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TRADE POLICY REVIEW MECHANISM

ARAB REPUBLIC OF EGYPT

MINUTES OF MEETING

Chairman: H.E. Mr. B.K. Zutshi (India)

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I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. The Chairman, introducing the review of Egypt's trade policies and practices, welcomed the Egyptian representatives and noted that the basic information for the Council discussion was contained in the report by the Government of Egypt (C/RM/G/28 and Corr.1) and the GATT Secretariat report (C/RM/S/28A and 28B). In line with the Decision establishing the Trade Policy Review Mechanism, the Secretariat had sought clarification from Egypt on its trade policies and practices, as far as information contained in the six factual chapters of the Secretariat report was concerned.

2. The Chairman suggested the following two main themes to help structure the discussion:

- General objectives of Egypt's economic and trade policies. This would cover questions relating to attempts of economic reform in Egypt in the 1980s and Egypt's experience in implementing elements of the 1990 Economic Reform and Structural Adjustment Programme in areas of macro-economic policy (exchange rate, monetary and fiscal policies), restructuring of public enterprises and privatization, domestic price liberalization and deregulation of investment and production controls while keeping in mind the macro-economic situation of the country, particularly in the past decade: modest growth in GDP, problems of creating employment for a rapidly expanding labour force, declining revenues from major traditional sources of foreign exchange, chronic imbalances in external accounts and the resort to balance-of-payments measures, and the effects of mounting foreign debt and recently granted debt relief to Egypt. In this context, one could also examine how comprehensive trade and economic reforms might lead to reallocation of resources in Egypt based on international comparative advantage, enhance the competitiveness of existing exporting industries and create market opportunities for partners trading with Egypt. Council members might also like to discuss existing or potential effects of other countries' trade restrictions and support policies on Egypt; and
- Egypt's use of major trade policy instruments. In this theme, the Council might focus on the trade liberalization programmes which had been undertaken since 1986; tariff reforms, elimination of supplementary duties and reductions in specific tariff concessions; liberalization of non-tariff measures such as conditional import prohibitions, prior approvals, the fulfilment of special conditions and letter-of-credit arrangements; the use of quality controls and technical regulations on imports; export restrictions; the rôle of public sector enterprises in foreign trade; and the extent to which reforms might have contributed to increasing transparency and predictability in Egypt's trade régime.

3. The Chairman invited the representative of Egypt to make his introductory remarks, to be followed by the two discussants, Messrs. Constantinescu and Gosselin.

II. OPENING STATEMENT BY THE REPRESENTATIVE OF EGYPT

4. The representative of Egypt recognized the usefulness of the Trade Policy Review Mechanism (TPRM) in providing transparency and further understanding of trade policies and practices of GATT members and contributing to the better functioning of the GATT trading system.

5. Egypt had agreed to be reviewed in respect of its GATT commitments and obligations and its belief in the GATT Multilateral Trading System. Egypt played an active rôle in the GATT even before the official accession, but had never been involved as a complainant or defendant in any GATT dispute since joining GATT in 1970.

6. The TPRM would also show the bold and wide steps towards trade liberalization in Egypt, especially in the past two years, in spite of exceptionally difficult circumstances. Egypt would seek credit for its autonomous liberalization in the GATT and the Uruguay Round. The Government of Egypt and the Egyptian people were fully committed to economic reform and liberalization. While some would consider the approach gradual, it was not hesitant and a one-way street. Many challenges remained, but Egypt should be able to implement whatever measures were needed to restore growth in production, employment and further strengthen the credit-worthiness of the Egyptian economy and its contribution to world trade.

7. By opting to be examined at an early stage of the TPRM exercise, Egypt wanted to show the world that the economy was on the right path, providing viable and secure opportunities for further trade expansion, investment and joint ventures. The confidence in the Egyptian economy was acknowledged by the IMF, the World Bank and many friendly countries, commending the steps taken by the Egyptian Government.

8. Egypt differed with respect to certain aspects of the GATT Secretariat report, particularly those relying on value judgements of researchers whose opinions were based on outdated data or policies which no longer applied. In addition, the views and data in the report could, understandably, not take into consideration changes taking place shortly before the TPRM meeting.

9. However, in Egypt's view, anyone reading the reports submitted to the meeting would not fail to recognize the major change in economic policies in Egypt, in fact a complete reversal of direction since the mid-1980s and with added emphasis and vigour in the early 1990s. In contrast to previous central planning and inward looking policies based on import substitution, current policies were clearly geared towards creating a market-oriented economy increasingly based on private initiative, with liberalization of trade, investment and pricing policies, including foreign exchange and interest rates. Efforts were supported by international organizations and many friendly countries.

10. The basic elements of the economic reform programme included macro-economic stabilization measures to contain inflation and ensure viable balance of payments. Effective measures had been undertaken to reduce the Government budget deficit from approximately 22 per cent of GDP at the beginning of the economic reform to 7.3 per cent of GDP in 1991-92 with the aim to reduce it to 4-5 per cent of GDP in 1992-93. This was achieved by introducing a number of revenue generating measures including a sales tax applicable to domestic and imported products without discrimination, the restoration of customs duties to 1986 levels and an increase in energy prices. After increases in July 1992, petroleum products prices equalled 80 per cent of world market prices and electricity prices 69 per cent of their long run marginal costs. The introduction of a unified and more realistic market determined exchange rates and also had revenue generating effects.

11. On the expenditure side all consumer subsidies on non-essential goods were eliminated and other consumer subsidies were considerably reduced, including subsidies on wheat by-products, a basic part of the Egyptian diet. Cement and fertilizer prices had been increased recently, and trade opened for the private sector, thus eliminating public sector monopolies.

12. Government policy had also aimed to control the growth of money supply, succeeding in reducing the rate of monetary growth from 28 per cent in 1991 to just over 15 per cent in 1991-92. A new treasury bill market had enabled the Government to reduce its reliance on the banking system in financing the budget deficit. The emerging market determined interest rate structure was more realistic and had reversed the previous trend towards "dollarization" of the Egyptian economy.

13. Egypt had succeeded in unifying its exchange rate system in the third quarter of 1991 and had created a free foreign exchange market with full participation of non-bank dealers, now accounting for 16 per cent of the volume of transactions in that market. Government policies had been oriented towards preventing the temporary influence of capital inflows from causing an appreciation of the exchange rate in order to maintain the competitiveness of Egyptian exports.

