is kept of all importers. Registered importers receive an import card, which must be presented to the bank when a transaction is undertaken. Imported items are recorded on the import card (Article 10 of the 1991 Import and Export Regulations). Certain entities which are not registered importers may be allowed import components for their own production (Article 11). In such cases, a requirements import card is issued by the General Authority for Exports and Imports Control.

136. The importer must submit an application (two copies) for the financing of imports in convertible currencies, attaching a proforma invoice. The importer's bank supplies information concerning the source of financing and mode of payment. One copy is kept by the bank for the settlement. The other copy is presented to the Customs Administration Authority by the importer when the goods are released from customs.

\(^1\)A list of restricted items was notified by Egypt to GATT in 1988 (L/6343), for data on imports see L/6343/Add.1. Items removed from the list were presented in Egypt's statement for the 1990 simplified consultation (BOP/287).
137. The payment receipt for service charges is considered as one of the release documents.

138. Imports can only be effected if the importer has obtained a letter of credit from an authorized bank. The importer must finance 35 per cent of the import value from own sources, to be placed at the time of application for the letter of credit. The remaining 65 per cent, which may be financed by a bank, must be deposited when the document is issued. Deposits may be made in domestic or foreign currency. Goods may not be shipped until a letter of credit has been opened.

139. Generally, an importer may not purchase more goods than are specified in the final invoice (Article 14). However, an excess of up to 10 per cent is permitted for raw materials, spare parts, intermediate goods and foodstuffs. Goods which are imported in violation of customs regulations may eventually be sold by the Customs Authority (Article 17).

140. Imports by the central Government, public authorities, public sector enterprises and local administrations are authorized by Foreign Purchasing Committees. Each entity was subject to a monetary quota for such purposes until recently. The Purchasing Committees supply copies of their import approvals to the Foreign Trade Sector, the Foreign Currency Sector and the Monetary Budget (Article 21).

(ii) Tariffs

141. Egypt's tariff structure was completely reformed in 1980. With a few exceptions, the revised tariff linked protection to the stage of processing, providing for substantial tariff escalation. The multiple exchange rates then used for customs valuation purposes caused additional tariff dispersion.²

142. The customs tariff currently applied by Egypt was promulgated by Presidential Decree on 21 August 1986³. At that time tariffs were reduced by 50 per cent across the board; however, the exchange rate used for customs valuation was also devalued by 48 per cent against the US dollar. Comparing the 1986 tariff reform to the 1980 tariff structure, it has been estimated that the weighted average rate of nominal protection fell from 48.1 per cent to 47.5 per cent and the standard deviation from

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²According to Kheir-El-Din et al. (1989), using the official exchange in customs valuation reduced duties by 15 and 40 per cent compared to alternative valuations based on the commercial bank rate, the "own" exchange rate or any other rate.

52.1 per cent to 47 per cent. However, the weighted average nominal tariff rate on the US dollar value of imports increased from 34 per cent to 64.6 per cent.4

143. The number of tariff categories were reduced from 43 to 12. Duty rates ranged from 1 per cent (on food imports) up to 160 per cent.5 The new schedule aimed to make the tariff structure more "rational". Substantial tariff escalation was maintained, with basic commodities taxed lightly, intermediate goods moderately and high tariffs on consumer durables and luxury items.

144. At the same time, Presidential Decree No. 187/1986 abolished all additional taxes on imports - the statistical tax, the economic development duty (at one time 10 per cent ad valorem of the import value), the Maritime Consolidation Duty and an additional duty on import and export, imposed by Local Governorate Law No. 43/1979. These taxes had represented a 15 to 20 per cent surcharge on imports.

145. The tariff reform in 1986 also introduced tariff rebates in order to encourage local production of components for the domestic assembling industries. Tariff discounts, linked to the share of local input materials in the finished product, could reach up to 75 per cent of the general import duty (see Section (xvi) Local content requirements).

146. Tariffs were again reduced in July 1989.6 The reduction amounted to an average of 30 per cent, with a slightly smaller reduction in the high-tariff categories. The reductions were made to ensure that the tariff burden would not increase as the exchange rate used for customs valuation purposes was moved to the free market rate. At the time, the Egyptian pound was quoted at 2.6 to the US dollar in the free market.7


5Exceptions to the maximum rates applied to alcoholic beverages which were taxed at rates ranging from 600 to 3,000 per cent.

6Presidential Decree No. 305/1989.

7In August 1986, the customs valuation exchange rate had been adjusted from LE 0.707 to LE 1.36 per US dollar.
147. These tariff reductions were rolled back in May 1991. The amended rates largely correspond to the duties established in 1986. However, the range has been reduced from 0.7 - 120 per cent to 1 - 100 per cent.

148. In accordance with the structural adjustment and economic reform programmes agreed with the World Bank and the IMF, the Egyptian Government plans to narrow the tariff range further. Minimum tariffs have been raised to 5 per cent. Over the next two years, the minimum tariffs will be increased to 10 per cent, while the maximum rates should be reduced to 80 per cent. Lower rates would continue to apply to imports of basic foodstuffs. Some imported luxury goods will still face higher tariffs than the general maximum rates.

149. In the tariff negotiations in the Uruguay Round, Egypt has included in its offer list the 50 per cent tariff reduction of August 1986 and the 30 per cent across the board tariff reduction of June 1989.

(a) Form of tariffs

150. Egypt has a single column tariff based on the Customs Cooperation Council Nomenclature. The four-digit classification is subdivided in a relatively limited number of cases. Counting each subdivision as a separate tariff line yields a total of 1790 tariff lines. This total is low compared to countries using the Harmonized Commodity Description and Coding System (HS). The Egyptian authorities envisage introducing the Harmonized System in 1993.

151. All tariffs in the Egyptian customs tariff are ad valorem, with the exception of tobacco and tobacco products (CCCN Chapter 24). The specific rates range from LE 6.1 to LE 9 per kg on unmanufactured tobacco and LE 6.5 to LE 12 per kg on cigarettes, cigars and other processed goods. Egypt does not apply seasonal tariffs to any product.

(b) Average tariff level

152. According to calculations by the GATT Secretariat, the simple average of tariff rates applied after May 1991 is 42.2 per cent (30.6 per cent excluding beverages). The tariffs applied on industrial products average

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8 Presidential Decree No. 178/1991. The tariff increases coincided with the lifting of non-tariff restrictions on imports.

9 Exceptionally high tariffs will continue to apply on alcoholic beverages.

30.6 per cent. The simple average tariff for agricultural products, excluding beverages, is nearly the same - 31.5 per cent. 

(c) Tariff range

153. Presidential Decree No. 178/1991 establishes ten tariff categories, ranging from 1 per cent to a high rate of 100 per cent. Most tariff lines fall within two distinct bands (Chart IV.1). The incidence of tariffs is U-shaped in the lower band (5 to 30 per cent) which covers 71 per cent of all tariff lines. Tariff rates are more evenly distributed within the high band (50 to 100 per cent). This band comprises nearly 26 per cent of all tariff line items.

Chart IV.1
Distribution of tariff rates in Egypt, 1991

![Chart IV.1 Distribution of tariff rates in Egypt, 1991](image)

Source: Customs Tariff of Egypt.

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11 Extremely high tariffs on alcoholic beverages have a strong impact on tariff averages because of the relatively limited number of tariff lines in the Egyptian customs tariff. The simple average tariff for all agricultural products (CCCN Chapters 1-24) is 104.0 per cent.
154. Exceptionally low rates apply to imports of basic foodstuffs - beans, lentils, wheat, maize, oil seeds, vegetable oils, sugar, baby milk - and insulin, antisera, blood derivatives and medicaments (1 per cent). Tariffs of 160 per cent are applied on passenger cars and camping vans.

155. The ad valorem equivalent of tariffs on unmanufactured tobacco amounts to 152.8 per cent. Alcoholic beverages are subject to extraordinary high duties - 1,200 per cent (beer), 1,800 per cent (wine) and 3,000 per cent (sparkling wines, vermouths, cider and most spirits).

(d) Tariff escalation

156. The Egyptian customs tariff is designed to provide considerable tariff escalation. The simple average tariff on raw materials is 19.7 per cent (Table V.3). It increases slightly to 21.8 per cent on semi-manufactures. The highest average tariffs are applied to finished goods - 41.6 per cent to the tariff study categories with more than one processing stage. The average rises to 56.0 per cent when all finished goods are included.

157. Tariff study categories with particularly high averages are leather products (68 per cent), textiles (53 per cent), fish and fish products (64 per cent), footwear (70 per cent), furniture (80 per cent) and beverages (1247 per cent). Tobacco is the only tariff study category where tariffs are higher (ad valorem) on raw materials than on finished products (Table V.3).

(e) Tariff bindings

158. In its GATT Schedule (Schedule LXIII) Egypt bound about 15 per cent of its tariff lines. The incidence of bindings was somewhat higher for industrial products than in agriculture. The binding of tariffs was not very effective; the tariff rates published in 1991 by Egypt exceeded the bound rates, sometimes substantially, on 211 of the 267 bound items. Taking this into account, only 3 per cent of Egypt's tariff lines were effectively bound (Chart IV.2). The percentage share was virtually the same for agricultural and industrial products.

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12 Imports of banknotes, stocks and shares, base metal coins, weapons and military motor vehicles and vessels are exempt from customs duties.

13 e.g. 100 per cent published rate as against 20 per cent bound for non-fresh cream, 50 versus 2 per cent for piston engine parts.

14 According to the Egyptian authorities, GATT bound rates were applied to imports from contracting parties if requested.
159. In order to permit Egypt to carry out the tariff changes resulting from the current structural adjustment programme, the GATT Council in July 1992 agreed to suspend Egypt's tariff bindings, subject to negotiations with affected trading partners, until 30 June 1993. The revised schedule of bindings to be agreed would be based on the Harmonized System classification to be introduced by Egypt in 1993.

(f) Tariff preferences

160. Egypt has exchanged trade concessions with some Arab countries (details are not available) and is a member of the Tripartite Agreement (India, Egypt and Yugoslavia). Egypt is a participant in the Global System of Trade Preferences. Egypt is also a party to the 1971 Protocol on Trade Negotiations among Developing Countries and has extended concessions on 11

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CCCN tariff lines items. Under the Cooperation Agreement with the European Communities, Egypt is not required to give reciprocal preferences to the EC.

(g) Tariff concessions

161. The 1986 tariff reform reduced the number of duty concessions, confining them to agencies and purposes clearly specified in the law. Tariff exemptions have been reviewed, streamlined and restructured since 1987. Most exemptions have been eliminated. Exemptions, which represented nearly 49 per cent of potential tariff revenue in 1986, fell to around 17 per cent in 1990.\(^\text{16}\) A study on tariff incidence suggested that tariff exonerations were more common at higher than at lower tariffs.\(^\text{17}\)

162. Goods destined for defence, national security and armaments are not subject to customs duties. Enterprises involved in tourism, land reclamation and Investment Law projects pay a 5 per cent tariff on their imports of capital goods. Presidential Decree No. 304/1989 stipulates that hotels and tourist establishments may import appliances, machinery and equipment (except passenger cars) subject to duties of 50 per cent of the rates specified in the Customs Tariff provided that the collected duty is not less than 20 per cent of the value of the good. Equipment, machinery, materials, technical appliances, spare parts and transportation equipment (except passenger cars) imported by the Arab Petroleum Pipe Line Company for the execution and operation of its projects are subject to tariffs of 1 per cent.

163. The list of tariff exemptions specified in the Egyptian customs tariffs, normally referred to as tariff preferences or "footnotes" to the tariff schedule, amounted to 90 items in March 1990. The structural adjustment programme includes elimination of 27 additional items on the preference list;\(^\text{18}\) according to the Egyptian authorities, 30 items were eliminated in May 1991, and further eliminations are to be made later.

164. Goods imported from a free zone (see Section 3(xv) below) into Egypt are exempted from customs duties on the value added in the free zone.

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\(^\text{16}\) Kheir-El-Din and El-Dersh (1991).


(g) Rules of origin

165. No information has been made available on rules of origin related to tariff preferences applied by Egypt.

(h) Customs valuation

166. Egypt is not a signatory to the Agreement on the Implementation of Article VII of the General Agreement on Tariffs and Trade (the Customs Valuation Code). According to the Egyptian Customs Administration, importers seldom disagree with the valuation decisions of the administration. A two-stage arbitration system has been established to handle disputed valuation or customs classification decisions.

167. Imports are valued in Egyptian pounds at the exchange rate prevailing on the day when the Customs Declaration is registered. The exchange rates used for customs valuation purposes were determined by the Minister of Economy and Foreign Trade under the previous system of multiple exchange rates.

168. The multiple exchange rate system distorted the pattern of tariff protection in Egypt. In the tariff structure of 1980, customs valuation at official exchange rates effectively reduced duties by 15 to 40 per cent.

169. The exchange rate for the Egyptian pound used in customs valuation was devalued in the 1986 tariff reform. The customs valuation rate was kept fairly constant until July 1989, when it was moved to the free market rate - at the time about LE 2.6 per US dollar.

(iii) Tariff quotas

170. Tariff quotas do not appear to be used in Egypt.

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20 Kheir-El-Din et al. (1989).

21 The rate was changed from LE 0.707 to LE 1.36 per US dollar.

22 Tariffs were reduced by 30 per cent across the board to maintain the tariff burden at the same level. The unification of exchange rates in October 1991 has presumably eliminated any remaining distortions emanating from the foreign exchange régime.
(iv) **Variable import levies**

171. Variable levies are not applied in Egypt. An incentive system devised in the late 1960s, which kept the value of foreign currencies constant in Egyptian pounds, had to be abandoned after major currencies were floated in 1971.

(v) **Other levies and charges**

172. A sales tax was introduced as part of the economic reform and structural adjustment programme in May 1991. The sales tax replaced a "consumption tax" which had been in place since 1981. The new tax should reduce distortions in indirect taxation, although the dispersions in taxation will still be substantial.

173. In principle, all products sold in Egypt are subject to a sales tax of 10 per cent. The tax is not levied on goods and services which are exported. Certain goods consumed locally - mainly basic foodstuffs, paper products and drugs - are also not subject to the sales tax (Table AIV.1). Small local producers, defined as manufacturers with an annual turnover of less than LE 54,000, are exempt from registration requirements and payment of the tax.

174. Eleven items are subject to a sales tax of 5 per cent. Deviations from the general rate of 10 per cent also apply to some consumer "luxuries", which are taxed at 20 or 30 per cent. An additional list covers goods which are subject to specific rates or rates different from the standard ad valorem categories.

175. The rate of sales tax is in most cases identical for Egyptian and foreign goods. However, the sales tax is levied on the basis of the value of a product inclusive of any tariffs. The sales tax accordingly increases the protective effect of tariffs. The added protection can be considerable as goods subject to the highest rates of sales tax often face some of the highest rates in the customs tariff. In some cases, the sales tax differs depending on whether the product is imported or locally produced. It is not always higher for imported goods: for example, imported cigarettes and

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25 The "consumption tax" was levied at highly disparate rates. The ad valorem equivalents of some specific rates could reach 300 per cent. It fell heavily on a few items. Eight products provided around 80 per cent of the tax revenue. The general sales tax has narrowed the dispersion of tax rates and reduced the incidence of specific rates.
bars and rods of iron for construction are taxed at a higher rate than locally-made equivalents, while the sales taxes on medicines, hydraulic cement and mineral water produced in Egypt are, on the other hand, higher than on imports. Additional anomalies resulting from unequal taxation are reported to exist.

176. The sales tax has been extended to cover certain services (Table AIV.1). Five or ten per cent is added to bills for some public services and tourism.

177. The sales tax could be the precursor to the introduction of a value-added tax in Egypt. Provisions in the existing law would allow the authorities to tax items according to the principle of value added without returning to the People's Assembly for formal approval.

178. The importer must deposit, in cash, 20 per cent of the value of the imported goods when submitting the application form for financing of imports in convertible currencies. The payment is held by the importer's bank until the arrival of the shipping documents. The prior import deposit is 10 per cent of the value when imported by producers for their own use.

179. All service charges are collected by the banks and transferred to the account of the Ministry of Economy and Foreign Trade at the Central Bank. The Customs Administration collects such charges only in cases of direct release.

(vi) Minimum import prices

180. The Secretariat is not aware of any minimum import prices stipulated by the Egyptian Government.

(vii) Import prohibitions

181. All imports from South Africa are prohibited. Egypt introduced a list of "conditionally prohibited items" (commonly known as the "banned list" in Egypt) of imports in August 1986. These import prohibitions are implemented in a flexible manner, taking account of the particular needs of certain domestic sectors (tourism, assembly industries, turn-key projects,

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26 No rate is specified for locally produced tobacco. Tobacco growing is prohibited in Egypt.

