

### III. TRADE POLICIES AND PRACTICES BY MEASURE

#### (1) OVERVIEW

1. In the period since the last Review of Egypt, in 1992, the generally liberalizing orientation of Egypt's trade reform has been maintained, with tariffs gradually becoming the main trade policy instrument. Egypt has removed its "conditional" import bans on all but clothing and some poultry products and does not apply import quotas.

2. Tariff reductions have been progressive; the simple average tariff (excluding alcoholic beverages) fell from 31% to 21% in the seven years to 1998. Tariff escalation has declined, although it remains high in several sectors, including textiles and clothing, wood and wooden furniture and basic metals. Tariff dispersion has increased but mainly because selected items, such as alcoholic beverages, automobiles, and textiles, remain exempt from the present ceiling tariff rate of 40%.

3. Further tariff reductions or a move towards a more uniform tariff structure could create a more balanced incentives environment. This may depend, however, on the relative success of the Government in raising revenue from sources other than the customs tariff (Chapter I(2)(ii)). The planning period for business in Egypt could also be improved if the tariff reductions were pre-announced. As a result of the Uruguay Round, Egypt bound over 98% of its tariff, higher than the developing country average of 73%. While the majority of Egypt's bindings remain well above applied rates, the current applied rate on around 12% of all tariff lines exceeds bindings, sometimes by as much as 55 percentage points. In addition, around 2% of tariff lines are above their initial Uruguay Round bound levels.

4. The general trend in Egyptian trade policy has been to move away from quantitative restrictions, but Egypt has increasingly moved de-restricted imports onto a list of articles requiring quality control inspection. Since the previous Review, this list has been expanded from 69 items to 182 at present. The items include mainly foodstuffs, electronic products and consumer goods. Egyptian standards show a low incidence of conformity with international standards; on average, less than 20% of new standards issued annually since 1992 conform with international standards.

5. The Government's reform of its public sector holdings reflects an increased move towards transparency and greater competition for Egyptian industry. The degree of direct financial support for economic activities has declined since the previous Review and the privatization programme is aimed at making public sector companies more competitive; proposed legislation on competition policy, which is currently being drafted, is a step in this direction. On the other hand, government procurement, which appears discriminatory and non-transparent, may benefit from further reform, especially given that the Government and public sector account for around a significant share of economic activity in Egypt.

#### (2) MEASURES DIRECTLY AFFECTING IMPORTS

##### (i) Customs procedures

###### (a) Registration and documentation

6. In accordance with Law 121 of 1982, all persons or companies importing goods into Egypt must register with the General Authority for Export and Import Control within the Ministry of Trade and Supply. Law 121/1982 also requires that all registered importers be Egyptian nationals and fulfil a number of other conditions, including financial reliability and the presentation of a proven record of

past commercial activities. When registering, importers must also provide to the General Authority details of the products they intend to import.

7. According to a recent publication, as of March 1999, banks providing letters of credit to importers require a 100% cash collateral rather than the 10% previously required for consumer products, intermediate goods and inputs.<sup>1</sup>

8. All goods imported into Egypt must be accompanied by a customs declaration, irrespective of their value, except for goods destined for the free zones. Other documents required are the original commercial invoice, bill of lading, packing list, pro-forma invoice, delivery order from the carrier in return for the bill of lading, and, if appropriate, a content analysis of the commodity. In certain cases, additional certificates may be required by the customs authorities, including chemical certificates for imports of food additives and other material used in the food processing industry; quality control certificates for a number of products; and a disinfection certificate for shipments of shaving brushes and bristles. Sanitary certificates are also required for a number of products (section (xiv)(c)), and plant and animal products are subject to inspection by the Agriculture Quarantine Body and the Animal Quarantine Body, respectively.