14. Other basic elements in the reform programme concerned structural adjustment of the productive sector. Public enterprises had been freed from ministerial controls, their managers were granted complete freedom in relation to pricing, employment and investment policies. Public sector enterprises were currently subject to the same rules as private firms and their access to bank credit was based on credit-worthiness. No longer subject to foreign exchange budget allocations, both private and public sectors had unrestricted and unlimited access to resources in the free foreign exchange market. Restrictions on the transfer of funds abroad had been virtually eliminated whether carried out through the banking system or by persons leaving the country.

15. The payments agreement with the People's Democratic Republic of Korea was eliminated in 1991 and trade with former Soviet Republics had been conducted at the free market exchange rate since the beginning of 1992.

The Egyptian Government had formally informed the Government of the Russian Federation of its desire to terminate the payments agreement between the former Soviet Union and Egypt. Steps were being taken to phase out the payments agreement between Egypt and Sudan gradually.

16. Public sector monopolies in foreign trade had been virtually eliminated, and further liberalization measures were expected in the near future, including the establishment of cotton exchange markets.

17. Simplification of import and export procedures was a major step in trade liberalization. In 1984, some 35.2 per cent of tradeable goods production was subject to protection through conditional prohibition. In two steps, in May 1991 and August 1992, the ratio had been reduced to 10.3 per cent, thus approximately 71 per cent of tradeable goods previously subject to conditional prohibitions had been liberalized. This list was kept under continuous review with the objective of reducing it further. Quantitative restrictions would be replaced by price-based measures.

18. Advance import deposits, originally 35 per cent, were reduced to 10 per cent (or 20 per cent) in May 1991. Import deposits were abolished in August 1992. The 1991 Public Business Law treated public sector companies on the same footing as private enterprises. They were no longer subject to foreign exchange budget appropriation. Public sector monopolies on twenty-seven commodities had been abolished, allowing free competition between public and private sectors for all commodities without exception, including importation through barter arrangements. A requirement to open letters of credit prior to importation was eliminated in 1991, and an Egyptian agent or a service facility was no longer required for the importation of any item.

19. Similar efforts had been taken to liberalize exports in 1991; 37 items subject to prior approvals had been liberalized, 20 items whose export was prohibited were reduced to 6 in 1991 and only two (raw hides and scrap metals) in August 1992, and quota items were reduced from 17 to four in 1991. Three items were eliminated in August 1992 and the quota for the remaining item (tanned leather) was increased by 25 per cent. Eleven items whose exportation was monopolized by public sector enterprises were currently open to private and public enterprises without discrimination.

20. Concerning tariffs, he reiterated that the changes in tariff rates in 1991 merely restored tariffs to levels existing in 1986. The tariff reform aimed, with few exceptions, to narrow the range between minimum and maximum rates from 1 to 110 per cent to 5 to 100 per cent, requiring Egypt to secure a GATT waiver which was obtained in July 1992. Tariff rates would be reduced further to a maximum 80 per cent, with a short list of exceptions to tax luxury imports and preserve, transitionally, customs revenue. The Government planned to adopt the Harmonized System of Tariff Classification by the end of 1992.

21. A plan of action was being drafted for improving the administration of safeguard mechanisms and quality controls along international standards. Quality controls were applied equally to domestically produced goods and imported commodities, and it was therefore improper to interpret such measures as a substitute for non-tariff barriers.

III. STATEMENTS BY THE DISCUSSANTS

22. The first discussant (Mr. Constantinescu) saw a number of similarities in objectives between the transformations under way in Egypt's economy and those specific to the European countries in transition to a market economy. The Secretariat report offered a comprehensive and analytical picture of Egypt's economic and trade policies, in spite of sometimes limited data and information. He appreciated the Egyptian authorities' efforts to present, in a succinct national report, the main characteristics of the country's economic and trade policies.

23. Egypt's participation in the GATT dated back to 1970, signalling a determination to introduce the economy to the GATT's global principles and rules, although sometimes with inevitable ups and downs. A marked determination to accelerate the process was clearly visible during recent years.

24. The medium-term historical perspective offered the possibility to understand better the steps made by Egypt in the process to legally regulate and enforce GATT principles and rules. Egypt's economy and external trade relations were influenced by endogenous (natural resource endowment, limited economic flexibility and social interest groups) and exogenous factors (unstable and often unfavourable international conditions and limited market access). Egypt's comprehensive macro-economic reform programme aimed at inducing balanced development and achieving sustainable long-term growth. Market-economy mechanisms and instruments had been and were to be introduced to consolidate the elimination of centralized and inward-oriented economic and trade policies.

25. There was a distinct drive for trade liberalization in spite of existing difficulties and a certain intermingling between a number of remaining administratively-based economic levers and modern trade mechanisms and instruments. The initiation and passing of trade laws and other regulations was complex and apparently cumbersome. Various administrative institutions were strongly involved in the legal process and in supervising the implementation of trade regulations. Administrative conditionality in the application of certain trade instruments was likely to diminish their effectiveness.

26. Market-based instruments included gradual liberalization of foreign exchange policies to enhance exposure of the economy to external competition; determination to base trade policy on tariffs while gradually reducing import protection; gradual elimination of import prohibitions and restrictions; efforts to diminish State involvement in production and trade; and assimilation and implementation of various multilaterally-agreed trade instruments. The success of the trade reforms depended on the ability to limit the use of administrative levers, while enhancing the action of market-based instruments. Recent steps undertaken by the Egyptian authorities reflected their efforts to advance in this direction. The authorities also strove to ensure a higher degree of stability and predictability of trade policies and practices. Continuous

timely efforts to further improve transparency, mainly with regard to the implementation of the respective policies and practices, would be useful.

27. Egypt deserved appreciation for its efforts to build a market-based, outward-oriented economy. In order to further clarify certain aspects of Egyptian reforms, he requested details concerning the system of initiating, passing and implementing trade laws and regulations; a ranking of legal instruments; information on the ministries and agencies responsible for the drafting, passage and implementation of the laws and regulations; the present status of State monopolies and the weight of the public sector in the economy; the pace of implementation of the privatization programme including specific examples; clarification of the term "market determined economy based on market forces"; the investment régime; more details on "prior government approval"; import under "certain conditions", and "conditional import prohibitions"; clarification of the term "general organizations" in the Tenders Law; the collection and presentation of trade statistics, particularly the various institutions involved; and a description and evaluation of the interplay between tariff and non-tariff measures in ensuring import protection.