27 For example, it has been observed that importation of assembled telephone switches would be cheaper than in completely knocked down condition. The same may also apply to some pharmaceuticals.
etc). This measure is therefore described in detail in the section on import licensing.

(viii) **Import licensing**

182. The import licensing system, administered by two import rationalization committees, was abolished in August 1986. According to Ministerial Decree No. 333/1986, all products could be freely imported - subject to the availability of foreign exchange - except those enumerated in a negative list - the list on conditionally prohibited or "banned" imports - attached to the Decree.

183. The 1986 list comprised 548 products (some 210 tariff lines), of which half were non-durable consumer goods. More items were added to the list in 1987 and 1989. The "bans" affected about 570 products (225 tariff lines) in early 1990. Removal of items from the banned list began in May 1990. Following the most recent changes in the import system (May 1991), this measure currently affects 105 commodity groups (Table AIV.2).

184. The list permits imports in some cases. Certain "banned" items may be imported by licensed local manufacturers and assembly lines, under the draw-back system for processing and re-export, for turn-key projects or by the tourism sector. Returning emigrants may import certain prohibited items. In 1987, imports of products on the "banned list" amounted to 12.5 per cent of total value of imports.

185. The conditionally prohibited or "banned" list is the most important non-tariff measure in terms of the value of domestic production which it affects. The reforms in May 1991 reduced the production coverage ratio of these import restrictions from 52 per cent to 41 per cent (Chart IV.3). Further reductions are envisaged under the economic reform programme agreed with the World Bank. Before the second tranche release of the Structural

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28 Ministerial Decree No. 333/1986, which became effective on 22 August 1986.


30 The list is described as "Articles suspended to be imported" in the 1991 Import and Export Regulations (Annex 1). Providing information for the renegotiation of Schedule LXIII, the Egyptian authorities have enclosed the list under the label "The Negative List, Items Subject to Non-Tariff Barriers". (Attachment to L/6986/Add.4).

31 Importation of motor vehicles for private use is an important privilege enjoyed by this group.

Chart IV.3
Production coverage of selected non-tariff measures on Egyptian imports before and after the May 1991 trade reforms
Per cent

Public sector production coverage

<table>
<thead>
<tr>
<th>Servicing requirements</th>
<th>Before May 1991</th>
<th>After May 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special conditions</td>
<td>8.41</td>
<td>0.56</td>
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<tr>
<td>Letters of credit</td>
<td>9.16</td>
<td>0.0</td>
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<tr>
<td>Prior approvals</td>
<td>12.38</td>
<td>0.0</td>
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<tr>
<td>Quality control</td>
<td>13.61</td>
<td>19.99</td>
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<tr>
<td>Permanent bans</td>
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<td></td>
</tr>
<tr>
<td>(&quot;conditional prohibitions&quot;)</td>
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<td>47.49</td>
</tr>
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</table>

Private sector production coverage

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<th>After May 1991</th>
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</thead>
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<td>Special conditions</td>
<td>2.60</td>
<td>0.51</td>
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<td>Letters of credit</td>
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<td>0.0</td>
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<tr>
<td>Prior approvals</td>
<td>9.51</td>
<td>0.0</td>
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<tr>
<td>Quality control</td>
<td>21.42</td>
<td>21.98</td>
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<tr>
<td>Permanent bans</td>
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<td></td>
</tr>
<tr>
<td>(&quot;conditional prohibitions&quot;)</td>
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<td>64.04</td>
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</table>

Total production coverage

<table>
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<th>Servicing requirements</th>
<th>Before May 1991</th>
<th>After May 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special conditions</td>
<td>8.80</td>
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<tr>
<td>Letters of credit</td>
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<tr>
<td>Prior approvals</td>
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<tr>
<td>Quality control</td>
<td>15.78</td>
<td>20.55</td>
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<tr>
<td>Permanent bans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(&quot;conditional prohibitions&quot;)</td>
<td></td>
<td>52.09</td>
</tr>
<tr>
<td>All measures</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adjustment Loan, originally scheduled for July 1992, the Egyptian Government plans to reduce the coverage of import bans to no more than 30 per cent of the value of domestic production which had been protected in this manner in March 1990.

186. The main purpose of the measures has apparently been to protect domestic industries which can satisfy local demand. In the GATT, conditional prohibitions have been justified by the Egyptian Government for balance-of-payments reasons under GATT Article XVIII:B, except for some items banned under Articles XX and XXI (health, public morals or security reasons). In the last full consultation (1988), the Committee on Balance-of-Payments Restrictions requested Egypt to provide additional detailed information at the tariff line level, concerning the "conditional prohibition" system. Egypt subsequently provided import statistics concerning the system.

187. Certain imports require approval of different Ministries and Government agencies with respect to quality, quantities and prices. Approvals are mostly based on considerations related to national security or product quality, health and safety. However, some commentators believe that approval of imported quantities could serve protectionist purposes.

188. The list of products subject to prior import approval has been considerably reduced recently. At one point, it comprised some 80 tariff lines. The list was restricted to 47 tariff lines in 1987, but increased to 56 items at the end of 1989. Prior approvals were removed for 41 tariff line items in May 1991. The Government intends to lift another four of the remaining approvals. A list of "commodities which are imported under certain conditions" is reproduced in Table AIV.3. This list is said to

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33 The Government intends to provide protection against predatory commercial practices through the introduction of a number of safeguard mechanisms. The World Bank will be consulted in the design of the import relief system.

34 Kheir-El-Din and El-Dersh (1991), p.16.


combine the remaining items subject to what is commonly known as "prior approvals" and "special conditions" (see section 2(ix) below).

189. Enterprises established under Law No. 43/1974, amended by Law No. 230/1989,\(^{41}\) are obliged to seek annual approval of imports of inputs from the General Authority for Investment. Approvals are granted in accordance with the production capacities of the companies.

190. Hotels and other projects established under the Tourism Law must obtain approval from the Ministry of Tourism to import needed inputs. Such goods are to be used solely by these establishments and are not to be traded. The arrangement allows tourism establishments to import alcoholic beverages at a unified tariff rate of 300 per cent.

191. The 1991 Import and Export Regulations also include a list of 13 items which may be imported in secondhand condition,\(^{42}\) including special purpose motor vehicles, aircraft, computers, medical equipment, ships and boats and paper and metal scrap. Annex 5 to the regulations summarizes the conditions under which motor vehicles may be imported.

(ix) **Import quotas**

192. Formal quotas and quantitative restrictions on certain imports were dismantled in 1986 with the introduction of the "banned list". No quantitative limits are said to exist with respect to the items subject to the conditional prohibition system.

193. Availability of foreign exchange has often been a binding constraint with respect to imports of many products. According to the 1991 import and export regulations, imports to be used by the central government, public authorities, public sector organizations and local administration units should be within the limit of the monetary quota determined for each of them.\(^{43}\)

\(^{40}\) The heading used for Table AIV.3 is identical to the one used in the 1991 Import and Export Regulations (Annex 4). The Egyptian authorities have submitted the annex as a "List of Products Subject to Prior Government Approval" in connection with the renegotiation of Egypt's Schedule LXIII.

\(^{41}\) See Chapter III.(3).

\(^{42}\) Annex 2 to the regulations.

\(^{43}\) In Article 23 of the 1991 Import and Export Regulations, advertising materials imported by the public sector are subject to a specific annual limit of LE 3,000 for each entity.
194. Rationing of foreign currency for public sector imports has recently been abolished in parallel with the reforms of foreign exchange system. However, the public sector is still subject to the documentation requirements associated with the former foreign exchange budget. These requirements will be phased out through the reorganization of the public sector. The new diversified holding companies will not be subject to specific regulations concerning the use of foreign exchange.

(x) Import surveillance

195. The Secretariat is not aware of any specific products which are subject to formal surveillance. The Central Bank of Egypt is obliged to provide quarterly, semi-annual and annual statements concerning the actual level of imports, imports payments, source of foreign currency and separate information on imports under barter trade and trade and payments arrangements to the Foreign Trade Sector in the Ministry of Economy and Foreign Trade. Similar statistical information is also submitted to the Foreign Trade Sector by the Central Agency for Public Mobilization and Statistics (CAPMAS).

196. The authorities issuing import and export approvals provide monthly reports to the Foreign Trade Sector concerning the quantities and values of traded goods.

(xi) State trading

197. Government control of economic activities, resulting from a wave of nationalizations in 1961, had significant repercussions on Egypt's foreign trade. Public sector institutions took over the entire import trade and three quarters of Egypt's exports. The foreign trade régime was completely centralized between 1961 and 1973, dependent on the foreign exchange budget, import quotas and other controls.

198. The "open door" policy introduced in 1974 re-established the rôle of private sector importers. However, imports of a number of products were reserved for general and specialized trading companies. Products affected included wheat, flour, unpackaged tea, edible oils, animal fats,

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44 Article 97 of the 1991 Import and Export Regulations.
45 Article 96 of the 1991 Import and Export Regulations.
tobacco, coal, petroleum and petroleum products, arms and inputs for military production.

199. The public sector monopoly on the import of a wide range of foodstuffs was terminated in March 1986. Private imports were admitted at the free market exchange rate. Egypt also liberalized private imports of sugar and petroleum products. The import/export regulations of 1991 do not make any legal differentiation between conditions of trade for the public and private sectors.

200. Imports from countries with which Egypt has bilateral agreements, previously confined to the public sector, have also been liberalized. In 1990, the only products remaining reserved for public sector trading were wood, paper, paper pulp and cardboard. Private importers are currently permitted to import all products subject to bilateral agreements. 47

(xii) Import cartels

201. As noted, most trade was a State monopoly until recently. According to the Government of Egypt, no import cartels currently exist.

(xiii) Countertrade

202. General regulations relating to countertrade fall under part III of the 1991 import and export regulations. All registered importers and exporters may engage in countertrade of merchandise. Barter trade including invisibles is subject to rules established by the Minister of Economy and Foreign Trade. Trade in goods listed in the bilateral trade and payments agreements is subject to ministerial approval. Countertrade operations are supervised by the Foreign Trade Sector, which receives copies of the concluded contracts. Transactions are reported to the Foreign Trade Sector by the Customs Administration and Egyptian banks (quarterly).

203. The Foreign Trade Sector prepares an annual negative list of goods which are not permitted to be exchanged in barter deals. The list is approved by the Minister of Economy and Foreign Trade and published in the "Egyptian Wakaei" before the end of January each year (Table AIV.4).

47 According to the IMF (1992), at the end of 1991, imports under payments agreements and imports of specified goods from any source were reserved for the public sector.
204. Trade protocols regulate trade between the Arab Republic of Egypt and countries with which it has concluded bilateral payments agreements. The Minister of Economy and Foreign Trade establishes more specific regulations in compliance with a proposal from the Foreign Trade Sector.

205. Imports from these countries in convertible currencies are permitted for products which have no specific quota under the trade protocol. The Foreign Trade Sector may authorize imports in addition to the established quota. The Minister of Economy and Foreign Trade is empowered to make further exceptions.

(xiv) Standards and other technical requirements

206. Standards are formulated and enforced by two organizations - the Egyptian Standardization Agency and the General Authority for Exports and Imports Control. Both organizations participate in work on international standards. The Standardization Agency is obliged to enforce the requirements on local production.

207. Imported and exported goods are inspected by the General Authority for Exports and Imports Control in accordance with conditions laid down by the Minister of Economy and Foreign Trade, in agreement with the concerned authorities. Inspection is effected after the payment of lawfully established duties. Standard inspection charges are stipulated in the 1991 Import and Export Regulations (Article 90). Importers of foodstuffs may request the Authority to perform inspections in the growing areas outside of Egypt.

208. The relevant Authority issues Certificates of Conformity for consignments which satisfy established conditions and specifications. The Egyptian authorities state that goods which conform to standards in the United States, Japan, United Kingdom, Germany and France will be accepted unless specific requirements apply in Egypt.

209. Imports subject to quality control are listed in the Import and Export Regulations (Table AIV.5). Sixty-nine items are subject to mandatory quality inspection. The measures mainly affect foodstuffs. Automotive spare parts and durable consumer goods, including parts, were added to the

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48 Article 12 of the 1991 Import and Export Regulations.

49 Imports of pharmaceuticals fall under the authority of the Minister of Health.
list in 1989. Other non-food items subject to inspection include ceramic tiles, sanitary ware, stainless steel kitchen basins and certain accessories.

210. Quality control measures appear to be gaining importance as reforms of the import régime reduce the scope of other non-tariff measures. The May 1991 reforms increased the share of production value covered by quality control from less than 16 per cent to more than 20 per cent. The extension of quality inspection of imports mainly affected goods produced by the public sector in Egypt (Chart IV.3). Good reasons may exist for the requirements pertaining to foodstuffs. However, it has been argued that quality control on automotive parts has been introduced not only for consumer protection purposes, but also with the desire to limit imports by adding bureaucratic steps to the process.

211. Some imports are subject to technical requirements known as "special conditions". The most important product falling within this category has been imported cement, being subject to laboratory tests to verify its conformity with international specifications. The number of items subject to "special conditions" was reportedly reduced from 12 to 3 in May 1991. As a result, the estimated production coverage ratio of this measure fell from 6.8 per cent to around 0.5 per cent (Chart IV.3).

212. Sanitary and phytosanitary regulations affect imports of various products. Sanitary certificates are required for imports of fresh and canned meat and plant and plant products. The precise chemical composition of food additives and other materials used in food processing must be provided by the competent inspection services in exporting countries. Butter and butter substitutes must not contain boric acid or other injurious preservatives. Imported foodstuffs, oils and fats, live animals, seeds, animal feeds, milk substitutes and tobacco are subject to radiation inspection.

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50 Minister of Economy and Foreign Trade, Decision No. 134/1989.
51 Kheir-El-Din and El-Dersh (1991).
Chart IV.4
Production coverage of selected non-tariff measures on Egyptian exports before and after the May 1991 trade reforms
Per cent

Public sector production coverage

<table>
<thead>
<tr>
<th></th>
<th>Before May 1991</th>
<th>After May 1991</th>
</tr>
</thead>
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<tr>
<td>Quotas</td>
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<td>Quality &amp; other controls</td>
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<td>Prohibitions</td>
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<td>Prior approvals</td>
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Private sector production coverage

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<td>Prohibitions</td>
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<td>Prior approvals</td>
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</table>

Total production coverage

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<th>After May 1991</th>
</tr>
</thead>
<tbody>
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<td>Prohibitions</td>
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<td>7.04</td>
</tr>
<tr>
<td>Prior approvals</td>
<td>0.00</td>
<td>8.07</td>
</tr>
</tbody>
</table>

Government procurement

213. Egypt is not a signatory to the GATT Agreement on Government Procurement. According to government officials, Egypt found that it was not in its interests to adhere to the Code. The Secretariat has no information concerning the annual value of government procurement in Egypt.

214. Procurement by the central government, local government units and public and general organizations is regulated by the Tenders Law No.9/1983. Contracts may be concluded under four different procedures - restricted tendering, local tendering, private bargaining or direct agreement. All tenders are administered by two committees - one to open the envelopes, the other to take the decision. Tenders may be restricted, depending on the nature of the project, to domestic or foreign suppliers which "have shown efficiency in technical and financial aspects" and "fulfil good reputation requirements".

215. Local tenders are limited to contracts worth LE 40,000 or less. The administrative department concerned has discretion to select eligible local suppliers and contractors. Each administrative unit keeps a register of suppliers and contractors, including a file of banned suppliers.

216. Private bargaining (Mumarassa) is allowed in cases where items are subject to import monopoly, only available from one particular person, products cannot be precisely defined, require consultative or technical work or supplies are needed urgently. This procedure is administered by a Private Bargain Committee formed by a decision of the appropriate authority. An official from the Ministry of Finance must be included if the contract value exceeds LE 20,000 and a member of the State Council if the contract exceeds LE 100,000. Private bargaining with foreign suppliers requires the establishment of a separate committee.

217. Direct agreement between the supplier and the purchasing authority is allowed within the limits of LE 2,000 for ordinary goods and services, LE 4,000 for contracting works and LE 8,000 for imports of monopolized items from exporters not having agents in Egypt.

218. Contracts are generally to be awarded to the best bid in terms of prices and other conditions. However, a 15 per cent preferential margin for domestic suppliers appears to be applied in tenders involving Egyptian

54 Purchases by the Ministries of Defence and Supply may be exempted from the limits applying to the purchasing procedures other than restricted tendering.
and foreign bidders.\textsuperscript{55} The provisions can only be ignored in "extreme cases called for by the general interest" approved by the Minister of Finance. Transport of goods from overseas are to be effected through the Egyptian Company For Marine Transport.

219. The share of foreign supplies in government procurement appears to be quite high. The major industrialized countries are involved in financing a number of large infrastructure projects. Most of this aid is tied to procurement from suppliers in the donor country.