9. For imported cars, the import clearance documents include a manufacturer's attestation indicating the chassis and motor numbers, and fuel specifications. For textiles, the name of the importer and country of origin must be inscribed on the selvedge of the fabric if the cloth is 30 metres long or more; the pro-forma and final invoice should contain detailed information on dimensions and quality of the imported good.<sup>2</sup> The Import and Export Regulations do not appear to apply to imports of petroleum products.<sup>3</sup>

10. Customs decisions may be appealed. Complaints regarding customs inspection procedures and results must be made in writing within 72 hours (48 hours for exports) to the relevant branch of customs. The complaint is examined by a committee composed of the Controller of Exports or Imports, as Chairman; two technical members of the Authority not previously involved in the particular case; a representative of the General Federation of Chambers of Commerce or the General Federation of Egyptian Industries; a representative of the plaintiff; and, if necessary, a representative of the Administrative Authority. A decision must be taken by the Committee within 48 hours (24 hours in the case of exports).<sup>4</sup>

11. Complaints regarding customs valuation must be submitted in writing to the Customs Administration within 72 hours (48 hours in the case of exports) of notification of the decision by customs. A report detailing the dispute must be referred to two arbitrators, one appointed by Customs. If the arbitrators agree, their decision is final. In case of disagreement among the arbitrators, the case may be submitted for higher arbitration to a committee consisting of a permanent delegate appointed by the Minister of Finance and two members, one representing the Customs Authority and the other representing the Chamber of Commerce, appointed by the Director General of Customs and the President of the Chamber, respectively.<sup>5</sup>

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<sup>1</sup> *EIU NewsWire*, 14 April 1999.

<sup>2</sup> Such details include the length and width of the cloth in metres and centimetres, respectively; number of threads in the weft and warp in centimetres; warp and weft yarn numbers; printing and dyestuff; processing and weight per metre in grammes.

<sup>3</sup> Import and Export Regulations, Article 3.

<sup>4</sup> Import and Export Regulations, Articles 91-93.

<sup>5</sup> Customs Law, Article 57.

12. The number of appeals against customs decisions settled through primary arbitration fell from 74% in 1992 to around 51% in 1997 (Table AIII.1).

(b) Preshipment inspection

13. In late 1998, preshipment inspection was not required by the Government; however, a pilot scheme for preshipment inspection has been initiated.

**(ii) Customs valuation, clearance and inspection**

14. Under the terms of the GATT Customs Valuation Agreement (Agreement on Implementation of Article VII of the GATT 1994), Egypt has invoked the special provisions for developing countries delaying the full implementation of the Agreement until the year 2000. In addition, implementation of the provisions of Article 1(2)(b)(iii) of the Customs Valuation Agreement, concerning the customs value of identical or similar goods, and of Article 6 on customs valuation based on computed value, is to be delayed for a further period of three years.<sup>6</sup>

15. Under Egyptian legislation, transaction value forms the basis for customs valuation. Under Article 22 of the Customs Law, value is determined by the c.i.f. price of the good at the date of registering the customs statement, including, *inter alia*, the cost of transport, freight, insurance, commission and brokerage. A service and inspection charge of 1% is also charged on the c.i.f. value of all imports. According to the authorities, an additional service charge of 2% or 3% is levied on goods subject to import duties of 5% to 29%, or 30% and above, respectively (section (iv) below); the fees are used to improve customs services and reduce the time taken to clear imports.

16. A number of imported goods are liable to quality control inspection by the General Authority for Export and Import Control within one week from the date of import (section (xiv)(b) below). The Authority is entitled to examine a random sample of 1% of the total number of packages in each consignment and up to 2% of the contents of the chosen packages; if the chosen samples are not in conformity with regulations, the Authority may search up to 2% of the remaining number of packages in the sample before rejecting a consignment.<sup>7</sup>

17. Since Egypt's previous Trade Policy Review in 1992, the Customs Administration has stepped up efforts to improve inspection and clearance activities. Advanced clearance centres have been established at the Ports of Alexandria, Cairo, Port Said and Suez to simplify entry procedures. The use of computers and x-ray equipment has also helped to improve efficiency, and the average clearance time has been reduced, according to the authorities, to between 30 minutes and three days depending on the size and sensitivity of the consignment.