28. The second discussant (Mr. Gosselin) drew attention to the comprehensive reform of Egypt's highly centralized and statist economy aiming at a market-based and more outward-oriented economy. The magnitude of the task was perhaps best demonstrated by two figures; fiscal deficits during the 1980s generally equalling or exceeding 20 per cent of GDP and the external debt to GDP ratio, the highest in the world in 1986. Such large imbalances could only result from unsustainable macro-economic policies compounded by anti-growth, anti-competitive structural policies including a trade régime strongly biased against exports. Interventionist schemes discouraged agriculture, especially cotton production, in which Egypt had long had a comparative advantage while encouraging production in sectors where comparative advantage was more elusive. A large public sector had been a drag on the economy.

29. He commended the Government of Egypt for its commitment to undertake fundamental and broad ranging economic reforms. The principal areas of reform concerned macro-economic stabilization, foreign trade liberalization, deregulation of price controls and other similar administrative practices, the reorganization of public enterprises and privatization and the creation of a social fund to facilitate the adjustment process.

30. Important achievements included reform of the foreign exchange régime and unification of exchange rates in advance of agreed target dates; significant progress in fiscal consolidation, reducing the debt to GDP ratio through major cuts in government subsidies, restructuring of large economic enterprises and unifying the exchange rate; gradual progress in tariff rationalization, narrowing tariff dispersions in a two-tranche programme, necessitating recourse to GATT Article XXVIII to address the problem of changes to bound tariff rates; and abolition of the import licensing system and reductions in "banned" and "conditionally prohibited" items. Egypt was a member of many of the GATT Tokyo Round Codes, with the notable exception of the Customs Valuation Code, and had participated very

actively in the Uruguay Round. Its trade policy objectives to develop a decentralized market-based outward-looking economy removing all undue barriers to private economic activity, based on tariffs as the main trade policy instruments, were ambitious and laudable.

31. Issues that were useful to examine covered transparency, measures affecting competition, investment and commitments. In undertaking a complex and ambitious reform programme, it was most important to ensure that the parties involved understood the objectives and rules, confident that those would be applied in a fair manner to create a predictable and certain climate for conducting business. To do otherwise would undermine confidence and lead to inefficiency and waste.

32. Evidence suggested room for considerable improvement in transparency in the application of various policies. While the import licensing system had been abolished, considerable uncertainty existed concerning the coverage of "banned imports" or "conditionally prohibited imports" and the criteria governing the composition of such lists. "Quality inspections" had been extended and it was not clear whether this device was not being used for protecting local producers, especially of non-food items. Transparency and predictability could be greatly improved by raising tariff bindings beyond the current 5 per cent level, by Egypt joining the Customs Valuation Code, simplifying documentation and reducing uncertainty about the criteria used for establishing value for duty, and by clarifying rules of origin applying to tariff preferences.

33. Factors affecting competitiveness included policies and practices affecting prices, productivity and the resource allocation. Egypt's bid to develop competitive industries depended on the degree of openness of the economy and the extent to which market forces were permitted to dictate resource allocation. Successful industries could not be developed and sustained behind high levels of protection. A case in point was the cotton and textile industries. The clothing industry could not develop an aggressive approach to costs behind effective protection estimated at 700 per cent. Distortive and costly policies included banning of certain imports to favour domestic production, quality control measures used as protective devices, local content regulations, administered prices discouraging domestic production and/or necessitating export bans or taxes to safeguard the implicit subsidy to processors and inefficient distribution monopolies.

34. Forces external to the Egyptian economy could influence the ability to successfully carry out economic reforms. Voluntary export restraints affected textiles, agriculture, petroleum products and some fertilizers. The export subsidy wars between the United States and the EC on grains depressed prices and skew the allocation of resources in domestic agriculture.

35. Egypt was committed to attract foreign investment, but net foreign investment flows had declined annually since 1986. While improved, laws governing investment had been criticized for being ambiguous in certain respects as to the rights and obligations of investors, for being

discretionary and for limiting investments to a fairly narrow range of activities. Investment decisions could be skewed by local content requirements and there were indications that approval procedures were complex, lengthy and somewhat bureaucratic.

36. The very ambitious programme had already begun to bear fruit. The challenge was to continue on the path of reform, requiring courage in resisting vested interest in the status quo and appropriate programmes to facilitate the adjustment process.

IV. STATEMENTS BY MEMBERS OF THE COUNCIL

37. The representative of the United States commended the Government of Egypt for undertaking an ambitious programme of economic reform, resulting in the most substantial trade liberalization ever carried out by Egypt. Liberalization of foreign exchange restrictions and the termination of import licensing for most products, two of the more significant trade barriers, were particularly encouraging. The consideration of implementing anti-dumping and countervailing duty measures signalled a commitment to free and fair trade. It was critical to allow exporters to participate in such investigations.

38. The United States was, however, concerned about bureaucratic delays in investment licensing and broad discretionary provisions in the 1989 public investment law. The so-called "negative list", subjecting investments to review, remained excessively broad. Egypt had not met IMF deadlines for relaxing price controls on pharmaceutical products. He encouraged Egypt to stick closely to the time-table for price liberalization. Import bans or conditional prohibitions had been phased down, but continued to apply to significant goods produced in Egypt. Egypt should reduce this practice dramatically.

39. Despite the short-term political difficulties inherent in any ambitious programme of economic reform, he strongly urged Egypt to press vigorously ahead with its reform programme. Rewards were already evident in rising foreign investment and currency stability. Implementation of the remaining reform elements should result in higher economic growth.

40. Egypt had agreed to eliminate most non-tariff barriers to trade within two years and reduce high customs tariffs under the structural loan agreement with the World Bank. While moving away from non-tariff measures, tariffs were higher than in other major developing countries. He urged Egypt to promptly bring its published m.f.n. tariff rates in line with its GATT bindings.

41. He encouraged Egypt to bind significant progress in liberalizing services, notably financial services, in its Uruguay Round offer, and proposed further liberalization in sectors such as insurance, professional services and value-added telecommunications. Significant import barriers on motion pictures and video films should be removed.

42. Egypt's failure to protect intellectual property rights were harmful also to its own economy, hurting the Egyptian film industry and high-tech industries such as computer software and pharmaceuticals. Egypt's copyright and patent laws were inconsistent with the draft TRIPs text and should be revised to include pharmaceutical patent protection and full protection for computer software and sound recordings.

43. The representative of Chile noted that the current reform and structural adjustment programme reversed the previous emphasis on State intervention and inward-looking trade policies. These had produced

considerable anti-export bias and made Egypt a major importer of foodstuffs, resulting in substantial trade deficits and mounting external debt. Urging Egypt to continue the reforms. She asked what were the main challenges and problems in implementing the reforms and how the TPRM exercise could be useful in this context.

