

GENERAL AGREEMENT ON

RESTRICTED

BOP/297

11 June 1990

TARIFFS AND TRADE

Limited Distribution

Committee on Balance-of-Payments Restrictions

1990 CONSULTATION WITH EGYPT

UNDER ARTICLE XVIII:12(b)

Statement submitted by Egypt under simplified
procedures for consultations

Egypt held its last full consultations in the Balance-of-Payments Committee in June 1988 (see BOP/R/176).

Since then the Egyptian economy has continued to face severe difficulties. The following data give certain indications:

- (1) The high rate of growth witnessed by the Egyptian economy during the seventies and early eighties, which reached 9.9 per cent in 1982/83, changed dramatically in the following years. By the mid-eighties, growth rates slowed and declined to 7.4 per cent, and 4.8 per cent, and 4.2 per cent in the years 1984/85, 85/86 and 86/87 respectively.
- (2) The merchandise trade deficit increased, with imports remaining at a high level of approximately US\$4 billion in 1983/84, while exports declined from approximately US\$4 billion in 1983/84 to approximately US\$3 billion in 1987/88 and further to 2.6 billion in 1988/89. The trade deficit reached US\$7.5 billion in 1988/89.
- (3) The overall balance-of-payments situation deteriorated, with an increase in deficit from US\$513 million in 1983/84 to US\$3,815 million in 1988/89.
- (4) External debt is estimated to have risen from US\$33.1 billion 1983/84 to US\$45.8 billion at the end of 1988/89. Debt service obligations reached US\$6.6 billion, representing 57 per cent of total current receipts.

Several factors account for the worsening of the trade balance and balance-of-payments situation since 1984/85 generally and since 1987/88 in particular:

- (1) A decline in export earnings due to fall in oil prices, shortage in cotton and rice crops and exports, and a stagnation in receipts from manufactured exports;
- (2) While it was possible to achieve a decrease in the value of imports from US\$9.5 billion in 1985/86 to US\$8 billion in 1986/87, this has

increased again to reach US\$10.1 billion in 1988/89 due to a rise in volume and value terms, especially of food, intermediate goods and machinery imports.

- (3) Increased receipts from services, tourism, and Suez Canal dues over the past five years have partially alleviated the problem. But even with a steady inflow of Egyptian workers' remittances, the services balance was negative, amounting to US\$83 million in 1988/89.

Despite these economic difficulties, the persistence of an unfavourable external economic situation, and the inherent structural weakness of the Egyptian economy - being a developing economy - which is partially manifested by the narrowness of its export base and a temporary

lack of competitiveness, the Egyptian authorities have continued to pursue policies which can be characterized by:

- an open economic policy since 1974;
- continuous economic liberalization efforts:
 - tariff reform and a reduction in tariff levels by almost 50 per cent across the board in August 1986;
 - further tariff reductions by almost 30 per cent across the board in June 1989;
 - efforts for the unification and alignment of multiple exchange rates since 1988. There are still two exchange rates: 1) the central bank rate (aimed at achieving certain social objectives) and 2) the bank market rate. The latter is fixed in a manner to reflect market forces of supply and demand;
 - a varied range of economic reform policies including, deregulation, decentralization, privatization, and reduced intervention in administered prices;
 - increase in interest rates to encourage investment; and
 - changing investment laws and regulations to encourage foreign investment.

The government of Egypt is currently reviewing the system of conditional import prohibitions with a view to moving primarily to tariff based measures. In the meantime, Egypt reserves its rights to apply other measures under GATT provisions. In this regard a ministerial decree was issued on May 9th, 1990 to exclude twenty-one items from the negative list (Table 1). Egypt will be seeking recognition for these liberalization efforts.

Table 1

List of products removed from the negative list of items subject to conditional prohibition

CCCN Code	Product description
18.05	Cocoa powder, unsweetened
21.07	Food preparations n.e.s: (b) Other products of milk (c) Other food preparations
22.08	Ethyl alcohol or neutral spirits, undenaturated, of a strength of 80 per cent or higher; denaturated spirits of any strength
22.09	Spirits (other than those of heading 22.08); liqueurs and other spirituous beverages; compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages
44.28	Other articles of wood
49.11	Other printed matter (a) Advertising photos and posters
69.07	Unglazed setts, flags and paving, hearth and wall tiles
69.08	Glazed setts, flags and paving, hearth and wall tiles
69.10	Sinks, wash basins, bidets, water closet pans, urinals, baths and the like sanitary fixtures
70.09	Glass mirrors (including rear-view mirrors), unframed, framed or backed
70.14	(a) Illuminating glassware and articles of lamps and chandeliers
73.21	Structures and parts of structures (for example, hangars and other buildings, bridges and bridge-sections, lock gates, towers, lattice masts, roofs, roofing, frameworks, door and window frames, shutters, balustrades, pillars and columns), of iron or steel; plates, strip, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron and steel.
73.24	Containers, of iron or steel, for compressed or liquefied gas.
76.03	Wrought plates, sheets and strip, of aluminium
79.03	Wrought plates, sheets and strip, of zinc; zinc foil; zinc powders and flakes
83.07	Lamps and lighting fittings, of base metal, and parts thereof (a) Other electrically operated
85.04	Electric accumulators
85.20	Electric filament lamps and electric discharge lamps (including infra-red and ultraviolet lamps); arc-lamps

Table 1 (cont'd)

CCCN Code	Product description
85.23	Insulated (including enamelled or anodized) electric wire, cable, bars, strip and the like (including co-axial cable), whether or not fitted with connectors
96.01	Brooms and brushes, consisting of twigs or other vegetable materials merely bound together and not mounted in a head (for example, brooms and whisks), with or without handles; other brooms and brushes (including brushes of a kind used as parts of machines); prepared knots and tufts for broom and brush making; paint rollers, squeegees (other than roller squeegees) and mops
98.16	Tailors' dummies and lay figure; automatic and other animated displays of a kind used in shop window dressing

Established by Decree on May 9,1990