18. Egypt does not stipulate minimum prices for imports.

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<sup>6</sup> WTO document WT/Let/19, 15 June 1995. Egypt also reserved the right to apply the relevant provision of Article 4 of the Agreement only when the customs authorities agreed to the request to reverse the order of Articles 5 and 6 of the Agreement and that Article 5(2) would be applied regardless of requests from the importer.

<sup>7</sup> Import and Export Regulations, Article 83.

**(iii) Rules of origin**

19. The Customs Law defines origin as the country where the goods are produced (Article 19).<sup>8</sup> A series of ministerial decrees passed in 1998 amended customs and import procedures related to origin rules. Ministerial Decree 619, issued in November 1998, required that all imported consumer durable and non-durable goods be shipped directly from the country of origin to Egypt; Ministerial Decree 553 of October 1998 required that all goods be clearly labelled and carry a certificate of origin, with any mistakes on the label or certificate being grounds for returning the goods to the country of origin.<sup>9</sup> Ministerial Decree 675 further amended the rules for goods stored in Egypt's free zones, intended for import into Egypt at a later date. Thus, for commodities stored in the free zones as of 21 November 1998, Ministerial Decree 619 was not to be applied for consumer foodstuffs and non-food commodities with expiry dates up to 31 March 1999; and for cars and other consumer goods up to 15 June 1999.<sup>10</sup> The Decrees appear to have represented considerable difficulties for importers because of the product definitions in the new rules. A further clarification issued in February 1999 seems to exempt from the provisions of Decree 619 goods shipped from the producing country through a transit port and goods assembled from intermediate products produced in different countries.<sup>11</sup>

20. Each of Egypt's bilateral and regional agreements contain specific rules of origin. The authorities note that these rules generally require 40% value added for countries belonging to the Greater Arab Free-Trade Agreement (GAFTA) and 50% for all other agreements except the Common Market for Eastern and Southern Africa (COMESA); value added up to 40% on a cumulation basis is under consideration within the GAFTA.

21. Under the rules of origin applied to imports from COMESA, which Egypt recently joined (Chapter II(4)(ii)(b)), all goods must be directly transacted between signatories to qualify for preferential treatment. The goods must be wholly produced in one of the member countries; contain imported content of not more than 60% c.i.f. value of the total cost of materials used in production; contain not less than 45% ex-factory value added; or contain not less than 25% value added if the final product is considered to be of particular importance in the economic development of member States.<sup>12</sup>

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<sup>8</sup> In the case of value being added in a country other than the country of production, origin is determined on a case-by-case basis through Ministerial Decrees (Article 19, Customs Law).

<sup>9</sup> According to press reports, Decree 619 was issued in its final form in December 1998, following seven amendments. The seven amendments provided a range of exemptions, including for goods imported before the decree was issued; goods stored in free zones; and for 37 products, including electrical appliances, cars, watches, food products, books and newspapers. The final amendment to Decree 619, however, cancelled these exemptions except for goods already stored in the free zones (*Economic Press Review*, 1998, 12 December).

<sup>10</sup> Exports of cars from the free zones into Egypt were, however, expected to abide by the year of production clause in Ministerial Decree 580 of 1998 (Chapter IV(4)(ii)(c)); and were restricted to a monthly quota of 20 cars, or one fifth of the stored quantity of each storage project (Ministerial Decree 675 of 1998).

<sup>11</sup> According to the press, the Government argues that the new decrees are justified on consumer protection grounds because free zones were being used to smuggle products of low quality into the country (*EIU ViewsWire*, 14 April 1999).

<sup>12</sup> COMESA Secretariat, (internet address; [www://comesa.int/trade/traderoo.htm](http://www://comesa.int/trade/traderoo.htm)).

