

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/32

5 November 1963

Limited Distribution

Committee on Balance-of-Payments Restrictions

Original : English

1963 CONSULTATION WITH THE UNITED ARAB REPUBLIC

Basic Document for the Consultation¹

1. Legal and administrative basis of the restrictions

Import and exchange restrictions in the United Arab Republic date back to the second world war, and more recently to 1947 after Egypt's departure from the sterling area, when the Foreign Exchange Law No. 80, together with Ministerial Order No. 51 laying down its executive regulations, and Ministerial Order No. 46 were issued in the same year subjecting all imports to a licensing system. The various exchange and import regulations have been amended by subsequent legislation since the advent of the revolution in July 1952, with a view to the proper managing of the country's foreign exchange resources according to the needs of the development plan first introduced in July 1960.

Exchange control in the United Arab Republic is performed by the Central Exchange Control attached to the Central Bank of Egypt under the supervision of a Supreme Committee for Foreign Exchange. The Committee is composed of representatives of the competent authorities including the Ministry of Economy's Exchange, Import and Export Departments together with representatives from the Cotton Department and the Central Bank.

Import restrictions in the United Arab Republic are exercised by three different organs viz. the Import Department of the Ministry of Economy which issues import licences within the framework of the foreign exchange budget; the Ministries of Industry, Agriculture, Supplies, Housing and Utilities, and Communications; and the Joint Import Committee. The present system of import control is essentially based on Law No. 9 of 1959 as amended by Law No. 51 of 1961 and subsequent regulations.

Following the nationalization of the import trade in 1961, importation has been carried out by fifteen Government-controlled import establishments, the capital of which is publicly owned. These establishments are affiliated to specific organizations and their activities are conducted on a competitive commercial basis.

¹Material supplied by the Government of the United Arab Republic.

In accordance with import regulations laid down as from the fiscal year 1961/62, the various categories of commodities are allocated among these establishments according to the nature of their activities. Before obtaining the required import licences these establishments must submit their applications to the scrutiny of the Ministries concerned, which examine them in the light of the foreign exchange budget allocations and then refer them to the Import Department with their recommendations. To that effect the national economy has been divided into sectors embracing industry; agriculture; supplies; medicines and pharmaceuticals; public services; transport and communications; and trade. Applications of each sector for import licences are thus referred to the Ministry concerned with the exception of the trade sector, the applications of which are referred directly to the Import Department.

Governmental requirements of equipment are directly imported through international tenders and in accordance with the allocations of the foreign exchange budget.

Industrial establishments are authorized to import directly their requirements of raw materials and spare parts within the allocations of the foreign exchange budget.

2. Methods used in restricting imports

The fundamental basis of the import policy of the United Arab Republic is the allocation of the largest part possible of the country's foreign exchange earnings for the implementation of the overall economic development plan. For this reason, top priority is given to the importation of capital goods, machinery and spare parts, and raw materials required for the industrialization of the country. The greater part of such imports come from GATT countries. In the meantime, due consideration is given to the country's needs of essential foodstuffs and other supplies. In view of these considerations it is natural to restrict imports of non-essentials and luxury goods, whilst the need to protect the local infant industries implies the restriction of imports of products which are produced locally. Products, the importation of which is at present restricted, are designated in a special list, published by the Ministry of Economy, which is revised from time to time. Other imports are authorized within the framework of the foreign exchange budget.

For the past few years a foreign exchange budget based on the country's estimated earnings and expenditures in foreign exchange has been applied. With the introduction of comprehensive planning in July 1960, the foreign exchange budget has acquired added importance and has been instrumental in regulating the foreign trade of the country in conformity with the requirements of the development plan.

In assessing the foreign exchange resources and utilizations of the annual foreign exchange budget - which, as from July 1962, covers the fiscal year - an estimate is made first of the country's exports proceeds as well as its earnings from invisible transactions, and of the expected availabilities of foreign loans and other credit facilities; allowance is then made for the commitments due during the year in respect of foreign debt servicing as well as other obligations such as compensation payments to the Sudan Government and the former Suez Canal Company and other similar obligations. The remaining resources, in convertible and bilateral currencies, are then allocated among the various items of imports and invisible payments. Allocations for imports are established on the basis of the customs tariff schedules and distributed between the public and private sectors in accordance with the targets of the plan.

3. Treatment of imports from different sources

As pointed out in our accession document, L/1816, dated 31 July 1962, the import policy of the United Arab Republic is pursued on a commodity rather than on a country basis, and imports are made on a non-discriminatory basis according to the sole criterion of competitive world prices. However, the United Arab Republic may sometimes favour imports from bilateral countries should it enjoy a credit balance with such countries.

4. Commodities or groups of commodities affected by various forms of restrictions

As mentioned under 2 above, restricted imports are designated in a special list, issued by the Ministry of Economy. This list is not rigid but subject to occasional revision whenever the need arises; it is in fact being re-considered at present.