44. Positive changes included fewer imports subject to conditional prohibitions and prior approvals; elimination of import charges, prior deposits and letter of credit requirements; and reduced tariff dispersion. Negative elements included substantial tariff escalation, high tariffs in certain sectors, a low level of GATT tariff bindings and significant non-tariff measures. She sought to know whether a specific deadline existed for the removal of conditional import prohibitions. Noting Egypt's need to increase exports, she stressed that a rapid and successful conclusion of the Uruguay Round and open foreign markets would assist in consolidating Egyptian reforms and increase resistance to anti-reform pressure from vested interest groups.

45. The representative of Finland, speaking on behalf of the Nordic countries, noted that the ambitious reform programme was not yet completed, but significant structural changes had taken place despite resistance from old structures. The policy to introduce tariffs as a main trade instrument and gradually phase out non-tariff measures appeared to lead to tariff increases in some cases, but should nevertheless be welcomed as a fundamental improvement since non-tariff measures always tended to have arbitrary features, including low transparency. He hoped that the Article XXVIII negotiations in relation to the tariff reform could be carried out in the foreseen time period. He noted that only 3 per cent of Egypt's tariff lines had been effectively bound and wondered to what extent the new HS tariff would be bound.

46. The Nordic countries had presented a number of advance questions to the Egyptian delegation. Additional observations concerned the implementation of the privatization programme, Egypt's intentions to sign the Customs Valuation Code and details of any problems in this respect, policy guidelines concerning reducing the "negative list" on investment and further precision of the treatment of foreign and domestic companies in import/export operations including revisions of the requirement to use Egyptian agents. Quality controls had been extended to manufactured goods and fish products. Given the administrative hassle connected with such measures, he asked for details concerning the criteria justifying quality controls.

47. The representative of the European Communities did not share all value judgements in the Secretariat report, such as international wheat price effects on Egyptian imports. The EC supported Egypt's ambitious reform programme. Efforts to increase the rôle of the private sector matched development projects under the EC Mediterranean programme. Notable progress had been achieved in eliminating foreign exchange regulations and improving the import licensing régime. However, in measuring credibility in the reforms in economic behaviour, it was disturbing to note the decreasing trend in foreign direct investment into Egypt. Perhaps the

business environment found difficulties in predicting the course and pace of economic reforms. The EC understood the constraints facing Egypt, and would provide further assistance based on timely implementation of agreed measures.

48. EC enterprises were not entirely satisfied with the transparency and predictability in the import licensing régime; the scope of licensing remained too extensive and there were problems in implementing reforms at lower administrative levels. Certain tariffs were excessively high. He urged Egypt to publish more widely the tariff reductions applying to GATT contracting parties. Overall, the EC would support further reforms in Egypt, but would encourage accelerating the pace of the programme and a more positive assertion of "voluntary" trade liberalization measures.

49. The representative of Canada commended Egypt for its active participation in the GATT and the Uruguay Round. The economic reform programme was impressive; particular reference was made to foreign exchange reforms and early unification of exchange rates and progress in fiscal consolidation. Gradual progress in tariff rationalization was welcome, even if questions remained as to transparency and consistency in that area. The abolition of import licensing and steady reduction in the list of conditionally prohibited imports was a positive move; Egypt had also adhered to all Tokyo Round Codes except those on government procurement and customs valuation. However, the Egyptian authorities remained committed to provide seemingly very high protection to local producers in many sectors, notably in transport equipment and textiles and clothing. In most manufacturing sectors, protection from tariffs and non-tariff measures were further compounded by local content requirements, reinforced by tariff reductions on imported inputs.

50. Continued strong determination to shield local producers could encourage investment in areas where comparative advantage was doubtful and discourage investment in sectors where export success was more likely. He sought information concerning further tariff rationalization, including plans to reduce tariff escalation, and intentions vis-à-vis further reductions in the conditionally prohibited list and its eventual abolition.

51. Egypt appeared reluctant to meet transparency obligations under GATT, as evidenced in the request for a waiver of tariff obligations. He hoped for speedy conversion of the Egyptian tariffs to the Harmonized System, accompanied by Article XXVIII negotiations under the recently obtained waiver. The Egyptian authorities had apparently been unable or unwilling to provide information on certain policies or practices, including barter trade, preferential trading arrangements with other Arab countries, rules of origin and standards.

52. Canada requested additional information concerning civilian production by military industries (including State assistance); whether imports remained controlled or suspended through denial of letters of credit; new legislation on anti-dumping and countervailing measures; Egyptian intentions to adhere to the Customs Valuation Code; an agreement between Egypt and the United States to reduce agricultural subsidies; the

rationale for State trading and other monopolies in the wood, pulp and paper sectors and import criteria; and projections on Egyptian production and imports of wheat.

53. The international community should take into account that the Egyptian authorities needed the support of the international trading system to counter domestic opposition to reform. However, mobilizing domestic understanding and support for reforms was also the recognized responsibility of Egyptian authorities.

54. The representative of Mexico pointed to the recent inflow of foreign capital into Egypt as an indication that the Structural Adjustment Programme was following the right direction. Since capital inflows could hurt exports through a real appreciation of the exchange rate he asked whether Egypt intended to establish export promotion programmes or take measures to encourage domestic savings. Additional questions covered the schedule for further elimination of non-tariff measures and whether Egypt would offer more tariff bindings in the Uruguay Round. He echoed Egyptian requests for improved access in export markets and stressed that developing countries should receive credit for their liberalization measures in the trade negotiations.

55. The representative of Hungary welcomed Egypt's Economic Reform and Structural Adjustment Programme aiming to create a decentralized, market-based, outward-oriented economy to restore Egypt's financial credit worthiness and resume non-inflationary economic growth. The programme included liberalization of a trade régime that had been completely centralized, dependent on budgeting of foreign exchange, import quotas and other controls. A protectionist trade policy and State intervention was not a viable option, but shifting political thinking after some thirty years of central planning was not easy. She hoped that Egypt would continue to increase further the transparency of its trade régime. Confident that Egypt would fully implement its reforms, she noted that a stable, predictable multilateral trading system, including a successful conclusion of the Uruguay Round, would encourage economic transition.

56. In progressing with economic and trade reforms, she hoped that the rôle of barter arrangements, which could have distortive effects on competition and limit market access, would be diminished in Egypt. Hungarian exporters of agricultural products had experienced that Egyptian sanitary and quality regulations could act as import barriers and, because inspection had been prescribed in the letters of credit, could delay payment considerably. Phasing out certain non-tariff barriers should hopefully not be accompanied by an increase in trade-restrictive effects of other non-tariff regulations. Hungary would like to receive further up-dates on Egyptian reforms to allow contracting parties to utilize better the opportunities offered by trade liberalization in Egypt.