220. Policies which restrict purchases of public sector enterprises to government-designated sellers are apparently subject to mounting criticism concerning quality, cost and timeliness.\textsuperscript{56} Centralized imports of raw materials have been found not to satisfy the requirements of public manufacturing enterprises. Locally produced intermediate goods are frequently of lower quality or more expensive than imported alternatives. Civil engineering and construction firms nominated by the Government are said to have caused project delays of up to two years.

\textbf{(xvi) Local content requirements}

221. Local content provisions are generally linked to investment licensing decisions. The authorities encourage local assembly of various finished goods. Applicants undertake to source components representing specific percentages of the finished product in Egypt. According to the present negative list, valid until the end of 1993, investment in audio/video appliances for domestic use, passenger cars and pharmaceuticals is banned if the local content does not exceed 40 per cent. The limit is increased to 60 per cent for specific household appliances, trucks and complete buses, certain agricultural machinery, motorcycles, bicycles, diesel engines and electric motors (see Annex III.1 for details).

222. Assembling industries are also assisted through a scheme offering reductions in customs duties on imported inputs. The reductions are linked to the proportion of locally manufactured parts in the finished products. Factories enjoying these privileges must be licensed by the General Organization for Industrialization. Detailed terms and conditions applying to the beneficiaries of customs reductions are established in Decision No. 194/1986 of the Ministry of Finance, amended by Ministerial Decision No. 160/1987.

\textsuperscript{55}Article 18 of the Tenders Law.

\textsuperscript{56}Handoussa (1991).
223. The tariff reductions for assembling industries are specified in Article 6 of Presidential Decree No. 351/1986, amended by Presidential Decree No. 304/1989. Duties on completely knocked-down parts, subject to the heading of finished products, are reduced by 20 per cent. Manufacturers using locally produced parts may benefit from larger tariff reductions. Provided that the local processing proportion is a minimum of 20 per cent, the duty rate levied on the complete finished product is reduced by 25 per cent or more. The maximum reduction is 75 per cent on assembled goods with more than 65 per cent local content.

(xvii) Rules of origin

224. The Secretariat has no information concerning the rules of origin applying to imports in Egypt. Origin or transit certificates for Egyptian exports are issued by the General Authority for Export and Import Control. The certificates are required under bilateral or multilateral trade agreements or under preferential trade arrangements with the EC and some Arab countries.

225. Applications for certificates of origin are submitted on Form (8/bis) Exports attaching shipping documents, a copy of the exporter's invoice, Form (EX), and a copy of the customs declaration for the exported goods. The authorities are obliged to issue the certificate of origin within 24 hours (Article 55 of the 1991 Import and Export Regulations).

(xviii) Anti-dumping and countervailing duty actions

226. Egypt has so far not introduced specific anti-dumping legislation. However, the general Import and Export Regulations contain provisions which allow measures to be taken when "certain countries" reduce prices of goods and offer direct or indirect subsidies or apply other means which directly or indirectly depress Egyptian production (Article 94). Such cases are initiated by the Foreign Trade Sector in co-ordination with the Customs Administration and submitted to the Minister of Economy and Foreign Trade, who decides on the appropriate action. The Minister is bound by these provisions of Customs Law, which have apparently not been used thus far.

(xix) Safeguard actions

227. Egypt is considering the introduction of safeguard mechanisms in parallel with the removal of sensitive items from the list of banned imports. At the moment the Ministry of Economy and Foreign Trade is authorized to prohibit imports from any foreign supplier who is
"intentionally causing harm to Egyptian economic interests". No such actions are known to have been taken.

(xx) Measures implemented in exporting countries

228. The Secretariat is not aware of any arrangements which oblige other countries to restrict or regulate their exports to Egypt, except for the countertrade or bilateral payments arrangements.

(xxi) Balance-of-payments measures

229. Egypt accumulated reserves of foreign exchange during World War II and the Korean War. These reserves were exhausted in 1959. Since then, the shortage of foreign exchange has been permanent and severe.

230. Egypt has justified the list of items subject to conditional import prohibitions under GATT Article XVIII:B, except for some products which are banned for reasons of health, public morals or security (Articles XX or XXI).

231. Egypt has held ten consultations in the GATT Committee on Balance-of-Payments Restrictions. The first consultation took place in 1970. The last full consultation was held in June 1988. The Committee then commended Egypt for its liberalization efforts. Concerning the list of "banned" imports, Egypt was requested to provide detailed information of the "conditional prohibition" system at the tariff line level. The Committee encouraged Egypt to formulate a time schedule for the phasing out of these restrictions. Further balance-of-payments consultations under the simplified procedures were held in June 1990.

(xxii) Free-trade zones, export processing zones

232. Investment in free zones is regulated by law No. 230/1989. Public free zones are established by decisions of the Council of Ministers. The Board of Directors of the General Authority for Investment may establish

57 Article 95 of the 1991 Import and Export Regulations.

58 Imports of many items were effectively banned for some time as the opening of letters of credit was temporarily suspended for specific products.


60 For details see Secretariat background paper (BOP/W/133) and the statement submitted by Egypt (BOP/297).
private free zones. The location and boundaries of a free zone are stipulated by decree. The licensing authority of investment projects rests with the Board's chairman (the board of directors in the case of public free zones). The decision to reject an application may be appealed to the Minister of Economy and Foreign Trade.

233. Six public free zones currently operate in Egypt. These are located in Nasr City (near Cairo), Alexandria, Port Said, Suez, Ismailia and Damietta. Goods imported from the free zone into Egypt are subject to normal customs duties. Projects located in free zones are not subject to Egyptian taxes and duties. However, investors pay an annual duty of 1 per cent of the value of goods entering or leaving a free zone to the Egyptian authorities.

(xxiii) Other measures

234. The banking system has a key rôle in the administration of the current import régime through the issuance of letters of credit for imports. Applications for letters of credit for items on the "banned list" will be accepted by authorized banks in certain cases. However, banks will reject applications from importers which do not fall within the defined criteria.

235. In March 1988, directives were issued from the Ministry of Economy and Foreign Trade to banks via the Central Bank to suspend the opening of letters of credit for a number of products. An acute shortage of foreign exchange resulted in further additions to this list of products during 1989. The measure covered 77 items at the end of 1989. Some of the suspended items were also on the list of "conditional prohibitions".

236. The suspensions were considered to be temporary. From May 1990, directives from the Central Bank gradually reduced the list of suspended imports. A few items were transferred to the "banned" list in May 1991. The remaining suspensions were eliminated.

237. Egypt has abolished regulations obliging foreign exporters of household appliances, tractors, transport equipment and some other items to have an Egyptian commercial agent and an appropriate service centre approved by the Ministry of Industry, and to guarantee the supply of spare parts. The measure affected 19 tariff lines falling under CCCN Chapters 84, 85, 87 and 90. The stated objective was to protect Egyptian consumers. These requirements were terminated in May 1991.
(3) **Measures Directly Affecting Exports**

(i) **Registration, documentation**

238. All exporters must be inscribed in the Export Register. An application for registration - including a description of the goods to be exported and details concerning the exporter/company and its management - is submitted to the General Authority for Exports and Imports Control. The processing of the application should not take more than two days. Changes in the exporter's status must be notified within sixty days. Exporters must renew their registrations every three years. Renewal is subject to the settlement of certain duties (Law No. 118/1975). Exporters whose registration have been revoked are not readmitted to the registry for a period of three years.

239. Exporters of goods which are subject to quality controls must be approved by the General Authority for Export and Import Control. The authorities approve exports of individual consignments in the case of re-exports, replacement of damaged imports and substitution of used machines, mechanical appliances and production equipment with similar new, renovated or second-hand goods.

(ii) **Export taxes, charges, levies**

240. Nine tariff line items are subject to export taxes, according to the Egyptian Customs Tariff. However, some of these taxes are redundant, as the products are covered by export prohibitions. Cotton, Egypt's major agricultural export, is subject to an implicit tax due to the substantial difference between farmgate prices and the price of exported cotton.\(^\text{61}\)

241. Charges are levied on goods which are subject to quality inspection. The rates are established by the Minister of Economy and Foreign Trade. Exported commodities subject to quality controls include citrus fruits, juices, vegetables (canned, fresh or frozen), syrups, flax fibres and tow, eggs, biscuits, roasted ground nuts and honey. The detailed list of goods is reproduced in Annex 9 to the 1991 Import and Export Regulations.

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\(^\text{61}\) The price wedge also allows the spinning industry to purchase Egyptian cotton at less than world market prices. An explicit export tax on cotton was introduced in 1948, but eliminated in the late 1950s.
(iii) Minimum prices

242. The Customs Administration monitors export prices of agricultural products for which no export approvals are issued. A statement is forwarded monthly to the Foreign Trade Sector (Article 96).

243. Egyptian suppliers to ships anchored in Egyptian ports are not permitted to supply local products at prices below the f.o.b. export price (Article 52).

(iv) Export prohibitions

244. The number of items subject to export bans was reduced from 20 to 6 in May 1991. The share of domestic production covered by export bans accordingly fell from 7 per cent to almost zero (Chart IV.4). Among the most important changes, Egypt lifted export prohibitions on foodstuffs and fodder. The prohibitions had been imposed to prevent smuggling of subsidized foodstuffs, including subsidized imports, out of Egypt.

245. Egypt currently prohibits exports of oil seeds and oleaginous fruits (soyabean, linseed and cotton seed), rice straw, forage components (broken rice, rice germ cake and bran), raw hides and skins, scrap paper and waste and scrap of iron and non-stainless steel, copper or aluminium (Table AIV.6). Restrictions on exports of raw hides and skins and metal scrap assist Egyptian processing industries. The Government has announced its intention to remove all remaining export bans before the release of the second tranche of the Structural Adjustment Loan.

(v) Export licensing

246. Prior government approval of exports was the most important non-tariff barrier on exports, measured in terms of coverage of domestic production, until May 1991 (Chart IV.4). The prior approvals were granted by various agencies, including the Ministries of Supply, Industry, Health, Agriculture and Defence. The authorities subsequently removed the need for prior approval for the export of 35 items, leaving only cotton yarns and fabrics subject to this requirement, as a measure to implement the monitoring of bilateral export restraint agreements.

(vi) Export quotas

247. Export quotas were lifted for 13 out of 17 items in May 1991. Currently, annual export quotas are established by the Ministry of Economy and Foreign Trade for wool (not carded or combed) and wool waste, waste of cotton and cotton yarn, tanned hides and skins and recycled newspapers. (Table AIV.6) The Government is committed to increase the export quotas on
the remaining items by 15 per cent annually until the second tranche release of the Structural Adjustment Loan. Moreover, the annual quotas will be made public.

248. Exports of tanned leather, now regulated by a quota, were subject to prior approval before May 1991. The current export quotas protect leather processing activities, including the footwear industry. Likewise, the quotas on waste of cotton and yarns appear to protect domestic industries.

249. Previous quotas on exports of foodstuffs had been justified due to the relatively short supply of these commodities in Egypt. The annual quotas were usually a result of consultations between the Ministry of Economy and Foreign Trade and other concerned Ministries - mainly Agriculture, Industry, and Supply and Internal Trade.

250. Export approvals are valid for six months from the date of issuance. The validity may be extended by the issuing authority. The Head of Customs Administration or his deputy may extend the validity of the export authorisation for up to 45 days for shipping purposes (Article 48).

(vii) Export cartels

251. Exports of agricultural crops have been liberalized. Only the export of cotton is still dominated by six public sector trading companies, operating under a trade board, which handle all exports and imports of cotton. The economic reform programme foresees gradual and eventually full privatization of the cotton sector. The cotton exchange in Alexandria is to be revived.62

252. Private traders are also entering into the export of rice, previously a government monopoly. Restrictions are said to have been motivated by the need to curb unauthorized exports of subsidized basic commodities to neighbouring countries.

253. Exports of horticultural crops (fruits and vegetables) are undertaken by the private sector. Traders and farmers have established a private association of horticultural exporters for this purpose. Exports of fresh oranges and onions to bilateral agreement countries were a public sector monopoly until May 1991.

62Trading at the Alexandria commodity exchange was once upon a time only surpassed by the exchange in Chicago.
(viii) Voluntary restraints, surveillance and similar measures

254. Various committees and commodity boards have been established to supervise the exportation of certain commodities, pursuant to a decision issued by the Minister of Economy and Foreign Trade. The administrative procedures of these bodies are based on a proposal of the Foreign Trade Sector. The Head of the Foreign Trade Sector will issue decisions for forming a technical secretariat for the committees and boards and defining their functions (Article 50).

255. The cooperation agreement with the EC grants Egypt tariff concessions on exports of agricultural products which are not covered by the EC's common agricultural policy. In return, Egypt must observe EC reference prices, import quotas (rice), import calendars and safeguard clauses suspending imports of products considered sensitive by the EC.

256. Egypt's exports of industrial products and raw materials to the EC are duty free. However, annual ceilings have been established on certain cotton fabrics, cotton yarn, refined petroleum and phosphatic fertilizers.

(ix) Export subsidies

257. Direct subsidies are generally not provided for exports in Egypt. However, production in some export-oriented industries benefit from artificially low prices on inputs. For example, Egyptian processors of cotton are assisted by low domestic procurement prices, and energy-intensive industries benefit from the general subsidization of electricity and petroleum products.

258. The Export Development Bank of Egypt (EDBE) offers loans for medium-term finance of capital assets of export projects. Soft loans for this purpose are obtained from the World Bank, the European Investment Bank and the Egyptian Government. The implied interest rate subsidy given by the multilateral lending institutions, previously about 5 percentage points, is said to have been reduced to a level of around 2 to 3 per cent. The Egyptian Government is reported to have renewed a loan of LE 30 million carrying an interest rate of 9 per cent.

259. In 1989-90, EDBE approved the financing of 25 projects. The bank contributed LE 52.3 million of the total investment costs of some LE 140 million. The main borrowers were spinning and weaving, tourism and chemical companies. The stock of the bank's project financing commitments stood at LE 149 million at the end of June 1990.

260. The 48 projects financed by the bank (until the end of June 1990) are concentrated in the areas of textiles (12), agro-industry (11), engineering
(11) and chemicals (7). EDBE has also financed projects in tourism, construction, handicrafts and printing.

(x) Duty and tax concessions

261. Egypt has duty drawback and temporary admission schemes for exports. Administrative procedures have been streamlined to support government attempts to liberalize trade and promote exports. Duty payments may now be refunded within one week.

262. The Government has stated its intention to make further improvements in the drawback and temporary admission schemes. Bonded warehouse facilities will be expanded. The use of promissory notes supported by local Chambers of Commerce is to be eased.

(xi) Export finance

263. Exports of traditional goods (cotton, rice and petroleum) are channelled through public sector banks. About one quarter of Egypt's nontraditional exports are currently financed by the Export Development Bank of Egypt. The bank was established by the initiative of the Egyptian Government under Law No. 95/1983. The World Bank had recommended the project.

264. The bank's major shareholder (40 per cent) is the National Investment Bank. Most of the remaining paid-up capital has been provided by four public sector banks - the National Bank of Egypt, Bank Misr, Banque du Caire and Bank of Alexandria. EDBE opened its doors in February 1985.

265. The bank aims at the promotion and development of Egyptian exports. Its basic functions are to finance trade, finance and promote export-oriented projects, provide export guarantees and insurance (through a specialized company) and service clients' needs for export information.

266. Short-term credits provided by EDBE reached LE 250 million in 1989-90, an increase of 77 per cent over the previous year, as actual production began in a number of projects previously financed by the bank. The total value of export credits opened by EDBE in 1989-90 amounted to LE 532 million.

267. The Egyptian Government does not provide export insurance or export guarantees. The Export Development Bank began to study the issue in 1985-86. It has proposed to establish an Export Credit and Guarantee Company. The bank would be the majority shareholder, while insurance companies and the National Investment Bank would supply the remaining capital. The proposal is currently being discussed within the Government. The issue received increased attention following major losses incurred by Egyptian exporters in their trade with Iraq.

268. Insurance of inter-Arab trade is available through a financing program of the Arab Monetary Fund. The Export Development Bank is Egypt's national agent in the program.

269. In addition to the Government's Egyptian Export Promotion Centre, the private-sector Export Development Trading Company (EXPOD) organizes trade fairs and exhibitions for Egyptian exporters. Egyptian products were promoted in Moscow, New York and Kuwait during 1989-90. EXPOD is a joint undertaking of the Export Development Bank of Egypt and a number of Egyptian businessmen.

270. An "Export Information Bank" has been developed within the Export Development Bank. The computer-based information system collects information from local and foreign sources, including international information banks, international organizations and institutions and trade periodicals and bulletins. The bank has also carried out market research on various products such as packaging materials, ceramic tiles and wooden furniture. An Export Products Guide, containing descriptions and prices of more than 1,400 products, is available for exporters and trading companies.