The restricted imports may conveniently be classified under four broad groups of commodities in accordance with the considerations mentioned hereunder:

(a) Preservation of agricultural and animal kingdom wealth

In order to prevent propagation of plant and animal diseases with a view to preserving agricultural and animal kingdom wealth, certain imports are prohibited including cultivation seeds, raw cotton and animal breeds. However, importation of **crossbreeds** for improving animal production may be authorized by the Ministry of Agriculture.

(b) Adequacy of local production

Local production of certain foodstuffs such as vegetables, dairy products, fresh fruit and fruit preparations is quite adequate to meet local consumption needs, and imports of such products are not necessary. However, the Ministry of Supply may authorize imports of certain edible fruit.

(c) Protection of infant industries

Imports of a certain number of products are restricted in order to protect infant industries, but restriction for such purposes is not, as mentioned above, absolutely rigid.

(d) Luxuries and non-essentials

Imports of a few articles considered as luxuries or non-essentials - such as perfumes, cosmetics, and playing cards - are not authorized.

5. Use of State trading or government monopoly in restricting imports

The main objective of State trading in the United Arab Republic is to regulate the foreign trade of the country in a manner commensurate with the requirements of the overall development plan as well as with the foreign exchange budget. In the field of imports this system is not resorted to as a device for restricting imports but rather as a means for conducting foreign trade in the most efficient manner, based on comparative world prices. The State-trading apparatus thus endeavours to provide the country with the required goods on the most advantageous terms and at the appropriate time, taking into consideration seasonal variations in local production. State-trading enterprises conduct their activities solely in accordance with customary commercial business practice.

6. Measures taken recently in relaxing or otherwise modifying the restrictions

The most important measures taken last year were the changes introduced in the foreign exchange system following the adoption of the stabilization programme of May 1962, and the renegotiation of a number of bilateral payments agreements on a convertible currency basis. The system of exchange premiums was abolished and the exchange rate structure was unified at the rate of \$2.30 per Egyptian pound - compared with a par value of \$2.87156 per Egyptian pound. As from 15 May 1962 the new effective exchange rates have been applied to all transactions with the exception of the special rate applied for tourism in the Lebanon in accordance with the agreement with that country, and of foreign exchange received on account of Suez Canal dues which continue to be collected on the basis of the gold parity of the Egyptian pound, viz. 2.55187 grammes of fine gold per pound. As from 1 January 1963, the Suez Canal dues were fixed at the prevailing dollar rates instead of in terms of Egyptian currency, and thus the new exchange rate of \$2.30 per pound became effective for Suez Canal transactions as well. With the adoption of a premium of 24.85 per cent for transactions effected through bilateral agreement accounts designated in Egyptian pounds, the application of an effective rate of \$2.30 per pound has thus been ensured. In this way multiple exchange rates and the discrimination emerging therefrom were dispensed with, and the import and export trades were stabilized.

7. Effects of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons (Statement by the Government of the United Arab Republic)

Despite the resort by the United Arab Republic to import restrictions, the level of imports has continued to rise in the past few years in order to meet the country's needs for capital goods, intermediary goods and essential consumers goods within the framework of our development plan. Thus from E£222 million in 1959 imports reached almost E£303 million in 1962 of which some 70 per cent were derived from GATT sources. The failure of the proceeds of exports to expand - in actual fact the proceeds recorded a substantial decline if comparison is made with 1960 owing to the failure of the 1961/62 cotton crop - raised the adverse trade balance from about E£62 million in 1959 to some E£145 million in 1962. A good part of the latter is attributed to large imports from the United States under the Agricultural Surplus Disposal Agreement. During the first half of 1963 imports continued their upward trend to reach some E£181 million (though part of the increase is attributed to the application of the effective rate of \$2.30 per pound) compared with about E£131 million for the corresponding period of 1962. Nearly 80 per cent of total imports in this period came from GATT sources. The following table gives a summary of United Arab Republic foreign trade since 1959:

Summary of Foreign Trade

<u>Year</u>	<u>Imports (c.i.f.)</u>	<u>Exports (f.o.b.)</u>			<u>Trade Balance</u>
		<u>Cotton</u>	<u>Others</u>	<u>Total</u>	
1959	222.2	110.2	50.3	160.5	-61.7
1960	232.5	134.7	63.1	197.8	-34.7
1961	243.8	104.6	64.3	168.9	-74.9
January/June 1963	180.9	74.7	52.6	127.3	-53.6
January/June 1962	130.9	54.8	33.0	87.8	-43.1

Source: Statistical and Census Department.

As regards the balance-of-payments deficit, which has persisted for the past few years, the current account deficit in 1962 reached E£117.6 million while the overall deficit (taking net capital inflow including United States counterpart funds, into consideration) amounted to E£40.9 million, compared with E£53.3 million and E£21.7 million respectively, for the preceding year.

Information so far available indicates a certain improvement in the early part of 1963 as a result of the enhanced tempo of cotton exports. Owing however to the seasonality in cotton exports, and the continuance of imports at a high level, coupled with the payment of various commitments, the balance of payments for the whole of 1963 may still show a large overall deficit.