57. The representative of Australia complimented Egypt on the significant economic and trade reforms initiated, particularly over the last two years. Egypt attempted to achieve an open market economy and more liberal and

transparent trade policies and practices. Indicative of the positive steps taken were the unification of exchange rates and a liberalized, market-oriented foreign exchange system; the reduced coverage of various non-tariff trade barriers; the move towards using tariffs as the main trade policy instrument; further liberalization of domestic price controls; and initial steps in public enterprise reform including privatization of State-owned enterprises.

58. Nevertheless, in certain areas developments reflected the first steps in the liberalization of a highly protective, inward-looking and complex trade régime. Egypt's ultimate aim was to increase economic efficiency, bringing increased import competition, efficiency and export performance. Continued reform seemed necessary, and at an increased pace, in the public sector. He sought a time-table for the reform of public enterprises, including possible exclusions of enterprises/public trading monopolies from privatization. Discriminatory regulations inhibiting the private sector from becoming more competitive and from playing a greater rôle in the Egyptian economy should be removed. He would appreciate details on the required changes and associated problems should Egypt accept the Customs Valuation Code. Australia would provide Egypt with written questions on other specific points.

59. The representative of Japan welcomed the recent trade liberalization measures initiated under Egypt's Economic Reform and Structural Adjustment Programme, which contributed to world free trade. However, Japan would request Egypt to implement trade-related measures with more transparency and predictability, including prior publication of time-tables for their implementation.

60. In principle, no specific problems requiring urgent solution existed between Egypt and Japan. Nevertheless, some foreign companies investing in Egypt had recently experienced problems in obtaining work permits. Regulations limited the share of non-Egyptian employees in an establishment to 10 per cent. These measures restricted labour mobility and impeded investment inflows. The Japanese representative would like to hear how the Egyptian Government would solve this problem.

61. The representative of the Republic of Korea stated that Egypt was to be commended for its autonomous liberalization measures, efforts to privatize State entities and liberalization of investment. Contracting parties needed to provide a more favourable trading environment to all developing countries and should resolve to facilitate the efforts of developing countries on the path of economic reform. The clearest sign would be through thorough reform of the external trade environment in the context of a balanced Uruguay Round agreement, taking into account the needs of all contracting parties.

62. While the developed world could do much to facilitate free trade, developing nations, including Egypt, could act and had already done so. He encouraged Egypt not to renew high local content requirements when due to expire no later than December 1993. Egypt was making some progress in reducing tariffs and the plan to redress wide tariff dispersion was

welcomed. Egypt would hopefully be able to reduce tariff rates further within the Uruguay Round. Korea welcomed the abolition of Egypt's import licensing régime and the continued reduction of banned items and hoped the phase-out of existing non-tariff barriers would continue. Regarding extended use of quality control measures, he underlined the need to distinguish between consumer protection and industrial protection.

63. The representative of Peru welcomed Egypt's efforts to apply GATT principles and rules, reform the economy and liberalize trade in accordance with IMF and World Bank programmes. Although Egypt's trade with Latin American countries was minimal, its economic profile was similar to a country such as Peru. Particularly encouraging were Egypt's autonomous liberalization of prior import approvals, conditional import prohibitions (ultimately to be abolished), unification of exchange rates, rationalization of tariffs, although some high tariffs remained, and reduced concentration of trade in public enterprises. A signatory to most Tokyo Round Codes, questions remained as to Egypt's intentions to accede to the Codes on Customs Valuation and Government Procurement. Egypt had embarked on a comprehensive structural adjustment programme which was moving in the right direction, and a consolidated, efficient and credible multilateral trading system should support continued adjustment in Egypt.

64. The representative of Switzerland congratulated Egypt for its recent economic achievements and the way it had managed additional economic difficulties resulting from the Gulf war. Egypt's financial situation had improved and foreign debt had been reduced through debt reduction and cancellation with a large financial support of the international community. Egypt had implemented a comprehensive reform programme in collaboration with the Bretton Woods institutions in a difficult social context. Particularly appreciated were the exchange rate unification, the floating of the Egyptian currency, subsidy reductions and the privatization programme which would, through a liberalized price structure, support the adjustment process. She sought further information on the proportion of industrial goods still under price control, in particular concerning pharmaceutical products.

65. Considering the actual economic structure of Egypt, a decentralized, market-based outward-oriented economy was still a somewhat distant objective. Private exporters were likely to be the engines of growth, thus the importance of rapid implementation of the privatization programme, economic liberalization and removal of all undue barriers to private economic activities. Egypt should use its actual improved financial situation to face the structural problems.

66. In trade policy, Switzerland appreciated efforts and measures already taken, especially tariff reductions and abolition of non-tariff measures. Regarding the renegotiation of Schedule LXIII, he encouraged the Egyptian delegation to provide the necessary documentation for the consultations and negotiations under Article XXVIII in due course. The lists of conditional import prohibitions and prior import approvals should be reduced further. She requested more information on the safeguard mechanism being introduced in parallel with liberalization of some sensitive items and the rationale

for local content requirements in investment in audio and video appliances, passenger cars and pharmaceuticals. The very high rates of effective protection in textiles and clothing were somewhat surprising.

67. The representative of New Zealand recalled a bilateral meeting at ministerial level earlier in 1992 to explore the possibilities for increasing trade. It was clear that Egypt's trading environment had become more open than in recent decades, a direct result of the economic reform programme. The greater reliance on private sector initiatives was very gratifying. Sound progress included a falling budget deficit, price liberalization and deregulation, energy price reforms, market based interest rates, liberalized exchange controls and tariff reform. While causing particular difficulties for low or fixed income groups, the gains would positively affect Egypt's market position.

68. The often painful adjustments in Egypt were representative of similar structural adjustments in many other developing countries. Egypt had not yet completed the reform process. That a successful conclusion to the Uruguay Round would help to encourage Egypt's process of adjustment should not be overlooked by its trading partners. He welcomed Egypt's intention to increase tariff bindings, a central element in the effective functioning of the multilateral system, in the Uruguay Round. It was important for all contracting parties to observe GATT procedures if tariff bindings were deconsolidated.

69. New Zealand's exports of agricultural products had been affected by changes in Egyptian tariffs. Reforms were based on the need to reduce tariff dispersion and he welcomed elimination of a complex array of non-tariff measures. He looked forward to Article XXVIII negotiations with Egypt on tariff concessions. New Zealand would encourage Egypt to establish a GATT-consistent procedure for anti-dumping, countervailing and safeguard measures and would welcome any information regarding the introduction of new procedures.

