

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

Committee on Balance-of-Payments
Restrictions

Original: English

1983 CONSULTATION UNDER ARTICLE XVIII:12(b)
WITH THE ARAB REPUBLIC OF EGYPT

Statement submitted by the Arab Republic of Egypt
under Simplified Procedures for Consultations¹

I. Balance-of-payments position and prospects :

In the basic document for 1981 Consultation (BOP/212), balance-of-payments developments during the period 1978/1979 were reviewed. The salient features of balance-of-payments developments for the period 1980/81 / 1981/82 are given below.

1. Merchandise transactions :

Export proceeds during 1981/82 -according to exchange control statistics- amounted to LE 2,692.6 million with a decrease of LE 16.6 million or 0.6 % compared with 1980/81. This was mainly attributed to a decline in proceeds of petroleum exports from LE 1,919.5 million in 1980/81 to about LE 1,914.6 million during 1981/82 of by LE 4.9 million.

In the same time payments for imports also decreased by LE 72.9 million or 1.2 % to reach LE 6,032.6 million, mainly due to a decline of LE 123.6 million or 6.8 % in payments for imports of foodstuffs, and consumer goods, to reach LE 1,701.8 million in 1981/82, against LE 1,825.4 million in the previous year. On the other hand payments for imports of intermediary and capital goods increased.

2. Invisible transactions :

Invisible receipts decreased to about LE 3,288.7 mil in 1981/82, against LE 3,834.9 million in 1980/81, i.e. by LE 546.2 million or 14.2 %, mainly due to interests, dividends and other revenues which declined by about LE 575.1 million or 27.1 % to reach LE 1,545.0 million during 1981/82. This item includes remittances of Egyptians working abroad, the proceeds

¹These procedures are set out in BISD, 20S, page 47-49.

of which, both in cash and in kind, dropped to LE 1,217.4 million in 1981/82, against LE 1,837.2 million in 1980/81. Tourism and other receipts also declined by about LE 102.0 million or 12.2 % to reach LE 732.3 million. On the other hand, Suez Canal dues rose by LE 89.9 million or 16.5 % to reach LE 636.2 million, as a result of raising tolls as from 1st of January 1982, in addition to the passage of huge tankers subsequent to the enlarging and deepening of the Canal. Receipts of servicing ships in transit also increased from LE 328.2 million in 1980/81 to LE 371.8 million in 1981/82.

Invisible payments increased by LE 298.2 million or 19.4 % to reach LE 1,838.2 million in 1981/82, mainly due to an increase in interest, dividends and other revenues by about LE 107.3 million to reach LE 638.6 million in 1981/82, as a result of larger payments for interest on loans and external obligations.

3. Current Account :

As a result of the above developments the current account deficit of LE 1,101.4 million in 1980/81 rose to LE 1,889.5 million in 1981/82 considering transfer payments which amounted to LE 35.7 million in 1981/82 against LE 43.9 million in 1980/81, the overall balance of current transactions and transfers recorded a deficit of LE 1,853.8 million, compared with LE 1,057.5 million in 1980/81

4. Capital account :

Total capital inflows during 1981/82 amounted to LE 3,226.2 million with an increase of LE 1,370.6 million or 73.9 %. This increase was the outcome of a rise in short-term capital inflows, basically represented by the net utilization of deposits amounting to LE 774.3 million in 1981/82 against nil in the previous year, and direct investment inflows

(in kind and in cash) by about LE 211.3 million to reach LE 642.7 million. On the other hand, utilization of foreign loans fell by about LE 203.0 million to reach LE 1,205.4 million.