271. The Exporters' Club is a forum where exporters, bankers and government officials may discuss export related issues. Meetings have been held concerning administrative problems connected with exports, transportation difficulties, investment in tourism and the rôle of Industrial Control in fostering industrial exports.

272. EDBE has concluded offset arrangements with the assistance of the Ministry of Defence.

273. This measure does not appear to be used in Egypt.
(xv) Free-trade zones, export-processing zones

274. Goods imported from a free zone into Egypt are subject to standard customs tariffs. However, value added originating in the free zone is not included in the tax base. The duty is calculated on a piece-by-piece basis for each component according to the prevailing rate at the time of the exit of the goods from the free zone. As noted above (Section 2(xxii)) exports from the free zones are subject to a duty of 1 per cent of the f.o.b. export price. The duty is payable to the General Authority for Investment within three months of the date of the exit from the zone.

(xvi) Other measures

275. The General Authority for Exports and Imports Control effects quality inspections of Egyptian exports of various foodstuffs (citrus fruit, juices, vegetables, syrups, etc.). An additional list of products, for which public but not private sector exports were subject to mandatory quality controls, has been abolished.

276. Exports from Egypt under bilateral payments arrangements are regulated by the Foreign Trade Sector. The rules are approved by the Ministry of Economy and Foreign Trade.

277. Exports of petroleum and derivatives are subject to rules specified by the Ministry of Petroleum (Article 49 of the 1991 Import and Export Regulations).

(4) Measures Affecting Production and Trade

(1) Pricing and marketing arrangements

278. Government intervention in agriculture dates back to the beginning of the nineteenth century, or even longer. Interventionist policies were intensified under the Nasser régime. This period did not involve confiscation of land, but the decision-making process was "nationalized". An ambitious industrialization programme relied on transfers of resources from agriculture to industry.

279. Transfers were achieved through the agricultural pricing policy. In the process, the authorities relied more on administrative decisions than on market forces. Compulsory membership in co-operative marketing

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arrangements, introduced in late 1962, was a primary government vehicle for intervention, affecting 14 major crops. Mandatory delivery quotas were established to ensure supply of agricultural products at low administered prices.

280. Stabilization and food security became more prominent in the 1970s. As Egypt became a net importer of agricultural products, food items were increasingly imported and sold to consumers at subsidized prices. The General Authority for Supply Commodities (GASC) imported most of the subsidized items on behalf of the Ministry of Supply. The food subsidy bill was generally reflected in the GASC budget.

281. The GASC sold maize and beans to the Principal Bank of Development and Agriculture Credit (PBDAC) for distribution to consumers and industrial users. The PBDAC, the second largest purchaser of subsidized items, purchased rice, beans, lentils and beans from domestic producers. Together with other government agencies the PBDAC also procured export crops such as cotton, rice, onions, sesame, groundnuts and minor quantities of fruits and vegetables.

282. Two public companies provide wholesale packaging and distribution of rationed or price-regulated foodstuffs. Retail sales are in the hands of co-operative stores and licensed private grocers.

283. The Ministry of Supply administers the subsidy programme for basic foodstuffs and is also in charge of the trade of agricultural inputs and outputs, in particular imports of wheat. The Ministry supervises 42 public enterprises including wholesalers, retailers, mills, husking plants, silos and bakeries. The administration of agricultural prices is known to suffer from overstaffing and low productivity. The distribution section of the Ministry of Supply employs almost 16,000 workers in Cairo alone.65

284. Administered prices have severely distorted the relative producer prices. Farmers have, for example, been reluctant to adopt new high-yielding, pest-resistant wheat varieties partly because the production of wheat straw has been almost as profitable as grain since 1975.66 Production of cotton - Egypt's "white gold" - has fallen steadily as the low procurement prices have encouraged producers to delay cotton planting in favour of additional cuts of berseem (clover).


285. A rethinking of agricultural pricing policies began under President Mubarak. New policies have been implemented gradually since 1986-87. Procurement quotas and price controls have been eliminated for all crops except cotton and sugarcane. However, the Government has been reluctant to introduce price reforms for cotton and sugarcane because of the severe implications for the state-owned processing industries and employment in the growing and processing areas.

286. The Government of Egypt and the United States Agency for International Development (USAID) signed a Memorandum of Understanding on 24 September 1990. The agreement contains benchmarks for government commitments to increase procurement prices for cotton towards international prices, adjust mandatory delivery quotas for rice and withdraw from the affairs of cooperatives.

287. In the 1970s and 1980s, approximately half the rice crop was procured by the Government through GASC. The agreement with USAID limited the mandatory delivery quotas of rice to maximum 1 ton per feddan for the 1990 crop season. The quota represented 34 per cent of total rice production in Egypt. The official procurement price set at LE 300 per ton, up from LE 275 per ton in 1989.

288. A field survey conducted by the Ministry of Agriculture during February 1991 found that 38 per cent of the paddy rice was purchased by the Government (4 per cent through voluntary sales) and 21 per cent was sold in the local market. The rest was kept by the farmers for home consumption and payment-in-kind for farm inputs, mainly hired labour. The Economic Group chaired by the Prime Minister decided to abolish all mandatory delivery of rice on 17 February 1991.

289. Rice is milled and bleached in state-owned mills and exported or sold for domestic consumption. Subsidized rice is available from government

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67 Previously, such measures covered a wide range of crops, including wheat, beans, lentils, sesame, onions and groundnuts. Prices for food crops such as beans, lentils and sesame were set by the Ministry of Supply in consultation with the Ministry of Agriculture. Prices for the procurement by state-owned companies of crops such as winter onions, groundnuts, garlic, oranges and potatoes were determined by the Ministry of Economy and Finance in co-ordination with the Ministry of Agriculture. Producer contracts involved a multitude of institutional arrangements (Dethier (1989), p. 73).

68 The Government is also committed to revise retail prices for fertilizer, reduce subsidies on wheat bran and cottonseed cake used in feed production, increase charges for cotton pest controls, reduce the quantities of commercial farm inputs marketed by the public sector and limit subsidization of farm credit.

69 A feddan equals about 0.42 hectare or 1.04 acres.
outlets in fixed monthly rations. Additional quantities can be bought in the free market at higher prices. The difference between farmgate prices for rice and the export price is an implicit export tax on milled rice.

290. Sugar cane and cotton remain subject to compulsory arrangements. The Ministry of Industry sets prices of sugar cane in consultation with the Ministries of Supply and Finance. Growers are offered milling contracts with the Egyptian Sugar and Refining Company, a public enterprise. The company operates eight cane crushing mills, mainly located in Upper Egypt. The Government has a de facto monopoly to mill, refine and trade centrifugal sugar. Sugar sold to consumers at subsidized prices is rationed. It is an important ingredient in the diet of poor Egyptians. For this reason the authorities are reluctant to see farmgate prices rise too rapidly.

291. State agencies have determined the allocation of land for cotton farming since the 1960s. Cotton is an important input for local processing industries. All exports and imports of cotton are handled by six public sector trading companies. It is hoped that compulsory delivery quotas for cotton will be eliminated within a few years. Plans apparently exist to set up a free market cotton exchange by 1994.

292. The 1990 agreement between the Egyptian Government and USAID concerning cotton focused on procurement prices. The procurement price was 50.4 per cent of the target export price in 1989. In the medium term (the 1992-93 season), the price would be adjusted to two-thirds of the international price. Calculations for 1990 indicate that the benchmark increase was not achieved.

293. Prices of manufactured goods have been administered by the authorities since the State became the major industry owner in the early 1960s. The public sector comprises some 400 enterprises. The Industrial Control Board within the Ministry of Industry has formal responsibility for fixing

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70 Prices stipulated by the Government on other crops are floor prices for farmers.

71 Egypt imports some cotton for the domestic processing industry. In 1992, for the first time in recent history, some imports will be effected through private dealers (55,000 kantars of total imports of 1 million kantars - around 50,000 tons).


73 The actual procurement price in 1990 was LE 263.13 per seed kentar. This represented 50.5 per cent of the international price, falling short of the target of 55.6 per cent (Egyptian Ministry of Agriculture and Land Reclamation (1991)). According to the World Bank, the production weighted average procurement price for cotton was 55 per cent of equivalent international prices in 1990-91. Domestic procurement prices were, according to Egyptian authorities, raised to 60 per cent of the comparable international price for each of the eight major cotton varieties in 1991-92, and are intended to rise to 66 per cent in 1992-93.
industrial prices. Authority is delegated to various official agencies, commissions and boards.

294. Among the products made by manufacturers affiliated with the Ministry of Industry are vegetable oil, milk, cheese, sugar, salt, cigarettes, soft drinks, soap, detergents, cotton yarn, woollen yarn, refrigerators, washing machines, passenger cars, acetylene gas, fertilizers and reinforcing steel bars. Three price systems operated on public sector companies. Production of 19 basic commodities has been regulated by a fixed pricing system.

295. Cost-plus pricing has been the most common price system for public enterprises. It affected some 900 products until recently. Price increases involved negotiations between the producer and the supervising ministry, other relevant industries and sometimes the major customer. Producers were generally allowed profit margins of 5 to 10 per cent.

296. In the past, the authorities were often slow to grant price increases in an attempt to hold back inflation. The consumer price index jumped by 300 per cent between 1973 and 1983-84. The public sector price index rose 110 per cent during the same period. Rigidities in the administered pricing system had severe effects on company profitability. Some producers of "non-essential" products responded by modifying their products. These modifications were often costly and did not correspond to consumer choice.

297. Starting with textiles and clothing (excluding cotton yarn), full price liberalization was introduced for certain products in 1983-84. Price controls have been considerably eased since then. Administered prices affected 53 per cent of the production value of public sector enterprises at the beginning of the programme. By 1987-88, this share had been reduced to 26 per cent. Moreover, price controls are imposed ex post rather than ex ante for highly protected industrial products.

298. The current economic reform programme outlines further deregulation of prices. By July 1992, only products receiving implicit input subsidies and basic foodstuffs would be subject to administered prices. According to the Egyptian authorities, this benchmark has been reached. Gradual elimination of input subsidies will permit price liberalization of virtually all

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75Thirty-five of the 116 enterprises affiliated with the Ministry of Industry reported losses in 1983-84 against two companies in 1974.
industrial products. Price controls for all industrial goods except a few basic commodities, cigarettes and cotton yarn are to be eliminated before June 1995.

299. Public distribution monopolies are also being phased out to reinforce the deregulation of prices. A 1966 decree making private transportation and trade in fertilizers illegal was nullified in January 1991. The PBDAC has prepared a memorandum which will allow private transport and sales of all non-subsidized farm inputs.

(ii) Production subsidies, tax concessions

300. The Egyptian authorities have attempted to compensate farmers and public sector enterprises for the low administered prices on outputs by subsidizing important inputs. The present deregulation of price controls is accompanied by reductions in production subsidies.

301. The main agricultural inputs to have been subsidized are fertilizers, pest control, improved seeds, concentrate feed mix, fuel oil, diesel, gypsum for soil improvement, water and credits. Water is provided free of charge in the Delta and the Nile Valley. Farmers have shown a tendency to over-irrigate and let excess water drain.

302. Water is is expected to be the major production constraint in the 1990s. Charging farmers for the use of water has not been politically viable so far. In the long-term, policymakers feel that at least rice and sugarcane farmers should be confronted with the social cost of water consumption. The authorities emphasize the use of water saving technology in reclaimed lands, and may consider water metering and charges in these areas.

303. The agreement between the Egyptian Government and USAID called for the revision of prices of locally-produced fertilizer to reflect the full costs of production during 1990-91. Fertilizers imported by the public sector would be effected at a revised exchange rate. Marketing margins, including the commissions of PBDAC, were increased to cover all marketing costs. The combined subsidy for imported and locally-produced fertilizer is estimated to have been reduced from LE 182 million in 1988-89 to LE 124 million in 1990-91.

304. The agreement with USAID also included a commitment to adjust charges for cotton pest control to reflect changes in pesticide application practices and the foreign exchange costs of cotton pesticides. Almost 85 per cent of all pesticides used in Egypt relate to cotton production. Farmers were charged LE 20 per feddan for the pest control programme in
1989 and 1990. The net subsidy amounted to LE 93.2 million in 1990. Pest control charges are to be increased gradually.

305. Steps have been taken to increase PBDAC marketing margins on seeds to normal commercial levels. In 1989-90, the quantities distributed by PBDAC decreased for nine crops but increased for seeds of wheat, soya beans, sesame and rice. Subsidies on fava beans seeds and lentil seeds were removed in 1989. Only onion bulbs and wheat seeds were subsidized in 1989-90. Nearly all the support (LE 1.7 million) was allocated to wheat seeds.

306. Traditional livestock feeds are subsidized in Egypt. These feeds, which use cottonseed cake or wheat bran as the source of protein, are distributed by PBDAC in accordance with ministerial decrees. Animal feed is mainly produced by the the Ministry of Industry and the Mills Organization of the Ministry of Supply. The price paid for cottonseed and wheat bran in the manufacture of traditional feeds is considerably lower than the price paid for these components in free market feeds. The implicit subsidy amounted to LE 230 million in 1989. The Government is committed to eliminate one third or more of this support. In 1990, the estimated implicit subsidy fell by LE 74 million.

307. Yellow maize has been imported by the Government and sold to livestock farmers at subsidized prices. Price controls on private imports of maize were removed in 1986. Private imports surged in 1987 and 1988. The PBDAC subsidy on imported maize was gradually removed and eliminated altogether in mid-1988.

308. The major input subsidies to manufacturing result from the pricing policies of fuels and electricity. The economic reform programme contains annual targets for increasing the prices of petroleum products to 100 per cent of their internationally traded equivalents by June 1995. Products concerned are gasoline, LPG, kerosene, gas oil, fuel oil, diesel fuel and bulk natural gas. The price increases were expected to boost government revenue by LE 2.3 billion in 1991-92.

309. Electricity rates will be adjusted to cover long-run marginal costs (LMRC) by June 1995. Prices were raised by 50 per cent in May 1991 (based

76 The use of wheat bran has increased as cotton production has been declining. Non-traditional feeds use urea or food by-products as source of protein. These feeds are not subsidized, but some quantities are sold through PBDAC. Free distribution of non-traditional feeds eliminated a black market in feeds.

77 The target for May 1991 was 45 per cent of the border price.
on the prevailing rate of exchange at the time), bringing prices to 59 per cent of LRMR. The net annual yield of this increase to the Egyptian Electricity Authority amounts to LE 700 million.

310. Elimination of explicit production subsidies began in 1985-86. Public sector companies were compensated for the difference between production costs and regulated ex-factory prices of certain basic commodities. Payments to public enterprises affiliated to the Ministry of Industry amounted to LE 339 million in 1984-85. The main subsidized items were popular cloth (LE 125 million), fertilizers (LE 116 million), vegetable oil and soap (LE 30 million) and coke (LE 10 million).

311. In 1986-87, subsidies remained on vegetable oil and soap, milk, tinned food, tanned leather and coke. Explicit production subsidies declined sharply between 1984-85 and 1986-87 (Table IV.1). The reductions were negotiated between the Ministry of Industry and the relevant purchasers (Ministries of Supply, Housing, Economy and Agriculture). Subsidies were either discontinued altogether or transferred to the State's distribution companies (fertilizer). Remaining explicit subsidies are reportedly being eliminated in the process of public sector reform. Irrespective of the ownership issue, it is clear that the management of public sector enterprises would benefit from autonomy and full accountability. Targeted of full cost recovery is essential for fiscal responsibility and long term viability.

312. Tax concessions are used to encourage investment. Investment approved under Law No. 230/1989 is exempt from taxes on profits and corporate taxes for a period of five years. The tax holidays may be extended to ten years upon cabinet approval. More favourable rules apply to investment in land reclamation, real estate development, new cities and industrial zones, new urban communities and remote areas. Tax exemptions may apply for two additional years for projects with local content of equipment, machinery and outfits exceeding 60 per cent.

(iii) Assistance for research and development

313. The Egyptian Government finances research in agriculture. Two out of the five departments in the Ministry of Agriculture are involved in the development and dissemination of farming knowledge. 78 The Agricultural Research Centre (ARC) co-ordinates the activities of 15 different research

78 Agricultural research is also undertaken by the Ministry of Irrigation and universities.
Institutions, each operating in specific areas such as genetic engineering, horticulture, livestock production, agricultural machinery, etc.

314. The Government has established a network of extension services linking the ARC and farmers. It serves as a liaison for the dissemination of technology and collection of problems encountered by farmers. These services are currently provided free of charge. The authorities encourage the establishment of privately-run extension services. In the future, "free" public services are expected to compete with private entities charging for their services.