70. The representative of Morocco praised Egypt for launching a comprehensive economic reform programme against a somewhat unpredictable international environment. A successful conclusion of the Uruguay Round would bring positive results to the world economy. Egypt was determined to continue its market-economy reforms with results visible in a stable exchange rate and improved prospects in agriculture. Tariffs were emerging as the principal trade policy instrument; conditional prohibitions and prior approvals of imports were to be removed. In services, the financial sector had been liberalized to be based on national treatment.

71. Comprehensive reforms would naturally expose certain imperfections, such as lack of transparency in prohibiting imports, rules of origin, etc. but he was confident that Egypt would correct these imperfections. He requested details concerning Egyptian procedures in Government procurement and the two remaining products subject to export prohibition.

72. The representative of India found the Egyptian reforms impressive. It was a painful process carried out against the background of an adverse international environment. Tariffs were emerging as the main trade policy instrument. Other measures such as tariff restructuring, reductions in non-tariff barriers, macro-economic stabilization, price deregulation and restructuring of public enterprises could affect short-term economic performance but were steps in the right direction. The success of Egyptian reforms depended on the external environment. He hoped that partners would continue to assist Egypt's adjustment efforts. India held the view that the TPRM mandate did not extend to services and intellectual property protection.

73. The representative of Argentina appreciated Egypt's structural reforms and its orientation towards a market economy. Achievements were already evident. Egypt and Argentina were expanding co-operation in important technology projects and the partnership would hopefully develop further. The efforts required to carry out a policy change of the magnitude undertaken in Egypt were well known. Egypt was encouraged to continue its path of reform and its active participation in the GATT. He was confident that certain defects in the Egyptian trade régime would be corrected.

74. The representative of Côte d'Ivoire noted that Egypt had made continuous efforts to adapt its economy and trade to GATT principles, eliminating a large number of protective measures. The trend to convert non-tariff measures to tariffs and the request for a GATT waiver demonstrated Egypt's intention to make its trade régime more transparent. The ups and downs in trade liberalization were due to unforeseen exogenous and endogenous factors. Egypt's comprehensive reform programme was particularly commendable given the difficult economic climate.

75. The representative of Pakistan encouraged Egypt to introduce further steps towards a market economy. For Egypt, reforms represented a fundamental shift in policy orientation. Managing reforms was difficult, but some doubts regarding Egypt's course expressed by other delegations were not justified. Egypt deserved credit for its autonomous liberalization measures and should be assisted by a more supportive international environment. Specific areas of supportive action included liberalization of labour services, quick phase-out of import restrictions on textiles in major markets and removal of distortions and improved market access in agriculture. Egypt's new policy course was highly commendable.

76. The representative of Madagascar noted that an increasing rôle of the private sector and active participation to strengthen the multilateral trading system were among the many measures taken by Egypt in pursuit of economic liberalization and a more open trade régime in spite of economic hardships. Rapid adherence to multilateral rules was sometimes difficult, particularly for developing countries. She encouraged Egypt to liberalize further. Egypt was requested to outline existing trade policies in the textiles sector.

V. COMMENTS AND RESPONSES BY THE REPRESENTATIVE OF EGYPT

77. In responding to the comments by discussants and delegations, the representative of Egypt underlined that economic reform was a continuous process and Council members should also include Egypt's declared intentions to go further in their assessment of the Egyptian reform programme. Very few countries in similar circumstances could match Egypt's liberalization measures, in particular over the previous two years.

78. Seventy-one per cent of the goods originally subject to conditional import prohibition had been liberalized, reducing the production coverage of this measure to 10.3 per cent. Import licensing was abolished in 1986, prior import approvals reduced to cover nine items, export prohibitions only affected raw hides and scrap metals, prior approval of exports had been removed and only tanned leather remained under export quota. Quality controls were not being extended, as alleged, to replace non-tariff barriers. They were intended to apply equally to imported and local products. Insinuations that the Egyptian bureaucracy was particularly obnoxious, and the implicit disbelief in Egypt's genuine intentions to liberalize, were unacceptable. Egyptian measures were introduced in full conformity with GATT rights and obligations.

79. Comments regarding high effective rates of protection referred to an outdated study. Results based on data before 1989 were no longer applicable. The effects on protection of economic reforms in 1991 and 1992 had not been calculated. Conclusions concerning average tariff rates were equally no longer valid. Tariffs did not exceed GATT bindings on 211 of the 267 bound items. The tariff changes in 1991 and 1992 did not apply to GATT members; the July 1992 waiver covered 52 items only.

80. Egypt applied the customs valuation procedures stipulated in the Brussels Definition of Value. Adherence to the Customs Valuation Code had been studied for more than one year. The Egyptian Customs Law would need to be amended. Egypt was a member of the Tokyo Round Agreements on anti-dumping, subsidies and countervailing measures. The Codes were incorporated in domestic legislation. Safeguard provisions existed in the Customs Law and the 1991 Import and Export Regulation. Egypt had never resorted to anti-dumping or countervailing actions. The authorities were considering the establishment of GATT-consistent dumping regulations.

81. Many questions and comments referred to transparency and predictability in the Egyptian trade régime. He confirmed Egypt's commitment to transparency; legislation and procedures were publicized widely. His authorities would be in close contact with the GATT Secretariat on future measures, such as in anti-dumping.

82. Although privatization was not within a strict interpretation of the TPRM mandate, policy initiatives included legislation not distinguishing between private and public enterprises and reorganization of public assets in 27 holding companies. Thus the Government created a distance to its ownership rôle and subjected companies to commercial criteria. Sales of public assets had grossed LE 600 million. The numbers of holding companies

were to be reduced and affiliated enterprises would be redistributed to ensure greater competition. Enterprises owned by local authorities had been sold and a sell-off of public sector shares in joint-ventures was imminent. The privatization process was by nature slow and complex, but the Government was determined to implement the programme.

83. State trading monopolies no longer existed in Egypt. The 1991 Import and Export Regulations did not include any reference to foreign trade privileges for public sector enterprises.

84. Local content requirements in investment were related to Egypt's overall industrialization strategy to establish viable and stable industries. Assembly operations highly reliant on imported components had encountered serious difficulties caused by lack of foreign exchange. High local content industries were justifiable in countries with high unemployment. He emphasized that the negative list did not prohibit investment but merely authorized case-by-case approvals. The negative list was subject to continuous review with the aim to reduce it further.

85. Concerning agreements to reduce agricultural subsidies, the exchange rate applicable to imported fertilizers was the free market rate. Fertilizer subsidies had been reduced by more than 50 per cent and would soon be eliminated. Non-cotton pesticide subsidies had been reduced considerably and would also be removed.