## (iv) Tariffs

## (a) Tariff structure

22. Since 1994, Egypt's tariff has been based on the Harmonized Commodity Description and Coding System (HS 92), and comprises 6,049 lines at the 8-digit level. Almost all tariff lines in the Egyptian Customs Tariff (1998) are *ad valorem* and apply to the c.i.f. value of imports; 17 items, essentially tobacco and manufactured tobacco substitutes are subject to specific or mixed duties (Table AIII.2). The specific rates range from LE 6.1 to LE 9 per kg. These 17 lines have been excluded from the analyses in this section, which is thus based on 6,032 tariff lines.

23. In addition to the statutory MFN rate, a flat 1% fee for services provided by Customs is charged on all imports, and a 2% or 3% surcharge is levied for imports subject to customs duties of between 5% and 29% or 30% and above, respectively.

24. As a result of tariff reform initiated by the Government in 1991, tariffs have declined by more than half since Egypt's last Review in 1992. Nevertheless, Egyptian tariffs remain relatively high. In 1998, the simple average applied MFN rate was 26.8% (30.2% with the surcharge and service fee), or 21% if alcoholic beverages are excluded (24.4% with the surcharge and service fee) (Table III.1). In 1991 the applied average tariff was 42.2%, or 30.6% if alcoholic beverages are excluded.<sup>13</sup> In 1998, the simple average tariff for agricultural products (ISIC 1) was 18.5% (21.8% including the service fee and surcharge), or 68.2% according to the Uruguay Round definition of agriculture; the tariff for manufactured goods was 27.6% (31.0% including the service fee and surcharge) or 24.7% if alcoholic beverages were excluded.

**Table III.1**  
**Applied MFN tariff, 1998**

	Per cent of all lines (6,032)	Average (Per cent)	Average including service fee and surcharge <sup>a</sup>	Range <sup>b</sup> (Per cent)	Dispersion <sup>c</sup>
Total	100.0	26.8	30.2	0-3,000	475.6
- agriculture and fisheries	5.2	18.5	21.8	1-40	73.5
- mining	1.9	10.9	13.9	3-40	82.6
- manufacturing	93.0	27.6	31.0	0-3,000	478.6
Total (excluding tobacco and alcoholic beverages)	100.0	21.0	24.4	0-135	71.7
- agriculture and fisheries	5.2	18.5	21.8	1-40	73.5
- mining	1.9	10.9	13.9	3-40	82.6
- manufacturing	93.0	21.3	24.7	0-135	70.3

a In addition to the statutory rate, a 1% customs fee is charged on all imports entering Egypt. An import surcharge is also levied, its rate varies with the rate of customs duty: 2% for commodities subject to customs duties of between 5% and 29%; and 3% for commodities subject to customs duties of 30% and above.

b The range refers to tariff calculations excluding the service charge and surcharge.

c Dispersion as measured by the coefficient of variation.