(iv) Adjustment assistance

315. The Egyptian Government recognizes that the structural adjustment programme will cause adverse social impact and hardships to the population. It would like to shield the lower income groups from disruptions caused by the reforms. A Social Development Fund (SDF) was established in January 1991. It is supported by the International Development Association and considerable concessional co-financing (US$300 to 500 million).

316. The purpose of the fund is to (a) mobilize international and local financial sources on concessional terms, (b) appraise and fund selected sub-projects of labour-intensive public works, micro-enterprises and community development, (c) develop and implement a labour mobility programme fully complementing reforms of public enterprises, and (d) strengthen the Government's ability to design and monitor long-term poverty alleviation policies and programmes. Specific programmes will be developed to facilitate the transfer of labour between public and private enterprises, provide unemployment insurance, separation benefits, early retirement pensions and on-site employment assistance to redeployed workers. The SDF will also support job creation in areas with high poverty and unemployment.

317. The Social Development Fund is envisaged to be a short-term remedial operation. Effective SDF programmes will gradually be transferred to government ministries and agencies.

(v) Regional assistance

318. The Secretariat has no information about specific schemes to promote regional development. However, as poverty in Egypt is more widespread in Upper Egypt than in other parts of the country, attempts to alleviate the burdens of the structural adjustment programme on the poor are likely to benefit this region most.
(vi) Other measures

319. Egypt has four State-owned banks. After the 1952 revolution, the banks assumed social and political responsibilities normally not associated with conventional banking. Large loans were raised for the public sector at low interest rates. Many loans were not properly secured and have never been repaid. The National Investment Bank plays a major rôle in the financing of public sector enterprises.

320. The Government provides additional support to public sector companies to the extent that it assists in covering their operating losses. Fourteen of the 116 companies affiliated with the Ministry of Industry produced negative results in 1990-91. Their combined losses amounted to LE 204 million. The major losers were four companies engaged in weaving and spinning, shipbuilding, ferrosilicon and fertilizers.

321. One objective of the 1990 agreement between the Government of Egypt and USAID is to limit the use of subsidized agricultural credits. Total annual interest subsidies should not exceed LE 105 million, subject to uniform maximum limits per feddan. Interest rates on all other new loans should be raised to market levels. Farm credits totalled LE 3,776.7 million in 1989-90, of which LE 1,144.5 million were subsidized loans. Most of the credit subsidies relate to crop production and medium-term investment credits.

322. Subsidized loans are provided by the Principal Bank of Development and Agriculture Credit (PBDAC). The subsidies are refunded by the Ministry of Finance, calculated as the difference between the interest rates on subsidized loans and the market rates charged by PBDAC for these types of loans. From February 1991, PBDAC provided market rate loans for mechanisation, food security and land reclamation at 17 per cent annual interest. The bank charged 15 per cent interest on non-subsidized loans for crop production. Interest rates on subsidized loans ranged from 5 per cent on crop production to 12 per cent on loans for mechanization.

323. Current economic reforms are changing the rôle of the PBDAC. In the past, it has been the sole distributor of fertilizers, seeds, pesticides and other agricultural inputs. The inputs were sold at fixed prices according to quotas suggested by research. The PBDAC has also been a major

79 The Government no longer finances public enterprise investments from its budget. Public sector enterprises should be free to raise capital from any source from 1 July 1992.
purchaser of farm output. An Egyptian-American team has studied privatization of PBDAC procurement and supply of agricultural inputs. The PBDAC should eventually function as a normal commercial bank.
V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

324. During nearly one century of virtual free trade from 1840 to 1930, Egypt developed a very sophisticated cotton-based economy with little industrialization. Since the 1930s, Egypt's process of industrialization has been based on import-substitution policies. This process became State-led in the early 1960s. Resources were drawn into industry by taxing the agricultural surplus. However, several of the large-scale capital-intensive investments in modern manufacturing (steel, aluminium and petrochemicals) are claimed to have caused enormous waste to the Egyptian economy.

325. The objectives of the current economic reform and structural adjustment programme are to eliminate existing economic disequilibria, restructure activities according to market-based principles and promote export-led growth. There are many indications that properly implemented reforms would provide significant benefits to the Egyptian economy. Simulations suggest that world market pricing of agricultural crops would lead to a reallocation of production and a dramatic improvement of the agricultural trade balance. Egypt could make use of its rich agricultural resources to pursue rural industrialisation. The comparative advantages of Egypt's manufacturing sector - an abundance of skilled labour, a wide range of domestically produced intermediate goods produced and a relatively developed infrastructure - remain largely untapped.

326. According to data of the Ministry of Planning, agriculture accounted for 21 per cent of GDP in 1986-87. Its share has been expected to decline to 19.5 per cent in 1991-92, making the contribution from agriculture slightly larger than that of industry and mining (19.2 per cent). The manufacturing sector accounted for nearly 15 per cent of GDP and 14 per cent of employment in 1986-87. Its share of value added was the same as in the early 1960s.

327. The recent decline of the petroleum sector, which grew rapidly from 1974 to 1986-87, has reduced its current share of GDP to about 4 per cent. Services account for about 58 per cent of GDP. The main activities are trade, insurance, communication and construction. Solid growth has been projected for the tourism industry. However, the sector still does not count for more than just over 1 per cent of GDP.

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328. From the mid-1970s until the late 1980s, agriculture was negatively affected by macro-economic policies, in particular the management of the exchange rate system. Agricultural sectors which enjoyed some relative protection, natural or policy induced, such as feed and livestock expanded more rapidly than traditional exports such as cotton and rice. The environment for producing wheat has become more favourable. Yields of maize, sugar and fruits increased substantially in the 1980s. Consumers were subsidized by implicitly taxing producers until 1973. Consumer subsidies were financed directly out of the government budget after 1973.

329. The structure of protection in Egypt is complex. Policies aim at various, often conflicting, objectives. Methodological problems encountered in the estimation of effective rates of protection relate to the treatment of import bans and other non-tariff barriers, extensive price controls, subsidies and indirect taxes and - until recently - multiple exchange rates (Note V.1).

330. The most complete recent calculation of effective rates dates from 1989, using the 1986 tariff structure and an input-output table for 1983-84 (Table V.1). The analysis revealed that tariffs contributed to protecting domestic production as well as providing the Government with a major source of revenue. However, the protective rôle of tariffs was neutralized by direct government interference in the pricing of inputs and output.

331. Effective protection does not appear to be highly correlated with nominal protection in Egypt. The rates of effective protection are higher than the nominal rates for almost all the activities considered, except for tobacco processing and cotton ginning. Moreover, the structure of effective protection is highly uneven. Very high protection - effective rates above 200 per cent - is afforded to industries such as spinning and weaving, means of transport, production of rubber and plastic products, final wear, furniture, beverages, porcelain, china and ceramics.

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3 Kheir-el-Din et al. (1989). No study of protection has yet been made incorporating the economic reforms of May 1991. According to Professor Kheir-El-Din, it is still too early to assess the effect of the tariff changes. The protective effect of non-tariff barriers was not included in the 1989 study because the proliferation of price controls in Egypt affected the price wedge between domestic and world market prices.

4 The discrimination against cotton growing and cotton ginning is more severe than indicated. The analysis did not consider the effect of Egyptian procurement prices for cotton being lower than international prices.
Note V.1 Effective rate of protection

The average level of tariffs does not, even in the absence of non-tariff barriers, give an accurate view of the structure of protection extended to an activity, or of the trade and production effects of the protective structure. For example, ad valorem tariffs directly increase the import price of foreign goods by the amount indicated - a 20 per cent tariff on automobiles increases the import price by 20 per cent, etc. This does not, however, show the real extent of protection to the activity of producing automobiles in the importing country, or the extent to which resources are encouraged into the protected activity. For this, it is necessary to look at the combined effects of tariffs and other restrictions on imports of the finished goods, as well as to the tariffs and other restrictions on the materials and parts used in the production process. The concept of the effective rate of protection has been developed for this purpose.

The effective rate measures the percentage increase in value added resulting from protection in an activity, taking full account of the tariff and non-tariff measures affecting outputs and inputs. The level of effective tariff protection in a particular activity is a function of the tariff on the finished goods, the average rate on material inputs and components, and the extent of value added under free trade in the activity.

If the average tariff rates on inputs and finished goods are identical, then the effective rate on the industrial activity is also the same level. If the nominal rate on the finished good is higher than that on inputs, then the effective rate is generally higher than the nominal rate on the finished good. The extent to which it is higher depends critically on the value added in the activity at free-trade prices. The lower the value added, the higher the effective rate. Thus, an industry with a tariff on finished goods equal to 20 per cent and an average rate on inputs equal to zero could have an effective rate close to 20 per cent if there is high value added in the industry; but for low value added, e.g., 10 per cent, the effective rate could be as high as 200 per cent.

By contrast, a higher average tariff on inputs than on finished goods could lead to substantial negative effective protection.

Industries with negative or below average effective rates are in effect being taxed relative to those industries receiving higher effective rates. This is because the more highly protected industry is in a more advantageous position to bid for primary factors such as land as well as non-traded inputs. By bidding up such prices, protected industries increase costs for other sectors beyond what they would be under free trade. Thus, unprotected sectors, or sectors with relatively little protection, become less competitive. This is what is meant by saying that protection has a taxing effect on non-protected sectors and that protection results in a misallocation of resources.
Like many quantitative tools used by economists, the concept of the effective rate of protection employs a number of simplifying assumptions. First, it assumes that production techniques are unchanged by the assistance. Secondly, it assumes that the domestically-produced and imported products are perfect substitutes, and that the country concerned cannot influence international prices. Thirdly, it assumes that trade flows are not reversed by assistance policies. An additional problem is that of defining value added; although it includes land, labour and capital, the treatment of non-traded inputs such as services may pose extra difficulties for industries with significant non-traded inputs.

Deriving effective rate estimates that reliably reflect the effects of non-tariff barriers like import quotas and prohibitions is perhaps the most difficult measurement problem. In these cases, estimation may require resorting to less robust methods, such as conducting price comparisons, where quality differences could become important and need to be taken into account.

Thus, the concept of effective protection, by its nature, cannot generate precise figures. It must be interpreted as reflecting broad orders of magnitude. From a policy perspective, effective rate estimates are a relative concept whose real value is in being able to rank industries according to the extent to which Government assistance policies affect production incentives. Despite its imperfect nature, the effective rate of protection remains one of the most useful tools available for assessing the domestic economic impact of protection on resource allocation.
332. The researchers also found that government policies, in particular the implementation of price controls, could cause considerable discrimination among individual firms within an industry. Public and private enterprises are subject to the same taxation policies, but government interference in the pricing of private sector output is relatively limited. Private enterprises therefore enjoy higher protection than public enterprises in the production of basic commodities. However, the private sector does not have access to subsidized inputs to the same extent as the public sector.

333. Not surprisingly, one of the major elements in the current economic reform programme concerns deregulation of price controls. By June 1995, only a few basic commodities and cigarettes are to be sold at prices established by the authorities (see Chapter IV for details). Market-oriented prices on output will facilitate elimination of input subsidies. Prices for electricity and petroleum products are to be adjusted to world market levels. The massive state-control of the cotton industry is also to be dismantled. As noted in Chapter IV, input subsidies for agriculture are being reduced and remaining price and procurement policies deregulated.

334. The anti-export bias has been strong. The structure of nominal tariffs offers high rates of effective protection to domestic manufacturers. Exports of manufactures have also been hampered by the Egyptian version of Dutch disease since the mid-1970s. Exogenous sources of foreign exchange supported a chronically overvalued exchange rate making the production of tradables less attractive. Exports have also been discouraged by government practices, in particular administrative procedures and incentives offered to producers.

335. Macro-economic models have forecast that Egypt will have to export 40 per cent of industry output by the year 2000 in order to overcome its balance-of-payments deficit. At present, manufactured exports account for no more than 7 per cent of industrial output (excluding petroleum products).

336. In most cases, export achievements by the public sector have been disappointing. However, analysts ascribe the poor performance of the manufacturing sector to ill-conceived industrial strategies and macro-economic policies rather than the structure of industry ownership and control.

337. Private traders have been successful in exporting non-traditional agricultural goods, mainly fruits and vegetables. However, the private sector has generally been too small to make any significant impact on the overall trade performance. During the 1980s, the private sector averaged less 12 per cent of total industrial exports. More disturbingly, private
sector exports were in that period, contrary to the general trend in the direction of Egyptian exports, increasingly conducted under bilateral payments arrangements, notably with the then Soviet Union (see Chapter III). Changing international circumstances are forcing private exporters to seek greater diversification.

338. Using trade flows from 1985 to 1987, Kheir-El-Din et al. have also calculated the "revealed comparative advantage" (RCAs) for all Egyptian exports. The results indicate that Egypt has a strong competitive position in the production of certain agricultural products; fruits and vegetables and textile fibres (cotton). Egypt is also competitive as a supplier of animal and vegetable materials. Egypt is, on the other hand, disadvantaged in the production of livestock and other agricultural goods due to high domestic consumption relative to local supply. Manufacturing activities appearing to be competitive in Egypt include the beverage industry and production of essential oils, leather goods, yarns and fabrics, non-ferrous metals (in particular aluminium), furniture, handbags, travel goods, apparel, clothing and footwear.

339. The authors conclude that prospects are promising for further expansion of exports of most agricultural goods (except ginned cotton and groundnuts), provided that agricultural production is not constrained by domestic policies. The outlook is also positive for certain textile products; knitted garments and other made-up textiles. Egypt may also be able to increase exports of essential oils, pharmaceuticals, printed material (books, newspapers and magazines) and aluminium products (bars, rods and utensils).

340. Tariff rates and other measures which affect trade and production are presented, by GATT Tariff Study categories, in Table AV.1.

(2) Review of Specific Sectors

(1) Foodstuffs

341. This Tariff Study category comprises fruit, vegetables, coffee, tea, spices, cocoa, sugar, eggs, natural honey, flour, bakery items and certain other processed foods (Table AV.1, category 24).

342. Food security is an important policy objective in Egypt. However, a rapidly rising population and policies affecting food production adversely have resulted in an increasingly negative trade balance in foodstuffs. The balance moved from a surplus of US$8 million in 1970 to a deficit of more than US$450 million in 1989 (Table AV.2). Domestic production does not cover more than approximately 40 per cent of the Egyptian population's
demand for food. The major imported foodstuffs in 1989 were wheat flour, refined sugar and tea.  

343. A State agency - The General Authority for Supply of Commodities (GASC) - accounts for a high share (70 per cent) of Egyptian food imports. Private imports of wheat flour are apparently allowed on a limited basis. However, the distribution system and sales prices were controlled by the Government until recently. 

344. The major food items exported from Egypt are oranges, potatoes and other vegetables. The public sector dominates exports of agricultural products such as oranges, fresh onions and groundnuts. The private sector contribution mainly comes from fruits and vegetables. Some high quality crops - strawberries, tomatoes, cucumbers and peppers - are increasingly grown in greenhouses.

345. The average tariff for products falling within this tariff study category is 37.9 per cent. Tariffs increase by the stage of processing, rising from 30.7 per cent on raw materials to 36.2 per cent on semi-manufactures and 43.9 per cent on finished goods. Maximum rates (100 per cent) are applied on sugar confectionery, chocolate, macaroni, certain prepared cereals, preserved fruits, jams and vinegar.

346. Non-tariff measures applied on imports affect a broad range of products. The list of import bans includes birds' eggs except for hatching; natural honey; chilled vegetables; olives; fresh, chilled, frozen or dried edible fruit (except fresh grapes, fresh figs, watermelon, musk-melon and guava) and sheeted apricot; chick-peas (except for sowing); roasted or ground coffee; nutmeg and mace; soups and broths in solid or powder form; and vinegar.

347. Controls (quality inspection) are applied on imports of fresh eggs, coffee, ground coffee, tea, cocoa, grated coconuts, black olives, crushed lentils, whole beans, nuts, bananas, fresh apples, canned fruit, dried fruit, raisins, sugar, spices, preserved tomato products, soups, dried yeast, crushed yellow maize, wheat flour, semolina and macaroni. Foodstuffs (no specific definition) are subject to radiation inspection.

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5 Nearly 75 per cent of total food imports consist of wheat and wheat flour. Egypt's per capita consumption of wheat is the highest in the world (see also Table V.2).

6 The Minister of Agriculture has announced that private sector companies and agricultural co-operatives will be entitled to import seed potatoes in the 1991-92 season (Middle East Economic Digest, 22 January 1992).
348. An export prohibition is in force on forage composites (rice germ cake, on seed straw and bran). Animal fodder in general requires radiation inspection upon importation. Molasses for human consumption is subject to an export tax of LE 0.60 per 100 kilogrammes.

349. Government controls on production and a system of low-price, compulsory deliveries for most crops was abolished in 1986. The main foodstuff items affected by the deregulation were beans, lentils, onions, sesame, groundnuts, vegetables and fruits. However, acreage controls and delivery quotas have been maintained on sugarcane due to social and regional development considerations.