86. Procedures for drafting, passing and implementation of trade laws and regulations were adequately described in the Secretariat report, but the underlying impression that the decision-making process was cumbersome and slow could not be accepted. Major policy decisions were examined thoroughly and involved consultations with private sector representatives. Activities of pressure groups were a natural part of democratic practices, but should not threaten the reform process in Egypt since the benefits of reform were well known.

87. Egypt had been encouraged to adhere closely to the timetable for lifting price controls as agreed with the IMF. Deregulation of price controls on pharmaceutical products were not included in the present stand-by agreement. Full price liberalization was still targeted for mid-1995. Performance criteria set for end-June 1992 had been observed.

88. Requirements to open letters of credit prior to importation had been abolished. Suspending the issuance of letters of credit could thus no longer serve to effectively prohibit imports.

89. The Central Agency for Public Mobilisation and Statistics collected and presented official trade statistics. Its practices were similar to agencies in other countries. The Customs authorities and the Central Bank also gathered certain statistics.

90. "General organizations" mentioned in the Tenders Law were government organizations engaged in economic activities such as telecommunications, electricity networks and railways.

91. The mechanisms for prior approval and conditional prohibition of imports were described adequately in the background documentation. The expression "market determined economy based on market forces" used in the Egyptian Government report corresponded to the general term "market economy".

92. Egyptian offers with regard to services and TRIPs negotiations were outside the scope of the TPRM. Egypt would conduct bilateral consultations with one contracting party. Regarding wheat harvests, Egypt would like to increase production to feed its population. Agricultural output had responded positively to economic reforms and price liberalization. However, Egypt would remain a wheat importer. Projections concerning the future balance between domestic wheat and imports were not available. Egypt's offer in the Uruguay Round would include a higher number of tariff bindings.

VI. FURTHER COMMENTS

93. The first discussant thanked Egypt for having answered most of the questions raised in the discussion. He wished the Egyptian authorities every success in carrying forward the economic and trade reforms.

94. The second discussant was grateful for the information and clarifications presented by the Egyptian delegation. The question of published Egyptian tariffs exceeding bound levels could be further clarified - whether rates applicable to GATT members were published in a separate customs tariff or clearly stated to traders in other ways. He welcomed the Egyptian intention to increase tariff bindings in the context of the Uruguay Round. A second issue concerned the treatment of profits and losses of public sector enterprises within holding companies and the scope for covering losses by budgetary transfers. He also wondered whether the Government had plans to privatize holding companies.

95. In response, the Egyptian representative confirmed that tariffs bound for GATT members had been incorporated in domestic legislation. In earlier years, many bound items had been covered by conditional import prohibitions. One or two slippages had occurred in the liberalization of non-tariff measures. The Egyptian business community noticed administrative mistakes quickly and these had been corrected. Transparency commitments had been fulfilled in this case. The Egyptian authorities had never announced intentions to privatize holding companies; imminent sales concerned public sector participation in joint-ventures.

96. Egyptian policies in textiles included a shift from public sector dominance to rapid private sector growth. Egypt had two bilateral agreements under the MFA, and had joined other developing countries in efforts to liberalize trade in textiles. In the Uruguay Round, Egypt had been active in elaborating the transitional arrangement to follow the MFA. Textiles were included in Egypt's market access offer.

VII. CONCLUDING REMARKS BY THE CHAIRMAN OF THE COUNCIL

97. The reviews undertaken by the Council in the framework of the Trade Policies Review Mechanism aim to provide a collective evaluation of the full range of individual contracting parties' trade policies and practices and their impact on the functioning of the multilateral trading system. My closing remarks are intended to summarize, on my own responsibility, the salient points emerging from this review of the Arab Republic of Egypt. These remarks are not a substitute for the full discussion and assessment by the Council. This, including Egypt's responses to points raised by participants, will be reflected in the minutes of the meeting.

98. In his introductory statement, the representative of Egypt emphasized that Egypt strove to respect its international commitments and obligations, had always participated actively in the multilateral trading system, and was proud to present the steps it had taken in trade liberalization despite difficult circumstances. Since the mid 1980s, there had been a complete reversal in trade policy direction. This had been reinforced since the early 1990s; Egypt's policies were now firmly oriented towards creating a market economy, increasingly based on private initiative and the liberalization of trade, investment and pricing policies, as well as of exchange and interest rates. Such policies had the support of the main international financial organizations and of sympathetic governments.

99. Macro-economic stabilization, aimed at containing inflation and ensuring balance-of-payments viability, was central to the programme. Budget deficits had been reduced; a unified, market-determined exchange rate had been introduced ahead of schedule; and consumer subsidies had been considerably reduced or eliminated. Monetary growth had also been constrained and a more viable interest rate structure introduced.

100. Micro-economic reforms included liberalization of public enterprises from government-determined budgetary, employment and credit constraints and the opening of all sectors to free foreign exchange resources. The public monopoly of foreign trade had also been almost completely phased out and further liberalization was expected, including the establishment of a cotton exchange market. Import and export procedures had been simplified; the share of tradable goods output subject to conditional import prohibition had fallen from over 35 per cent in 1984 to some 10 per cent in August 1992, and the list of products under restriction was kept under continuous review. The advance import deposit had been abolished, as had the requirement that letters of credit be opened prior to importation and conditions that exporters provide servicing facilities for certain imports in Egypt. Similar efforts had been made on the export side. Since 1991, 37 items subject to prior approval had been liberalized; the number of prohibited export items had declined from 20 to 2; only one item (tanned leather) was now subject to export quota and no products remained under public export monopoly.

101. Changes in tariffs, made in 1991, merely restored duties to their previous levels. Egypt's tariff reform, supported by a GATT waiver, aimed initially to narrow the gap between minimum and maximum rates to 5-100 per cent. The maximum rate was to be further reduced to 80 per cent, with a

few exceptions for luxury goods and, transitionally, for revenue reasons. Egypt would adopt the Harmonized System by end-1992. Safeguard and quality control mechanisms would be administered in keeping with international standards and would apply equally to domestic and imported goods.

102. Participants welcomed Egypt's commitment to continue along the path of reform, in a difficult economic situation. They appreciated Egypt's liberalization efforts, made on an autonomous basis; it was noted that Egypt sought credit in the Uruguay Round for the steps being taken. Members particularly welcomed reforms in the areas of foreign exchange deregulation, reductions in non-tariff barriers, improved public finance management and increased investment opportunities. Further steps were required to complete the programme in areas such as trade liberalization and implementation of new investment regulations. If implemented in a transparent and consistent manner, further deregulation would enhance the predictability and credibility of the reforms. A supportive external environment, including secure and improved access to markets, particularly in textiles and agriculture, was needed to assist Egypt in its efforts to continue its economic reform process. In this connection, a speedy and successful conclusion to the Uruguay Round was especially important.