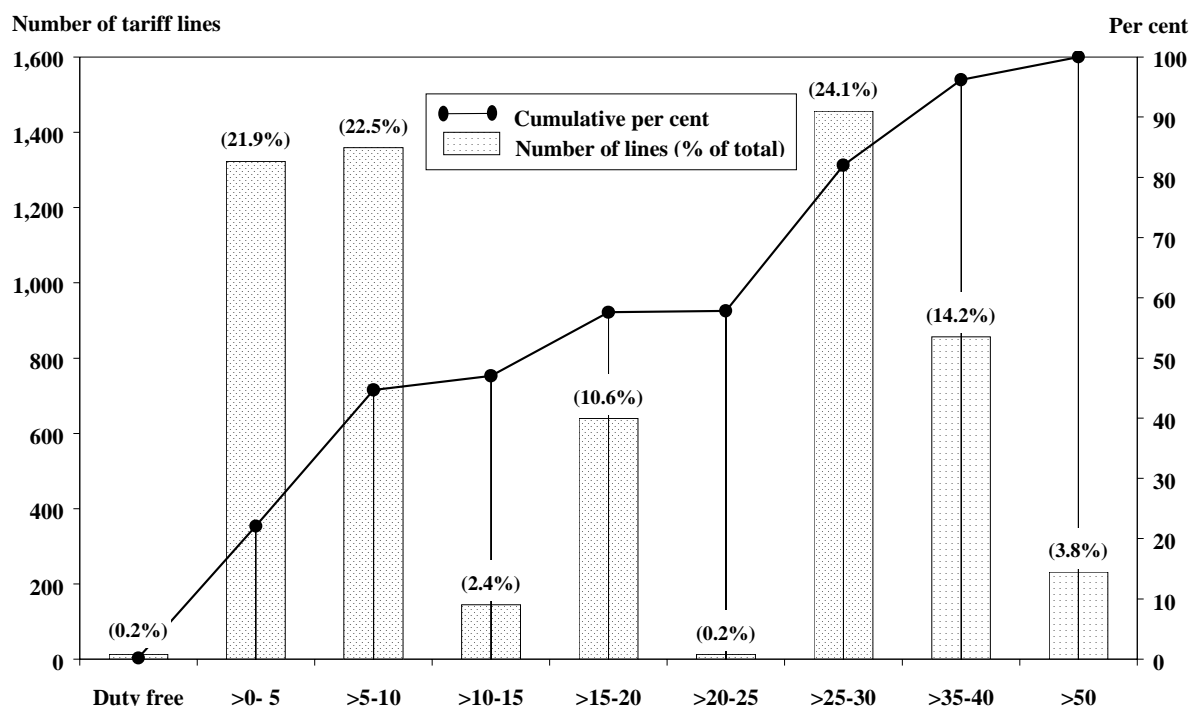
Source: WTO Secretariat based on data provided by the Egyptian authorities.

<sup>13</sup> These averages are not strictly comparable to the 1998 simple averages due to a change in customs nomenclature in 1994.

25. Tariff dispersion, as measured by the coefficient of variation<sup>14</sup> is high, estimated at 475.6, or 71.7 if tariff peaks above 500% are excluded. This represents an increase in overall tariff dispersion relative to the situation in 1991, when the coefficient of variation was estimated at 409.9 (Table III.1).

26. Most lines in the Egyptian tariff fall within three distinct bands. The most common tariff range is between 25% and 30%, applied to some 24% of all tariff lines. This is followed closely by the 5% to 10% range applied to over 22% of tariff lines, and the 1% to 5% range applied to 22% of tariff lines. In 1998, duty-free entry applied to around 0.2% of all products, whereas duties above 50% were levied on 4% of all goods (Chart III.1). With the service fee and the 2% or 3% surcharge, however, the frequency distribution of the MFN applied tariff is skewed to the right, and as a result, most items fall within the 30% to 35% range.

**Chart III.1**  
**Frequency distribution of MFN tariff rates, 1998**



**Note:** Frequency distribution excludes the import surcharge and service fee.

**Source:** WTO Secretariat calculations based on data provided by the Egyptian authorities.

27. Although the maximum tariff declined from 100% in 1991 to 40% in 1998, a number of products remain excluded from this tariff ceiling. Exceptions to the 5-40% tariff range are some food and pharmaceutical products, which enter at the 1% level; textiles, which were recently tariffed at 54%; and passenger cars with engines greater than 1,300cc, camping vans, and alcoholic beverages, which face import duties in excess of 100%. This latter group of products has, in the main, remained exempt from reductions in tariff ceilings resulting from tariff reform (Box III.1). Duties on certain

<sup>14</sup>Standard deviation divided by the simple average.

alcoholic beverages are subject to prohibitive rates, mainly for social and religious reasons: 1,200% for beer; 1,800% for wine; and 3,000% for most spirits (Table III.2). Similar locally produced beverages do not seem to be subject to equivalent high taxes.