Total capital outflows, mainly reflecting repayments of foreign loans and external obligations amounted to about LE 1,062.3 million in 1981/82 against LE 1,021.2 million in 1980/81, with an increase of LE 41.1 million or 4.0 %. This was, in fact, due to a rise in repayment, of loans, and suppliers' credit by LE 90.7 million, which was, however, offset by a fall in repayment of short-term obligations by about LE 49.6 million to reach LE 42.9 million in 1981/82. Thus, the surplus on capital transactions sharply rose to LE 2,163.9 million in 1981/82, against LE 834.4 million in 1980/81, while the overall balance of payments resulted in a surplus of LE 310.1 million in 1981/82, against a deficit of LE 203.6 million.

BALANCE-OF-PAYMENTS

1980/81 - 1981/82

LE million *

	<u>1980/81</u>	<u>1981/82</u>
1. <u>Current transactions</u>		
A. <u>Merchandise transactions</u>		
Proceeds of exports	2,709.2	2,692.6
Payments for imports	<u>6,105.5</u>	<u>6,032.6</u>
Balance	-3,396.3	-3,340.0
B. <u>Invisible transactions</u>		
Receipts	3,834.9	3,288.7
Payments	<u>1,540.0</u>	<u>1,838.2</u>
Balance	+2,294.9	+1,450.5
2. Balance of current transactions	-1,101.4	-1,889.5
3. Transfer payments	+ 43.9	+ 35.7
4. Balance of current transactions and transfers	-1,057.5	-1,853.8
5. Net capital transactions	+ 834.4	+2,163.9
6. Allocation of SDRs	+ 19.5	-
7. Overall surplus of deficit	- 203.6	+ 310.1

* U.S. \$ = P.T. 70

II. Foreign Trade System and Import Policies :

Egypt's Foreign Trade is conducted in a non-discriminatory manner on a commodity rather than on a country basis, and is guided solely by commercial consideration. Import policy is not restrictive in essence. Within the framework of the foreign exchange budget allocations and priorities, import policy is primarily designed to rationalize imports in such a way as to satisfy the country's needs for foodstuffs, raw materials, intermediate products and capital goods required for development purposes.

As regards the foreign trade system the supreme Council for the planning of foreign trade is entrusted with establishing long-term policy for exports and imports, controlling the annual export and import plan, and supervising the execution of the foreign exchange budget. The ministries concerned are responsible for setting priorities regarding imports and their timing. For purposes of administration, the economy is divided into several sectors (agriculture, industry, transportation, etc.). The annual foreign exchange budget provided for a specific quota for each sector, and the authorities in charge of the sector decide upon the goods to be imported within that quota. Approval by a foreign trade committee constitutes the necessary authorization for the implementation of import transactions.

All commodities except those appearing on a special list may be imported with own exchange. Ministerial decree no. 29 of 1982 was issued on 25/2/1982 stipulating that importers of commodities financed through

own exchange are required to deposit in advance a ratio of the value of such imports -depending on the commodity concerned- in a foreign currency with an authorized bank, who in turn shall deposit same with the Central Bank for a minimum of one month in a non-interest-bearing account. This ratio ranges from 25 % for essential commodities to 100 % for non essentials. Generally all applications are subject to approval of the import rationalization Committee. On 25/2/1982 another Ministerial decree no. 28 was issued permitting the authorized banks to open "import accounts in foreign currency" to finance imports under the own exchange imports.

The Egyptian Pound remains pegged to the U.S. dollar. The established buying and selling rates of the Egyptian Pound (Central Bank and Commercial Banks) for the U.S. dollar were LE 0.700 and LE 0.707 respectively. Effective August 1981 the established buying and selling rates of the commercial banks are LE 0.83168 and LE 0.840 respectively. This rate is applicable to workers' remittances, tourist receipts, minor exports, certain private sector imports and certain payments for invisibles. Central Bank rates remain unchanged and apply to certain exports (crude petroleum, cotton and rice), Suez Canal dues, and public sector imports financed by the Central Bank.

The growth of Egypt's foreign trade and the considerable expansion of imports including those from GATT Contracting Parties are attributable to the liberalization measures taken in the context of the liberalized economic policies adopted by the Egyptian Authorities.