103. Participants raised a number of specific questions and concerns regarding:

- the level of tariffs, which was generally high, with some exceptional peaks, contributing to marked tariff escalation and very high effective rates of protection in some sectors;
- the very low number of tariff bindings. In this connection, members encouraged Egypt to increase its tariff commitments;
- the possible adherence of Egypt to the Customs Valuation Code and the implications for existing valuation procedures;
- the schedule for further elimination of conditional import prohibitions, which still covered products accounting for a significant share of domestic production;
- criteria for introduction of quality requirements and standards, the scope of which was expanding. Concern was expressed concerning the possible use of these controls for protective purposes;
- details of anti-dumping, countervailing and safeguard legislation understood to be in preparation;
- the process of privatization of public sector enterprises; in particular a possible timetable, the companies affected and any exclusions;
- the rôles of institutions and private interest groups in the decision-making process;

- procedures for awarding government procurement contracts;
- price regulations affecting certain manufactured goods, in particular pharmaceuticals;
- foreign direct investment regulations which, although considerably liberalized in the late 1980s, remained less than fully transparent. Approval procedures for investment projects, particularly in sectors not included in a "negative list", appeared cumbersome. Concern was raised about local content requirements. One member suggested that a limit on work permits for foreigners inhibited investment from his country.

104. Other inquiries related to Egypt's involvement in barter or countertrade operations, preferential trading arrangements with other Arab countries, rules of origin, civilian production by military industries, the abolition of prior letter of credit requirements, State trading in wood, pulp and paper products, an agreement with USAID concerning reductions in subsidies, and projections for wheat production in Egypt. The need was emphasized for Egypt to increase its level of domestic savings and a question was asked concerning the effect of real exchange rate appreciation on the competitiveness of Egypt's exports. One member noted that Egypt should have a competitive advantage in labour services; another stressed the need for Egypt to give adequate protection to intellectual property rights and others encouraged Egypt to further liberalize and bind commitments in services sectors. One participant pointed out that the TPRM mandate did not extend to these sectors.

105. Replying to comments and questions, the representative of Egypt thanked the representatives and discussants for their appreciation of Egypt's development and its trade policies. Reform in Egypt was a continuous process: Egypt should be judged both on what had been done so far and on its declared intentions. He felt that the recent measures to liberalize trade and the economy could be matched by few countries in Egypt's circumstances.

106. Concerning the production coverage of conditional import prohibitions, he reiterated that 71 per cent of goods previously covered had been liberalized, and production coverage had declined to 10.3 per cent at present. The import licensing system was abolished in 1986; prior approval was now applied to 9 import items. Only 2 items were subject to export prohibition, prior export approval had been eliminated and only tanned leather remained under export quota.

107. Quality control requirements had not, as alleged, replaced other forms of import protection; they applied equally to imported and domestically produced commodities.

108. Comments on effective rates of protection were based on an outdated study and were no longer applicable. There was no study of current rates, following the 1991 and 1992 reforms, or of average tariffs. Regarding bindings, it was wrong to say 211 out of 267 items exceeded bound rates. The changes made in 1991 and 1992 did not apply to GATT contracting

parties. He noted that the waiver obtained in 1992 covered 52 items. Increases in the scope of bindings would fall within the ambit of Egypt's Uruguay Round offer.

109. Concerning Egypt's intentions on customs valuation, Egypt followed the Brussels Definition of Value, but was studying the implication of adherence to the Tokyo Round Code. Egypt was a member of the Tokyo Round Agreements on Anti-Dumping and Countervailing Measures, and these were part of Egyptian law. Egypt had never resorted to such measures.

110. Many comments had been made on transparency and predictability. Egyptian laws were clearly drafted and widely published. Egypt was seeking technical assistance from GATT on implementation of changes in aspects of its trading system.

111. Legislation putting public sector enterprises on the same basis as private business was passed in 1991. There would be no government interference in the management of remaining public sector enterprises. Privatization sales to date had raised LE 600 million. The number of holding companies was to be reduced and competition increased. Shares of public sector enterprises in joint ventures would be sold. The process was slow by nature but the Government was determined to proceed with the programme. Public sector monopolies no longer applied to foreign trade and no preference was given to public sector enterprises in trade.

112. Local content requirements for investment were related to Egypt's overall industrial strategy. The "negative list" of sectors for foreign investment was not a prohibition. It was also subject to continuous review and was hoped to be abolished in the near future.

113. Regarding subsidies to agriculture, no special exchange rate existed for imports of fertilizers, subsidies had already been reduced by 50 per cent and were to be eliminated completely in the near future. Subsidies for non-cotton pesticides had been reduced considerably and were also to be abolished.

114. The system of issuance and implementation of laws and regulations was adequately covered in the Secretariat report. The process was not slow, but all major policies were thoroughly studied and the private sector was regularly consulted. Pressure groups were not unique to Egypt; they had not negatively affected the reform process.

115. It had been stated that Egypt had not met IMF deadlines for lifting price controls, especially in pharmaceuticals. This was not part of the stand-by agreement with the IMF. Complete price liberalization was intended for 1995. Egypt had met its performance criteria under the stand-by agreement up to June 1992.

116. Prior requirements for letters of credit had been abolished and could not therefore substitute for import bans.

117. Trade statistics were collected and issued by the General Agency for Mobilisation and Statistics. Customs and the Central Bank gathered certain statistics.

118. "General organisations" in the tender law covered government organisations engaged in productive activities such as telecommunications, electricity and railways.

119. There was no difference between the meaning of "market economy" and the expression "market-determined economy based on market forces" used in the Egyptian Government report.

120. In concluding this review, my appreciation is that the Egyptian authorities should be complimented for the autonomous steps they have taken in recent years to liberalize Egypt's trade policies and practices, and many aspects of its economy. Their determination to continue the process is welcomed. This process appears firmly supported by a strong commitment by Egypt to the multilateral trading system. It will be strengthened by a successful conclusion of the Uruguay Round. However, Egypt has been particularly encouraged by the Council to continue its tariff reform process, in order to reduce economic distortions; to increase its level of tariff bindings, in order to improve stability in its trading system; to bring its customs valuation system into line with GATT practice; to provide full details of all new regulations introduced, to increase transparency; and to implement all further reforms in a clear and consistent manner.