### Box III.1: Egyptian tariff reform, 1991-1998

Egypt's current Customs Regulations came into effect in 1986. In 1991, under its economic reform programme, the Government reduced the tariff range to 5%-100%.

In early 1993, the tariff range was further narrowed to a maximum rate of 80% with a short list of exceptions. Several commodities, including passenger cars, tobacco products, and alcoholic beverages remained outside this range in order to preserve, transitionally, customs revenue. To counterbalance the reduction in tariffs, the Government began to levy a 1% "customs service fee" on the value of imported goods.

In February 1994, Egypt implemented the Harmonized System (HS), which replaced the Customs Commodity Classification Nomenclature (CCCN). At the same time, the maximum import tariff was lowered to 70% and tariffs between 30% and 70% were reduced by 10 percentage points. Lower rates were unaffected, except for those on some capital goods, which were also reduced by the same amount. The outcome of the 1994 measure was partially offset by the imposition of a "customs user" fee or surcharge. This surcharge was set at 3% for products with tariff rates below 30% and at 6% for products with tariffs above 30%.

The surcharge is currently 2% for commodities subject to customs duties between 5% and 29% and 3% for commodities subject to duties of 30% and above; the Government had originally intended to abolish the surcharge altogether by 1995, but has until now not done so.

Between 1996 and 1998, various presidential decrees were issued, amending the tariff as follows: effective 1 October 1996, Egypt reduced tariffs across the board by 10-15 percentage points, lowering the maximum tariff from 70% to 55% (Presidential Decree No. 304/1996); in July 1997, the maximum tariff was reduced further to 50% (Presidential Decree No. 229/1997); another round of cuts in August 1997 lowered rates on a number of selected capital and consumer goods – rates declined from 30% to 5% on computer software, from 30% to 15% on various processed foods, and from 35% to 10% on gold jewellery; and in 1998 the maximum rates were again reduced by 10 percentage points to a maximum of 40%, with some exceptions. However, on 1 January 1998, Presidential Decree No. 1 increased the tariff rate on textiles of cotton and man-made fibres, from 40% to 54% following the lifting of the ban on textiles imports.

*Source:* WTO Secretariat based, on information provided by the Egyptian authorities.

**Table III.2**  
**Tariffs in excess of 50 per cent, 1998**

HS Chapter	Description	Number of lines <sup>a</sup>	Range (Per cent)
2	Poultry	11 (0.2)	80-80
22	Beverages, sprits and vinegar	14 (0.2)	600-3,000
24	Tobacco and manufactured tobacco substitutes	4 (0.1)	85-85
51, 52, 54, 58, 59, 60	Wool, cotton and man-made fibres	185 (3.1)	54-54
87	Vehicles (passenger motor vehicles)	17 (0.3)	55-135
<b>Total</b>		<b>231 (3.8)</b>	<b>54-3,000</b>

<sup>a</sup> Figures in parentheses refer to percentage of total tariff lines.

*Source:* WTO Secretariat based on data provided by the Egyptian authorities.

## (b) Tariff escalation

28. Egypt's tariff is characterized by significant escalation, with tariffs on raw materials considerably lower than those for semi-processed and fully processed goods. In 1998, the average *ad valorem* duty applied to primary products was 14.5%, compared with 20.2% on semi-processed goods and 32.9% on fully processed products, which accounted for 57% of all imported items (Table III.3). Aside from food, beverages, and tobacco, where high tariffs on alcoholic beverages distort overall protection, tariff escalation is particularly marked in wood and wooden furniture, textiles and leather, and basic metal industries; average tariffs on finished products in these industries are at least five times higher than the tariff on raw materials (Chart III.2). On the other hand, the average duty on semi-processed metal products and machinery was higher than on finished goods.