350. Procurement prices for sugarcane have generally been increased, although the domestic price of sugar was cut by 12 per cent recently. Sugar is an important ingredient in the calorie intake of lower income groups. The sugar refineries in Upper Egypt are a major employer in that region. The publicly owned sugar mills operate at very low capacity (150 days a year). Milling costs are accordingly high. Egyptian mills produced 950,000 tons of refined sugar in 1989-1990. Imports amounted to 515,000 tons (Table V.2).

351. Effective rates of protection have been calculated for some of the major crops including onions, garlic, tomatoes, potatoes and groundnuts. High negative effective protection was found on garlic, onions and potatoes. The protection system did not discriminate to the same extent against the production of groundnuts and tomatoes. The main discriminatory element was the farmgate prices, which were generally much lower than the respective (f.o.b.) border prices.

352. The most important agricultural processing industries were nationalized in 1961. Food processing in general does not appear to be heavily assisted in Egypt (Table V.1). However, effective rates of protection vary considerably within this group. Production of tomato paste

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7 Farmers are partly compensated through subsidized credits provided by the Principal Bank of Development and Agriculture Credit (PBDAC).

8 Middle East Economic Digest, 3 April 1992. According to Egyptian officials, the price cut reflects falling world market prices for sugar.

9 Dethier (1989), p.65. Processing of beet root is, on the other hand, a fully privately owned activity.

and frozen vegetables benefit from low domestic prices on major inputs.\textsuperscript{11} On the other hand, the implicit nominal rate of protection for jams was a negative 51.2 per cent due to low administered prices on the final product.

353. Although most administered prices are to be deregulated before June 1995, price controls will be retained on some basic foodstuffs. The Secretariat has no information on exact product coverage and the procedures for implementing these controls at present.

\textbf{(11) Grains}

354. Egypt was a net exporter of grains in 1970. The export value of Egyptian rice exceeded the imported amounts of wheat and maize (Table AV.2). In 1989, exports of grains (US$9.5 million), mainly rice, were small compared to imports worth nearly US$800 million. Egypt is currently one of the world's major importers of wheat. Domestic production of wheat has been rising in recent years, but Egypt is still required to import around 5 million tons of wheat annually (Table V.2). Most imports were until recently effected through the General Authority for Supply of Commodities and have generally been financed by suppliers' credits. However, recent government purchases of 3.3 million tonnes of wheat have apparently been paid for in cash - for the first time in 40 years.\textsuperscript{12}

355. Tariffs on grains are low. Imported rice (not for sowing) is subject to a tariff of 20 per cent. All other grains enter at rates of 1 per cent or 5 per cent.\textsuperscript{13} The average tariff for this product group is 5.9 per cent (Table V.3).\textsuperscript{13} Imports of wheat and yellow maize are subject to quality inspection. Broken rice used as forage component may not be exported.

356. Production controls on wheat were liberalized in 1986. Compulsory arrangements were retained on rice, affecting approximately 50 per cent of the crop. The Egyptian Government argued that the importance of rice in the Egyptian diet justified the use of production controls. However, the mandatory delivery quotas were abolished in February 1991.

\textsuperscript{11}The domestic prices for inputs in tomato paste were about 40 per cent lower than their international equivalents. Cumbersome procedures apparently limit exports of fresh tomatoes. The export value of tomatoes has risen rapidly, but nevertheless did not amount to more than US$4 million in 1989 (Table AV.2).

\textsuperscript{12}Middle East Economic Digest, 13 March 1992.

\textsuperscript{13}Wheat and maize will apparently be exempted from the tariff reforms agreed with the World Bank and the IMF, whereby minimum tariff rates are to be increased from 5 per cent to 10 per cent.
357. According to the study by Kheir-El-Din et al., rice has been the only crop that has benefited from positive effective protection from the farm gate price structure, all other crops suffered discrimination.

(iii) Animals and animal products

358. Egypt has traditionally been a net importer of animals and animal products. Imports amounted to US$249 million in 1989, of which bovine meat accounted for US$175 million.

359. Egypt's system of protection favoured livestock production in the 1980s (Table V.1). Animal production, including output of animal feeds, has accordingly expanded more rapidly than stagnating traditional export crops such as cotton and rice. The main animal species are poultry, pigeons, ducks, rabbits, geese, sheep, goats, cows and buffaloes. Stocks of goats and sheep increased by 26 per cent and 30 per cent respectively between 1986 and 1990.

360. Government policies have mainly focused on protecting the domestic market by erecting import barriers and subsidizing feedstuffs. However, the feed subsidies have primarily accrued to public sector producers and large private farms and not to the small farmers, who own about 90 per cent of Egypt's livestock. Animal feed is mainly produced by the Ministry of Industry and the Mills Organisation of the Ministry of Supply. The Government has subsidized traditional feeds through low prices on the basic components - cottonseed cake and wheat bran. These implicit subsidies are being reduced gradually under an agreement between the Egyptian Government and the U.S. Agency for International Development (USAID).

361. Subsidized feeds have been distributed by the Principal Bank for Development and Agricultural Credit (PBDAC) in accordance with Government Decrees. Private sector distributors are currently increasing their market share. The distribution of subsidized "traditional feeds" is reported to have been discontinued in 1990. Larger livestock farms have accordingly been induced to consider more expensive feeds such as berseem (clover) and wheat. The Economist Intelligence Unit reports that the stock of sheep,

14 A major problem in Egyptian agriculture is that one third of the cropped area is allocated to production of animal feeds, even though this activity has very low economic return.

15 Distribution of manufactured feed by the PBDAC is presently limited to (i) The national veal project, (ii) suppliers to Misr Company for dairy and food products, (iii) agricultural companies and organisations, (iv) the armed forces and the Department of prisons and (v) veterinary quarantine.
goats and poultry has been reduced considerably recently because of difficulties in obtaining feed.

362. The poultry sector, in particular large public sector farms, is operating at one third of production capacity because of difficulties in importing feed ingredients. Operating costs are said to be high due to inefficient management.

363. Tariffs escalate by stage of processing for products in this tariff study category. The average tariff for live animals is 20 per cent, rising to 23.9 per cent for meats and 54.4 per cent for meat products. The highest tariff rate (100 per cent) is applied on live swine and all products made from pork.\(^{16}\) These products are also covered by import "bans".\(^{17}\) Other animals or animal products affected by the "bans" are all kinds of poultry (live or dead and prepared, including meat, edible offal and liver) and sausages and the like.

364. Quality inspection is applied to imports of bovine species, sheep, camels, rabbits and meat and meat products in general. Parts of turkey, frozen chickens, frozen liver, sausages, and canned beef are specifically mentioned in the import control list. Radiation inspection requirements apply to all imports of live animals destined for human consumption except camels from Sudan.

365. Livestock producers apparently benefit from some natural protection because of consumer preferences for fresh meat. However, hidden non-tariff measures may also affect imports. For example, some twenty steps have apparently been required "to obtain full permission to deliver frozen red meat to the domestic market".\(^{18}\) Imported meat covered about 15 per cent of Egyptian consumption in 1989-90 (Table V.2).

(iv) Oilseeds, fats and oils and their products

366. Imports amounted to US$332 million in 1989. Major imported items are olive oil, vegetable oil residues, animal oil, groundnut oil and linseed oil. Imports of edible oil represented about three-quarters of domestic consumption in 1989-90 (Table V.2). The average tariff rate for these

\(^{16}\) Apart from live horses, on which the tariff rate is 60 per cent, all other live animals and meats enter at rates of either 5 per cent or 20 per cent. The main imports are of cattle and bovine meat.

\(^{17}\) In spite of the ban, Egypt imported pigmeat worth US$3.5 million in 1989.

products is 20.6 per cent. The minimum tariff - 1 per cent - is applied on various oil seeds and vegetable oils. Tariffs escalate by stage of processing, rising from 13.4 per cent on raw materials to 23.6 per cent on finished goods.

367. Domestic production is protected by import "bans", covering groundnuts and watermelon seeds (except for sowing); rapeseed oil; refined oils of soya bean, cotton seed and sunflower seed; boiled or oxidized linseed oil; glycerine and glycerine lyes (except pharmaceutical glycerine); margarine, imitation lard and other prepared edible fats, imitation Ghee; and cocoa paste in containers less than 20 kilogrammes.

368. Quality controls are imposed on imports of watermelon seeds, unhusked sesame seeds, edible vegetable oils, oils for industry, palm oil, animal fats for soap, margarine, imitation Ghee and soapwort. Seeds for sowing and transplants as well as oils and fats and intermediate products for food industry use are subject to radiation inspection.

369. An export prohibition is applied on soybeans, linseeds and cotton seeds. Egyptian exports of oil seeds and vegetable oils amounted to less than US$6 million in 1989.

(v) Cut flowers, plants, vegetable materials

370. Tariffs range from 5 per cent (on live plants) to 100 per cent (on cut flowers), the average tariff being 30 per cent. This product group does not appear to be a major economic activity in Egypt. Exports exceed imports, but trade is not very significant.

(vi) Beverages and spirits

371. Beverages containing alcohol are, for religious reasons, subject to exceptionally high tariff rates. The general tariff on wine and spirits is 3,000 per cent. However, even tariffs on non-alcoholic beverages - waters, lemonade and fruit juices - are high (100 per cent). The effective protection granted to this industry is high (295 per cent) in Egypt (Table V.1).

372. All kinds of beverages, including water, are on the conditional import prohibition list. Only ethyl alcohol is exempted.

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19 Authorities show a pragmatic attitude by allowing tourism establishments to import their requirements at a tariff rate of 300 per cent.
373. Beer brewing, protected by a 1,200 per cent tariff, is a State monopoly. Egypt produces minor quantities of white wine. The Secretariat has not come across any precise production figures for these industries.

374. Egypt exports some fruit juices and other non-alcoholic beverages. Imports of beverages, reported to the United Nations' Statistical Office, is negligible.

(vii) Dairy products

375. Egypt is mainly an importer of dairy products, in particular butter, cheese and curd and dry milk and cream (Table AV.2). The average tariff on dairy products is 30.5 per cent. There are very few tariff lines in this Tariff Study category. The high published rate on fresh cream (100 per cent) distorts the calculations of tariff averages by stage of processing.

376. Cheese imports are generally "banned". Exemptions apply to Gouda, Edam and Cheddar in containers of one kilogramme or more and white cheese (containers of 0.5 kilogramme or more). Quality controls cover imports of dried and concentrated milk, liquid canned cream, clarified natural butter and cheese. Imported milk substitutes are subject to radiation inspection.

377. Small-scale enterprises apparently account for an important share of output in the Egyptian dairy industry. The authorities have been advised not to subsidize the establishment of large dairy factories as this could have serious effects on existing household producers.

(viii) Fish, shellfish and products

378. Fish imports have risen rapidly, reaching US$63 million in 1989. The average tariff on fish and fish products is 63.6 per cent (Table V.3). In general, fish enter at 5 per cent import duty. Tariffs are high on smoked and dried fish (50 per cent) and unprocessed crustaceans and molluscs (85 per cent). The maximum rate (100 per cent) is applied on processed crustaceans and molluscs, caviar and caviar substitutes and aquarium or ornamental fish.

379. Prepared or preserved fish, including caviar and caviar substitutes, are on the "banned" imports list. An exemption from the "ban" applies to tuna fish. Frozen, smoked and salted fish is subject to quality

20Davies, Mead and Seale, Jr. (1992), pp. 381-412.
Inspection. Controls are also applied on imports of canned tuna, sardines, salmon, anchovy and mackerel.

380. Egyptian production figures indicate an annual fish catch of 300,000 tons. Open sea catches account for only about 17 per cent of the total. Annual fish production is planned to rise to 700,000 tons by the end of the century. Intensive aquaculture is to take place in inland lakes and waterways. Egypt exported fish worth US$8.6 million in 1989.

(ix) Tobacco

381. The tobacco industry is a special case in Egypt. Tobacco growing is prohibited. The domestic processing industry is therefore entirely based on imported tobacco, totalling US$81 million in 1989. Tobacco and tobacco products are the only items subject to specific tariffs in Egypt. The specific rates are by and large higher on processed tobacco than on unmanufactured imports. However, because of the lower unit value of imported raw tobacco, the ad valorem equivalents of the specific tariffs become higher on tobacco products than on raw materials (Table V.3).

382. Imported tobacco is subject to radiation inspection. Cigars and cigarettes are included in the list of import "bans". Imports of cigarettes fell from US$21.4 million in 1980 to less than US$0.2 million in 1989. During the same period, Egyptian cigarette exports rose from US$0.2 million to US$1.5 million.

383. The Egyptian tobacco industry, under public ownership, is apparently not very profitable. Its contribution to domestic value added is negative (Table V.1). Measured at border prices, the effective rate of protection is minus 59 per cent. The Government intends to raise more revenue through price controls and increased indirect taxation of tobacco products. Cigarettes are one of the few products where administrative pricing will continue to apply after 1995.

(x) Other agricultural products of animal origin

384. Imports of these items were less than US$0.5 million while Egypt exported bones, horns etc. worth US$1.3 million in 1989. There are some

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21 The FAO has apparently not published fish production for Egypt in the 1980s.
indications that Egypt has a good competitive position in producing such animal materials.  

385. Tariffs on imports average 11.4 per cent (Table V.3). Meat and offal unfit for human consumption is subject to import "bans". An export tax of LE 0.60 per tonne is levied on sinews, tendons and other waste of raw hides or skins.

(xi) Other agricultural products of vegetable origin

386. Imports of these items totalled US$64.8 million in 1989. Most of these purchases appear to be used for animal fodder.

387. The average import tariff is 17.8 per cent. Lupine imports are "banned", except for sowing and fodder purposes. Rice straw may not be exported.

(3) Industry

388. Manufacturing can be divided into four broad categories. The informal sector, small-scale manufacturing in some 278,000 establishments, is estimated to employ around 600,000 workers. Production appears to be concentrated in furniture, metal products, leather, clothing and repair workshops.

389. The formal traditional private sector (establishments with ten workers or more) provided about 160,000 jobs in 1983-84. Most private sector investment in manufacturing has been undertaken by the "new private enterprise sector" - companies established under the investment encouragement law (Law No. 43 of 1974) and law No. 159. These enterprises had less than 30,000 employees in 1986. New private investment has mainly focused on food processing, clothing, non-basic chemicals, building materials and consumer durables. The clothing industry is the only major sector dominated by private investment.

390. Public sector enterprises play a dominant rôle in Egyptian manufacturing. Around 70 per cent of industry's share in GDP originate in

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22 Kheir-El-Din et al. (1989), Summary and Conclusions.
23 Exports, mainly seeds for planting, reached almost US$9 million.
some 300 State-owned companies. In 1983-84, this sector employed about 724,000 workers. Government policies have both favoured and discriminated against these enterprises.

391. Public sector enterprises had traditionally privileged access to credit, either in the form of interest-free participation of the Treasury or, since 1981, through loans provided by the National Investment Bank at low interest rates. Public sector enterprises also had easier access to imports during balance of payments crises. Input subsidies on energy discriminated specifically against Law 43 companies, as other producers, public and private, have benefitted from low prices.

392. On the other hand, the system of administrative price controls mainly worked against public enterprises, since the private sector manufactured very few of the products subject to price controls (cement, beverages and selected food products). The public sector has also been burdened by cumbersome labour regulations and by rigid salary scales which have precluded recruiting and retaining the most productive workers.

393. Reforms are currently under way to make public sector management more autonomous. A new law on public sector investment was enacted in June 1991. A Public Enterprise Office has been established to facilitate privatization of public enterprises. According to the Egyptian authorities, the privileged credit facilities have been withdrawn.

394. The production of ready-made garments is the only industrial activity which is dominated by the private sector. Public and private enterprises are roughly equal in the production of blankets. Other products being manufactured by private enterprises, although their production is lagging well behind public sector output, include cement, reinforced iron, cotton yarn, soap, buses, refrigerators, washing machines and wool yarn.

(i) Coal, petroleum, natural gas

395. Egypt's production of crude oil currently averages around 870,000 barrels per day. Egypt is a small producer compared to other countries in the Middle East. Substantial refining capacity (in Africa only South Africa can refine more) allows Egypt to cover a large share of its

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25 The public sector comprises about 400 enterprises. Of these, 115 companies are supervised by the Ministry of Industry. These enterprises are concentrated in spinning, weaving and clothing (31 companies), chemical industries (27), food industries (19), engineering (19), metallurgical industries (10) and mining and refractories (9 companies).
home market with domestic output and export refined petroleum. The 1987-88 to 1992-93 Five Year Plan foresaw an 80 per cent increase in refining capacity. Egypt currently has seven oil refineries.

