

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/W/71

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Limited Distribution

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## Committee on Balance-of-Payments Restrictions

### 1983 CONSULTATION WITH THE ARAB REPUBLIC OF EGYPT (SIMPLIFIED PROCEDURES)

#### Background Paper by the Secretariat

1. This paper has been prepared in accordance with paragraph 7 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205) to assist the Committee on Balance-of-Payments Restrictions in taking the decision referred to in paragraph 8 of this Declaration. It updates the paper prepared for the 1981 consultation (BOP/W/46).

#### I. Egypt's previous consultations in the Committee on Balance-of-Payments Restrictions

2. The last full consultation with the Arab Republic of Egypt took place on 19 October 1970. At this consultation the Committee was encouraged by the evidence of export diversification and hoped that this process would continue. While noting the additional facilities designed to encourage trade with convertible currency countries, members of the Committee expressed the hope that the proposed fundamental reform of the exchange system would be effected so that reliance on import controls and bilateral agreements could be substantially reduced (BOP/R/49, paragraph 32).

3. Since the last full consultation, five consultations have been held under the simplified procedures (in 1973, 1975, 1977, 1979 and 1981).

#### II. The main changes in Egypt's trade policy since the last consultation

4. Egypt's trade and exchange system has remained highly complex, fragmented and discretionary. The items subject to import restrictions have not been notified to GATT. It is therefore not possible for the secretariat to determine whether there have been major trade policy changes in Egypt since the last consultation.

5. Exchange restrictions. The Supreme Council for the Planning of Foreign Trade establishes and controls the implementation of the annual import plan and foreign exchange budget. The annual foreign exchange budget fixes an exchange quota for each sector in the economy (agriculture, industry, transportation, etc.) and the authorities responsible for the sector decide which goods are to be imported within that quota. Most of the imports of the central government, other public authorities, and the

public sector companies are carried out under the annual foreign exchange budget. Private sector imports for which foreign exchange is purchased through the commercial bank market require the approval of the Commercial Agency. Such imports are regulated by exchange allocations rather than import licenses. The secretariat has no information on the size of the exchange quotas for the various sectors nor on the allocation of foreign exchange for private sector imports.

6. Import restrictions. Most private sector imports are made through the "own exchange" market, a market legalized in 1976 and supplied mainly by remittances of Egyptians working abroad. Most of these imports require an import license from the Import Rationalization Committee. There are three lists of restricted items:

- (a) The first list is subdivided into four categories: category A includes 21 foodstuffs and human medicines; category B includes 115 raw materials, intermediate goods, and capital goods; category C is composed of 20 transportation-related items; and category D comprises 75 other items characterized as luxuries. From March to July 1982, all imports in the first list had to be approved by the Committee for Import Rationalization. Since July 1982 only items in category A need approval. The approval requirement serves to ensure that the price control regulations for these commodities are observed.
- (b) The second list includes 135 commodities plus all other products not specified in the first list. Imports in this list are restricted mainly to protect domestic industry.
- (c) The third list contains 46 items already included in the second list plus all other items not specifically covered by the first list. Import items on the third list must be approved also by the Ministry of Economy and Foreign Trade.

Egypt has not included the lists of restricted imports in the statement to the Committee on Balance-of-Payments Restrictions (BOP/232) and it has not replied to the request for information by the Group on Quantitative Restrictions and other Non-tariff Measures (GATT/AIR/1900). The secretariat therefore has no information on the product categories covered by the import restrictions.

7. Import deposit requirement. After the import license has been issued by the Committee for Import Rationalization, but before a letter of credit is opened, the importer is required to lodge an advance import deposit in foreign currency with an authorized bank. The amount of the deposit is a percentage of the f.o.b. value of the import: 25 per cent for items in category A of the first list of import restrictions, 40 per cent for items in category B, 75 per cent for items in category C, and 100 per cent for all other items. The deposit must be lodged for a minimum of one month in a non-interest bearing account with the Central Bank.

### III. Recent trends in Egypt's economy and foreign trade

8. Available information points to a considerable reduction in Egypt's economic expansion in 1982, due mainly to bad harvests, after several years of rapid growth. However, crude petroleum production resumed growth in 1982, in line with increased export shipments. Tourism, another key sector of the economy, also recovered from the setback of the previous year. Consumer prices increased by nearly 15 per cent in 1982, compared with 10 per cent in 1981 and 20 per cent in 1980.

9. Since 1979 the pound has remained pegged to the dollar. The resulting effective appreciation of the pound contributed to the declining price competitiveness of exports of manufactured goods (principally textiles) to the traditional markets. Estimates show a further reduction in the value of manufactured exports in 1982, to about \$200 million. Total export earnings declined by about 3 per cent, to \$3.1 billion. Revenue from crude petroleum exports remained at about the same level as in the two preceding years (\$1.75 billion); in volume, crude petroleum exports recovered most of the ground lost in 1981, but prices moved in the opposite direction. The value of exports of refined petroleum continued rising in 1982, almost overtaking revenue from cotton which declined by 11 per cent to \$200 million owing to lower prices. Total imports increased by 3 per cent in 1982 (to \$9.1 billion), a very modest increase compared to the near-doubling in 1981. This was most marked in the case of food imports, which accounted for about one-third of the total in 1981.