396. Production of crude petroleum generally expanded in the 1980's, but due to the major decline in prices, Egypt's export earnings have not been able to return to the levels maintained in the early 1980's (Chart V.1). Although not a member of OPEC, Egypt implemented production restraints to support price stabilisation efforts after the oil price collapse in 1986. Egypt's net exports of items falling within this tariff study category amounted to US$634 million in 1989. Exports are predominantly crude petroleum, kerosene and residual fuel oils. The main imported items are coal, distillate fuels and lubricating oils.

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**Chart V.1**

Crude petroleum output and export revenue of the petroleum sector in Egypt, 1982-83 to 1989-90

- **Tons (millions)**
- **US$ billion**

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<th>Output</th>
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*Source: Central Agency for Public Mobilisation and Statistics (production) and Central Bank of Egypt (revenue)*

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The Asyut refinery, currently producing 1.8 million tonnes of middle distillates annually, is to be expanded. Additional output of fuel oil will be used to produce fertilizer and in electricity generation (*Middle East Economic Digest*, 22 November 1991).
397. The average applied tariff for the sector is 10.6 per cent (Table V.3). Tariffs are higher on semi-manufactured products (13.3 per cent) than on finished goods (10.3 per cent) and raw materials (9.5 per cent). Tariffs range from 5 per cent on coal, lignite, peat, crude petroleum and various refined products to 30 per cent on lubricating preparations and butane gas in retail sale containers.

398. The petroleum sector is heavily regulated in Egypt. Output, consumption and exports are all subject to political decisions. Petroleum and petroleum products (butagas, benzene, naphta, jet fuel, lubricating oils, brake oil, kerosene, gas oil "Solar", and diesel oil) must be imported through the Egyptian General Petroleum Corporation (EGPC). This company is the main Government instrument of control in this sector.

399. In early 1989, published proven reserves amounted to 4.5 billion barrels, sufficient to cover 14 years of production at the 1989 level. Oil is mostly found in the Gulf of Suez (Morgan, Ramadan and July are the main fields) and in the Western Desert. Egypt has many oil concession and exploration agreements with foreign, mostly U.S., companies.

400. Domestic prices for petroleum products have been well below world market prices for many years. They are being raised gradually to international equivalents under the present economic reform programme. The price increases will provide a major boost to government revenue. Price hikes will also stimulate conservation efforts domestically and thus make more petroleum available for export.

401. Egypt has estimated coal reserved of about 50 million tons. The El-Nasr Company for Coke and Chemicals has a long-standing policy of blending coals produced in Australia, the United States and the Commonwealth of Independent States. In late 1991, the company invited tenders from Australian producers for 500,000 tonnes of coal and 90,000 tonnes of coking coal to be delivered over a period of 3 to 5 years.  

(ii) Ores and metals

402. Imports of ores and metals reached US$712 million in 1989, comprising a wide range of products. Exports worth US$361 million were more concentrated; worked aluminium alloys, ferro alloys and wire rod of iron or steel.

27 Middle East Economic Digest, 22 November 1991.
403. The average tariff is 28 per cent on products falling within this tariff study category. The tariff structure provides for considerable escalation, with average rates rising from 5 per cent on raw materials and 16 per cent on semi-manufactures to 41.3 per cent on finished products.

404. Domestic industries are assisted by numerous import bans. Among the banned items are certain welded tubes, pipes and pipe fittings of iron and non-stainless steel; iron or steel containers for compressed butagas; chains and chain parts of iron or non-stainless steel (except articulated link chains); finished razor blades and razor blades with plastic handles; kitchen and tableware (spoons, ladles and forks); files and rasps except saw files; iron welding rods; certain reservoirs, tanks, vats and similar containers of iron or steel; aerosol containers of iron or aluminium; non-electric stoves and ranges up to eight flames; and iron or steel structures and parts of structures.

405. Quality controls are imposed on imported kitchen basins of stainless steel and enamelled cast iron sanitary ware.

406. Exports of waste and scrap of iron and non-stainless steel, copper and aluminium are banned. To the extent that waste and scrap is exported, copper, nickel, aluminium, zinc, iron and steel waste and scrap are subject to an export tax of LE 11 per tonne.

(a) Ores and concentrates

407. Mining is not a major activity in Egypt. Only production of iron ore, phosphate rock and limestone is significant. Iron ore is mined in the Western Desert and transported to the Helwan iron and steel complex in the outskirts of Cairo. Production of iron ore amounted to 2.5 million tons in 1989. Phosphate rock is mined in the South of Egypt and on the Red Sea coast. Other ores mined in small quantities or found in potentially commercial quantities include manganese, chrome, tantalum, molybdenum, zinc, lead, tin, copper, gold, sulphur, potash and uranium.

(b) Iron and steel

408. As indicated in Table V.2, main products manufactured by this industry are reinforced iron, sheet and strips of steel and steel blocks. Trade is significant in steel sheets and strips. Egypt's imports of reinforced iron are considerable, despite high domestic production. Most of the cast iron is imported.

409. The EC has initiated anti-dumping proceedings against Egyptian wire rod.
(c) Ferro-alloys

410. Egyptian exports of ferro-silicon are currently subject to anti-dumping action in the EC. The Egyptian plant operates well below designed capacity (56,000 tons annually). Production of ferro-silicon amounted to some 25,000 tons in 1988-89 and was expected to rise to 31,000 tons in 1989-90.

(d) Aluminium

411. According to the 1989 study on effective rates of protection, policies of assistance worked in different directions in the aluminium industry. Tariffs and indirect taxes afforded protection, while the pricing system discriminated against the sector, in spite of the substantial subsidy provided through low-price electricity.

412. Egyptian output of aluminium amounted to 181,000 tonnes in 1989-90, all produced by public sector enterprises. Exports of aluminium alloys amounted to more than US$250 million in 1989. The Naga Hammadi complex (Upper Egypt), constructed by Soviet contractors at the same time as the Aswan High Dam, is gradually being modernized.

413. Aluminium Company of Egypt has decided to build a new aluminium rolling mill at Naga Hammadi. The plant will produce 60,000 tonnes of aluminium sheet a year, of which 50,000 tonnes is expected to be exported. Clecim of France will build the plant. The project is financed by France, Saudi Arabia and the Islamic Development Bank.

(iii) Precious stones and precious metals

414. Egypt does not trade extensively in these products. Imports (US$4.5 million) exceeded exports (US$0.3 million) in 1989. Tariffs range from 5 per cent on unworked diamonds and synthetic stones and unwrought silver, gold and platinum to 85 per cent on imitation jewellery. Gold or silver coins are subject to 5 per cent import duty. Other coins are exempted from customs duties.

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(iv) Raw hides and skins, leather and furskins

415. Egypt's exports of these items were twice the corresponding import value in 1989, but not much trade was involved (Table V.3). Exports mainly consisted of leather clothing and other leather manufactures (US$8.7 million). Non-tariff measures are used to protect domestic processing. Hides and skins, other than raw, are on the "banned" imports list. Imports of articles of leather, composition leather and artificial furskin are also "banned".

416. Leather processing is also one of the few activities being supported by export restrictions. Raw hides and skins are on the list of banned exports. Any exports would be subject to a tax of LE 1.2 per tonne. Export quotas are enforced on tanned hides and skins.

417. Further assistance is provided through escalating tariffs. The average tariff on finished goods is 68.1 per cent, compared to an average of 18.1 per cent on raw materials and 40 per cent for the Tariff Study product group as a whole (Table V.3).

(v) Rubber

418. Imports of rubber totalled US$138 million, of which more than US$80 million were rubber tyres, in 1989. Egypt exported rubber tyres worth US$1 million. Other rubber exports were insignificant.

419. Non-tariff measures appear not to be applied on neither imports nor exports. Assistance is provided through tariffs, increasing by stage of processing. The average tariff for the product group is 26.3 per cent. While all raw rubber enter at 5 per cent duty, finished products face, on average, a tariff of 35.7 per cent. The highest rates - 100 per cent - apply on certain rubber clothing.

(vi) Wood and cork

420. Egypt does not have forests and all wood, worth US$454 million in 1989, must accordingly be imported. Worked wood is mainly exported in the form of furniture.

421. Unprocessed wood is subject to a 5 per cent tariff. However, the average tariff on wood and cork is 34.9 per cent because of high tariffs levied on wood products. Many finished goods are subject to tariffs of 60 per cent or more.

422. Processing is also assisted by import "bans". The list includes builders' carpentry and joinery, including prefabricated and sectional
buildings and assembled parquet flooring panels; and reconstituted wood in sheets, blocks or the like. Controls (quality inspection) are applied on imports of all kinds of wood.

(vii) **Pulp, paper and paperboard**

423. Egypt did not import any wood pulp or waste paper in 1989. Imports worth US$228 million mainly consisted of paper (US$197 million). Imports of printed material amounted to US$31 million. All needs for newsprint paper and three-quarters of the paper paste consumed in 1989-90 were imported. On the other hand, domestic production covered virtually all demand for cardboard and a high share of needs for writing and printing paper (Table V.2). Egypt's leading cultural rôle among Moslem countries may explain a positive trend in exports of printed books, newspapers and magazines. Exports of such products reached US$14.7 million in 1989, up from US$1.2 million in 1980.

424. Tariffs escalate by stage of processing. Imported pulp and paper is subject to 5 per cent duty; substantially less than the average 35.2 per cent for the Tariff Study category as a whole. The average tariff on finished products is 41.7 per cent. Banknotes and serially numbered stocks and shares are exempted from import duties. Tariffs are low (5 per cent) on imported books, newspapers, children's books, maps, stamps, drawings etc. However, most other printed items are subject to tariffs of 60 per cent or 85 per cent.

425. The following items are on the list of "banned" imports: carbon paper cut to size; paper products (envelopes, cards etc.) and packaging materials (CCCN 48.16). The Ministry of Information has to approve imports of scrap paper and used books, magazines and newspapers. Scrap paper may not be exported. A quota is applied on exports of returned newspapers.

426. Imports of "propaganda and advertising materials" are subject to restrictions. The value of such material sent by foreign companies to their branches in Egypt should not exceed LE 5,000, or LE 1,000 annually (commercial agencies and certified distributors). Local agents of foreign companies may receive advertising materials worth up to LE 5,000 annually (Article 28 of the 1991 Import and Export Regulations). Public sector entities are subject to an annual ceiling of LE 3,000 each on imports of propaganda and advertising materials (Article 23).

(viii) **Textiles and clothing**

427. Raw cotton and cotton yarn are the two main non-oil exports of Egypt. In 1989, total exports of textiles amounted to almost US$1 billion, of which raw cotton contributed US$274 million, cotton yarn US$457 million and

428. Tariffs on textiles are generally high, the simple average being 52.8 per cent. The tariff structure favours processing as the average tariff increases from 11.3 per cent on raw materials to 71.8 per cent on finished articles. Most garments and ready-made textile articles are subject to import duties of 100 per cent.

429. The Egyptian textile industry is, in addition, effectively protected by import "bans". The list comprise most textiles, textile articles and finished goods made of silk or man-made fibres, wool, animal hair, flax or cotton. Also "banned" are imports of carpets, kelim and tapestries; raw flax or processed but not spun; flax tow and waste; twine, cordage, ropes and cables; and wall and floor coverings made of textile materials.

430. Export restrictions are also enforced to assist the domestic industry. Wool and wool waste is subject to an export quota. The same measure is applied on exports of cotton waste and cotton yarn waste. However, the main input subsidy comes from the administered pricing system on Egyptian cotton; effectively an export tax.

431. Cotton is the only crop to have been completely controlled by the Egyptian Government since the early 1960s. The entire cotton crop is delivered to State collection points, and bought by the Cotton Organization through the village cooperatives. Prices are fixed by a Higher Ministerial Council and determined on the basis of cotton variety and staple length. Farmers in Upper Egypt, required to plant lower priced cotton, are said to be particularly resentful against growing cotton. The establishment of farmgate prices in general takes into account alternative land use, expected export prices, sales to domestic mills, transportation and processing costs and State budget requirements.

432. Cotton trade was a State monopoly until 1991. Six trading companies report to the Ministry of Economy and Foreign Trade. Price increases are usually proposed by the Ministry of Agriculture or by the Ministry of Finance, which supervises the cotton gins. The Ministry of Industry

30 Egypt is the world's leading producer of long and extra-long cotton staples, but imports some shorter-stapled cotton for the textile industry.

participates in the discussions since it supervises publicly-owned spinning and weaving mills.

433. Estimates of effective protection reveal that the spinning and weaving and final wear industries are strongly assisted; effective protection rates being 788 per cent and 348 per cent respectively (Table V.1). On the other hand, the protection system actually discriminates against the traditional processing activity; cotton ginning (the estimated ERP is minus 68 per cent).

434. Cotton growers receive some subsidies in the form of irrigation water, pest control, fuels and agricultural credit. However, the discrimination against cotton production stemming from the pricing system has been severe. Cotton production and exports have been declining in response to the policies affecting this sector (Chart V.2). From 1984 to 1988, nominal prices for cotton were increased by 10 to 12 per cent annually. However, costs rose by nearly 15 per cent per year. Domestic prices remain well below world market levels. Farmers divert inputs towards more profitable crops. Cotton planting is delayed in favour of additional cuts of berseem (clover).  

435. Current economic reforms include a gradual increase in cotton procurement prices. Domestic prices are to be raised to 66 per cent of world market equivalents by 1992-93. Higher output prices will also facilitate the reductions in input subsidies.

436. In March 1990, the EC Commission initiated an anti-dumping proceeding concerning cotton yarn originating in Brazil, Egypt, India, Thailand and Turkey. The Commission imposed provisional anti-dumping duties, affecting four Egyptian exporters, in September 1991. The duties ranged from 4.9 per cent to 12.5 per cent. The Commission based its pricing analysis on constructed values, finding that the Egyptian domestic price of

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32 Cotton is the cornerstone of the system of area planning. Farmers growing fruits and vegetables, sugarcane and flax are exempted from cotton controls. Having singled out the area devoted to these crops, the authorities determine the area for cotton. The cropping pattern is published officially as a Ministerial Decree before the beginning of the agricultural year. The cropping pattern may be compulsory (cotton), quasi-compulsory (wheat and rice) or merely a set of projections.

33 The actions against India and Thailand have been terminated.

34 Official Journal of the European Communities No. L 271/91.
cotton yarn was influenced by non-market forces to the extent of being artificial. The case was terminated in March 1992.

Chart V.2
Production and exports of raw cotton in Egypt, 1982-91

Tons (thousands)

Source: Central Agency for Public Mobilisation and Statistics (CAPMAS).

437. Textile and clothing arrangements between the EC and Mediterranean countries are renewed every two to three years. These have been negotiated in parallel with association and cooperation agreements. The provisions are generally more generous and flexible than arrangements under the MFA. Egyptian exporters impose self-restraint and imports are monitored by the EC.

438. Egypt and the United States have recently initialled a Memorandum of Understanding which extends their bilateral agreement for another two years.

35 Official Journal of the European Communities No. L82/92.
(1992 and 1993). Products subject to export restraints are fabrics, cotton yarn, knitted shorts and blouses (for women and girls) of cotton and shop towels.

(ix) Mineral products and fertilizers

439. Egypt exported glass bottles worth US$10.3 million in 1989. Total exports of products within this category was US$28.8 million. Imports totalled US$224 million. The main items were nitrogenous fertilizers, refractory building products, sulphur and cement. Imports of cement, which was the main imported item in 1980, has declined significantly (Table AV.2). Public sector output amounted to 13.2 million tons of cement in 1989-90, compared to 2.1 million tons produced by private enterprises.

440. Tariff protection rises from an average 15.7 per cent on raw materials to 43.1 per cent on finished products; or 32.2 per cent for the tariff study as a whole. Tariffs of 100 per cent are levied on unworked stones such as marble and granite as well as on ornamental articles (statuettes, etc.) and illuminating glassware.

441. Import "bans" are used to protect production of monumental and building stones (marble, travertine, granite, porphyry, etc.); alabaster and alabaster articles; grey cement; articles of cement, asbestos cement or cellulose-fibre cement; metal and wood abrasives; unworked brake lining and débrayage lining except revolving wired brake lining for trucks, tractors and tracting machines; ceramic ware for domestic or toilet purposes (piping, conduits, guttering, tableware and other articles); glassware - glass containers except for medicines and medical preparations - and for table, kitchen or toilet use (except feeding bottles of refractory glass). Ceramic tiles and sanitary ware are included in the list of products subject to import control.

442. Before the Aswan High Dam was completed in 1970, most of Egypt's agricultural lands were fertilized naturally by the annual Nile floods. Demand for artificial fertilizers grew rapidly after the Nile floods became history. Fertilizer production has been a public sector monopoly since the industry (six enterprises) was nationalized in the 1960s. Fertilizers were, until 1992, subsidized and distributed according to a quota system.


37 In the words of one author: "Empirical observation suggests that Egyptian farmers currently use excessive quantities of fertilizer at prices that are below international equivalents." (Dethier, p. 189).
As part of ongoing reforms, fertilizer subsidies have been phased out and the public sector distribution monopoly is being dismantled.

443. Domestic production has largely kept pace with the growth in demand although aging production equipment has led to higher imports in recent years. Egypt currently has a self-sufficiency ratio of about 90 per cent for nitrogenous fertilizers.

444. According to the 1989 study on effective rates of protection, the glass industry was favoured by positive protection at all levels. Subsidies were granted in the form of low domestic prices of inputs compared to their international equivalents.

(x) **Chemicals**

445. Egypt imports a wide range of chemicals and chemical products, their value totalling US$922 million in 1989. By comparison, the corresponding exports reached US$115 million. Exports of chemical products - in particular medicaments, perfumes, essential oils and washing preparations - rose rapidly in the 1980s. Overall, the value of chemicals reached just over 50 per cent of the value of domestic production in 1989-90 (Table V.2).

446. The average tariff rate for imported chemicals is 18.4 per cent; 15.3 per cent on semi-manufactures and 27.5 per cent on finished goods. The maximum tariff (100 per cent) apply on certain narcotics, perfumes and cosmetics (for retail sale), fireworks and articles for lighting.

447. Import "bans" apply to writing ink (except Chinese ink and fluorescent ink); paints - excluding thermal paints, ship paints, phosphoric paints and car paints; perfumery preparations, cosmetic and toilet preparations; soap including toilet and shaving soap; washing preparations for retail sale (except contact lens solution); gelatin (except pharmacopeal); glues derived from animal material; wall and floor coverings and squares and formica made of artificial resins or plastic materials; tubes and plastic articles for domestic, kitchen or sanitary use; alkylbenzine; formaldehyde; benzol and ultrawen; and PVC resins (except emulsion PVC).

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38The Kima fertilizer plant in Aswan is to switch energy source from electricity to fuel oil. A project is under way to make the plant more energy efficient. Fuel oil will be transported on the Nile from the Asyut refinery, which is to be expanded (Middle East Economic Digest, 22 November 1991).

39Kheir-El-Din et al., p.98.
448. Stearin palm soap and artificial cleaning preparations for indoor use are included in the list of products subject to quality inspection.

449. The sample of chemical industries examined by Kheir-El-Din et al. comprised seven public enterprises producing matches, tyres, tanning chemicals, medicines and pharmaceutical products, soap and cosmetics, plastic products and printing material. Effective rates of protection from tariffs ranged from 22.5 per cent on tanning chemicals to 1,012 per cent on printing material. Measured at world market prices, the value added was negative for two firms producing cosmetics and plastic products.

450. High protection from tariffs was amplified by indirect taxation. However, the system of overall protection, especially administrative pricing, was biased against three firms (tyres, tanning chemicals, soaps and cosmetics). Domestic prices for output were set at very low levels compared to international prices. The authors considered the results as an example of the absence in Egypt of a systematic policy of protection, taking into account the inter-relationships between administrative prices, tariffs and other indirect taxes.

(xi) Non-electrical machinery

451. Egyptian exports of non-electric machinery are insignificant (US$3.9 million) compared to the value of imports (US$907 million). Major imported items were textiles machinery (US$105 million), pumps and centrifuges (US$138 million) and spare parts and accessories (US$139 million). Using the Egyptian definition of this industry, the import penetration ratio for non-electrical equipment has been stable around 85 per cent during the last three years for which data is available (Table V.2).

452. The average tariff on non-electric machinery is 24.2 per cent. Tariffs range from 5 per cent on certain generators, engines and other machinery up to 100 per cent on certain diesel engines, pumps, air conditioners, refrigerators, centrifuges, dish washing machines, washing machines, humidifiers and heating equipment. Tariffs on household durables are often substantially higher than on similar items for industrial uses.

40 Kheir-El-Din et al. (1989), pp. 91-94.

41 For example, while imported driers and dish washing machines for domestic use face tariffs of 100 per cent, other users pay duties of 10 per cent (driers) and 5 per cent (dish-washers).
453. Machinery within this product category covered by import "bans" include certain boilers; electric washing machines, refrigerators, freezers and refrigerating equipment for household use; water mixers, taps and stop cocks; and heaters for household use (excluding solar heaters).

454. Import controls (quality inspection) are applied on "durable consumer goods and parts thereof". (The term is assumed to comprise household appliances such as refrigerators, stores, washing machines, etc.). Taps, stop-cocks and water mixers of ceramic washers are specifically mentioned on the import control list. Imports of fire extinguishers require the approval of the Ministry of Interior. Certain machinery may be imported under certain conditions (see list in Chapter IV) - "not to be from the articles which are produced by the military production companies".

455. Imported computers and auxiliary equipment in secondhand condition must not be more than ten years old.

456. "Engineering" industries examined by Kheir-El-Din et al. show that the system of price controls have resulted in great variations in protection granted to individual firms in this sector.

(xii) Electrical machines and apparatus

457. Egypt exported electrical machinery items worth US$6.5 million in 1989. Batteries and accumulators accounted for 50 per cent of the export value. Imports, by comparison, amounted to US$438 million, including switchgear (US$88 million), telecommunication equipment (US$77 million) and electric power machinery (US$64 million). According to the Egyptian Ministry of Planning, the value of domestic production equals nearly 60 per cent of the consumption of electrical equipment (Table V.2).

458. The average tariff on products falling within this category is 29.8 per cent. Rates may differ considerably for similar types of machinery. For example, tariffs on electric transformers range from 5 per cent to 85 per cent depending on the type of transformer.

459. Items subject to import "bans" include high tension transformers; ballast from 20 to 40W; batteries; electric accumulators; electric fans for domestic use; radio and television receivers; sound recorders and reproducers and radio remote control apparatus; electric filament lamps; electric cables; switches and plugs, etc.; and production equipment for clay bricks

460. This Tariff Study category also comprises "durable consumer goods" which are subject to quality controls upon importation into Egypt.
(xiii) Transport equipment

461. Imports of transport equipment fell from US$485 million in 1980 to US$354 million in 1989. The decline was particularly pronounced on imports of lorries and trucks, which fell from US$295 million to US$28 million. Imports of motor vehicle parts have increased rapidly both in relative and absolute terms, reflecting policies to encourage domestic assembly of transport equipment.

462. The simple average tariff rate is 35 per cent for this product category. Tariffs on passenger motor vehicles are particularly high - between 60 per cent and 160 per cent, depending on the size of the engine. However, tariffs no more than 5 per cent on many types of railway equipment, special purpose motor vehicles and aircrafts and towing vessels.

463. Transport equipment subject to import "bans" includes agricultural tractors of 20-85 horsepower; motor vehicles for the transport of persons, goods and materials; motorcycles; non-motorized cycles (excluding childrens' cycles); and ships, boats and small boats including fishing boats.

464. Imports of motor vehicles for private use may be effected under certain detailed conditions. Special purpose vehicles may be imported in second-hand condition (1-5 years old). The authorities have apparently been considering to remove the ban on car imports. Such a move would be compatible with the general efforts toward trade liberalization and would provide a boost to tariff revenue.

465. Imports of secondhand fishing boats are approved by the Ministry of Interior and the Ministry of Transport. The Ministries of Tourism and Maritime Transport may authorize imports of secondhand ships and boats to be used in tourism. Vessels for scrapping may be bought from Egyptian maritime ports.

466. Auto spare parts have been put on the list of imported products subject to quality controls. Some spare parts may be imported secondhand for private use under certain conditions.

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42 The rules and conditions, which vary depending on the status of the end user, are detailed in a lengthy annex (Annex 5) of the 1991 Import and Export Regulations.

43 Middle East Economic Digest, 21 February 1992.
467. Imports of used aeroplanes require the approval of the Civil Air Administration. Tyres, cases and inner tubes for aeroplanes must be bought through Egyptian airports.

468. Egypt imports about 20,000 passenger vehicles annually. Egypt has assembled and manufactured parts for Italian Fiat passenger cars since the early 1960's. In 1989-90, domestic production amounted to 15,684 cars, 2,250 buses and 1,510 trucks. Only production of buses expanded steadily in the second half of the 1980s.

469. Motor vehicle production in Egypt has until recently been limited to cars produced by the State-owned El Nasr Automotive Manufacturing Co. (Nasco). However, in June 1990, General Motors Egypt (GME) - owned jointly by General Motors Corp., Isuzu Motors Ltd., Egyptian private investors and Saudi/Kuwaiti interests - received authorization to manufacture passenger vehicles in Egypt provided that it observed minimum local content requirements of 40 per cent for cars and 60 per cent for trucks.

470. The first sedans, 2,000-cc Opel Vectras, are expected to roll off the assembly lines in the autumn of 1992. GME hopes to sell up to 5,000 cars annually by 1996-97. A local content ratio of 30 per cent can be achieved by procuring parts already produced in Egypt (windscreens, seats, radiators, tires, glass and batteries). The 40 per cent local content requirement will have to be reached within one year of production.

471. Suzuki Egypt - a joint venture between Suzuki Japan and Egyptian and Saudi investors - has also received approval to produce passenger vehicles (Swift) in Egypt. The output will compete with the Nasr Dogan, a car assembled by Nasco from kits produced in Turkey.

472. GME has been assembling trucks in Egypt since 1985. Annual production amounts to some 9,500 light and medium trucks and buses. Local content is reported to be 45 per cent for 1.5 ton pickup trucks. Suzuki Egypt has manufactured small pickup trucks since 1989.44


474. The average tariff for these products is 22.5 per cent. Many instruments, generally those which are not produced in Egypt or considered as "luxury" items, enter at 5 per cent import duty. Tariffs are high (50 per cent) on items such as optical lenses, spectacles and frames and mountings for spectacles, refracting telescopes and portable cameras (60 per cent).

475. Certain water meters and electricity meters are subject to import "bans". Imports of plastic syringes up to 10 cubic centimetres are also "banned". Import approvals for used medical equipment are issued by the concerned authority at the Ministry of Health.

(xv) Footwear and travel goods

476. Egypt is a net exporter of footwear and travel goods. Exports amounted to US$10 million in 1989, mainly footwear and parts of footwear (US$8.5 million). Imports reached no more than US$1.7 million, of which footwear parts contributed more than 40 per cent of the import value.

477. Tariff protection is high, ranging from 30 per cent on protective footwear and 50 per cent on footwear parts to 85 per cent on all other footwear. Travel goods are subject to duties of 60 per cent or 100 per cent. The average tariff for all footwear and travel goods is 69.5 per cent.

478. The estimated rate of effective protection for the footwear industry is 160 per cent (Table V.1). In addition, all footwear other than for industrial or occupational safety is on the "banned" imports list. The assistance afforded to this industry is clearly connected to the general efforts to promote domestic processing of leather.

(xvi) Photographic and cinematographic supplies

479. Egypt imported photographic and cinematographic supplies worth US$30.7 million in 1989. Exports were insignificant. The average tariff for such products is 23.7 per cent.

480. The Egyptian film industry is the third-most-prolific in the world, the output is only surpassed by film-makers in the United States and

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45 Tariffs are reduced to 10 per cent on a number of optical appliances imported by the Ministry of Health for medical purposes.
India. Each year, about 60 films are produced in a large complex of studios known as "Cinema Town". The industry has a potential audience of 300 million people in the Arab world. "Propaganda materials" relating to foreign films require import approval from the Literary Works of Art Control (Article 28 of the 1991 Import and Export Regulations).

(xvii) Furniture

481. Despite its lack of forests, Egypt is a net exporter of furniture (Table AV.2), including wooden furniture. The industry is concentrated in one city (Damietta). The local industry is protected by the import "ban" on wooden and metal furniture, mattress supports and articles of bedding. The ban does not cover surgical, dental or veterinary furniture, which may be imported at 20 per cent duty. All other imports of furniture is subject to tariffs of 100 per cent.

482. According to the 1989 study on effective rates of protection, assistance to this industry was characterized by the contradictory effect of tariffs and pricing policies. The estimated effective rate of protection for wooden and metallic furniture is 296 per cent (Table V.1).

(xviii) Musical instruments, sound recording or reproduction apparatus

483. Imports, mainly audio equipment and tapes and discs, amounted to US$20 million in 1989. The value of exported items was less than US$0.5 million. Tariffs average 45.3 per cent, reflecting particularly high rates on sound recorders and parts (100 per cent) and recorded media (85 per cent). Video apparatus is included on the "banned" imports list.

(xix) Toys

484. Egypt imported toys worth US$18 million in 1989. The value of exported toys was no more than US$0.1 million. Tariffs are generally low (5 per cent or 10 per cent), except for decoration dolls and motorized games for public use (100 per cent) and carnival articles (85 per cent). The average tariff is 31.7 per cent. Egypt has "banned" imports of playing cards.

Works of art and collectors' pieces

485. Egypt does not trade extensively in these items. Imports amounted to US$0.14 million and exports nearly US$4 million in 1989. Most imported items are subject to a tariff of 60 per cent. An export tax of 5 per cent is levied on antiques of an age exceeding one hundred years.

Arms and ammunition

486. Most of Egypt's trade in arms and ammunition is not reported in COMTRADE. The simple average tariff is 25 per cent for goods falling within this product category, but the Egyptian armed forces are generally exempt from paying duty on their imports (including non-military articles).

487. Arms production is currently reported to be one of the liveliest sectors in Egyptian industry according to the Economist Intelligence Unit. Egypt is a leading Third World exporter of arms, having been an importer some twenty years ago. Customers are found in Zimbabwe, Zaire, Sudan, Somalia, Algeria, Saudi Arabia, Oman and Kuwait. Annual exports of arms to Iraq - the major client until recently - averaged US$ 600 million until 1987.

488. The largest Egyptian producer is the National Organisation for Military Production. The organisation, established in 1949, has 17 major production units in Egypt. Production of MI-AI, the main US battle tank, is scheduled to begin in 1992.

489. The Arab Organisation for Industrialisation (AOI) operates nine arms factories. The AOI was set up in 1975 with capital contributions from Saudi Arabia, Qatar and the United Arab Emirates. The factories specialize in advanced weaponry such as missiles, avionics, helicopters and aircraft. The AOI factories are said to be operating well below capacity because of a shortage of funds.

490. The two organizations employ some 75,000 of the most skilled and best paid workers in Egypt. Military production units are known to switch quickly to production of civilian goods when orders for military equipment slacken. Some of the output of these factories is protected from imports by the "prior approval" list (see Table AIV.3).

47 The Economist Intelligence Unit, Egypt Country Profile 1991-92, p.32.
(xxii) Office and stationery supplies

491. Egypt does not trade extensively in these items (Table AV.2). Tariffs, 42.3 per cent on average, peak at 100 per cent for pens and pen nibs of precious metal and 85 per cent on slide fasteners and certain other fasteners. Import "bans" are used to protect domestic production of office equipment of base metal (filing boxes, sorting boxes, etc.), ordinary ball point pens of plastic and pencils and colour pencils.

492. Office equipment, official workers' uniforms and propaganda and advertising materials imported by branches of foreign airlines may be released directly from customs, subject to the approval of the Minister of Tourism and Civil Aviation or his deputy (Article 28 of the 1991 Import and Export Regulations).

(xxiii) Other manufactured articles

493. Although this product group covers a wide variety of items, imports amounted to just over US$5.3 million and exports less than US$1.5 million in 1989. Candles, matches (excluding Bengal matches) and toothbrushes have been put on the list of "banned" imports.
VI. TRADE DISPUTES AND CONSULTATIONS

494. Egypt does not have any statutory domestic procedures for conducting consultations or negotiations with trading partners in the event of trade disputes. Procedures outlined in Articles 94 and 95 of the 1991 Import and Export Regulations allow Egypt to take unilateral action against cheap imports depressing domestic production or foreign suppliers intentionally causing harm to Egyptian economic interests. However, these provisions have apparently not been used. Diplomatic and political channels are used to settle trade disputes bilaterally.

(1) GATT Dispute Settlement

2. Egypt has never been involved, as a complainant or defendant, in any GATT dispute settlement procedure under Articles XXII and XXIII. Although it is a signatory to all Tokyo Round Codes except those concerning government procurement and customs valuation, Egypt has not been party to formal dispute settlement procedures in these areas. Similarly, no records exist of any formal disputes involving Egypt under the MFA.

(2) Other Disputes

3. Bilateral trade agreements between Egypt and its trading partners apparently include provisions to establish mixed committees to settle trade disputes. However, no details of such arrangements have been made available to the Secretariat.

4. During its visit to Cairo, the GATT team was informed that Egyptian exporters have contested requests from importers in the United Kingdom, Italy and France to have labels "Made in Egypt" removed from textile articles to be replaced by "Made in France". However, these discussions have so far not reached the status of official disputes.
Bibliography