**Table III.3**  
**Applied MFN tariff by degree of processing, 1998**

	Per cent of all lines (6,032)	Average tariff (Per cent)	Average tariff including service fee and surcharge (Per cent)
<b>Simple average</b>	<b>100.0</b>	<b>26.8</b>	<b>30.2</b>
- raw materials	11.2	14.5	17.7
- semi-processed goods	31.6	20.2	23.5
- fully processed goods	57.1	32.9	36.3
<b>Simple average (excluding alcoholic beverages)</b>	<b>100.0</b>	<b>21.0</b>	<b>24.4</b>
- raw materials	11.2	14.5	17.7
- semi-processed goods	31.7	20.2	23.5
- fully processed goods	57.0	22.7	26.1

Source: WTO Secretariat based on data provided by the Egyptian authorities.

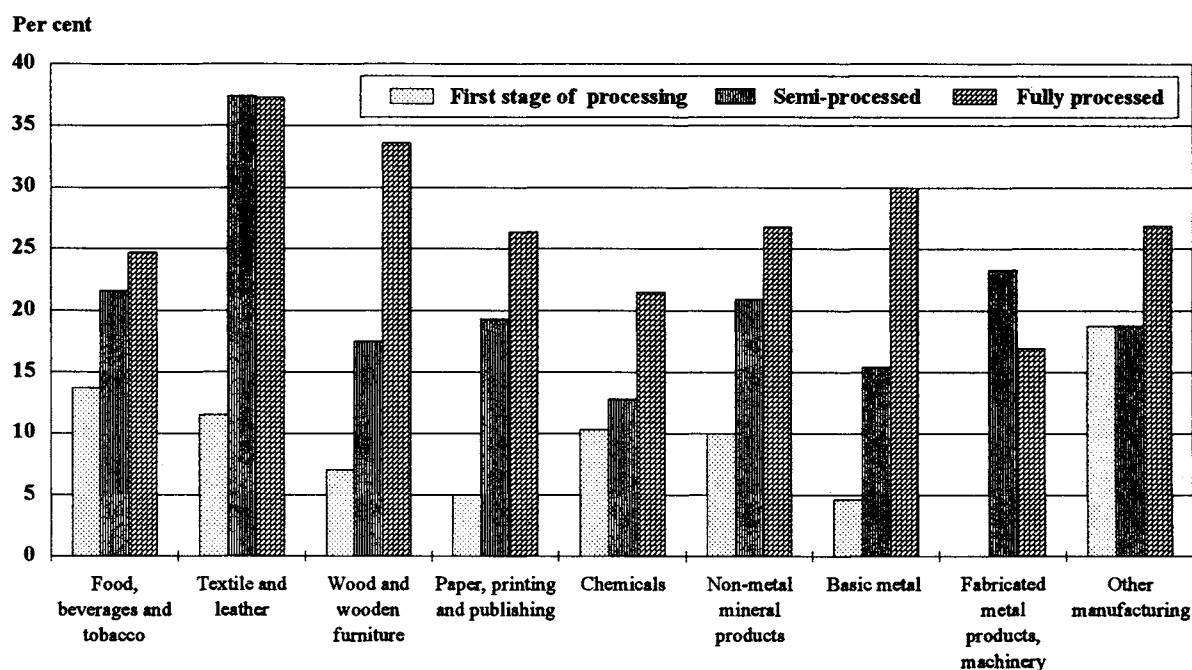
## (c) Tariff bindings

29. Compared with only 3% before the Uruguay Round, Egypt bound over 98% of its tariff (100% in agriculture and 97% of its industrial tariff lines) as a result of the Uruguay Round negotiations. In 1998, a total of 5,926 lines of Egypt's tariff (including the specific or mixed duties) were bound. Unbound lines include rubber and rubber articles, machinery and mechanical appliances, and electrical equipment. The incidence of bindings by Egypt compares favourably with the average of 73% for developing countries.

30. The overall bound rate averaged 45.0% in 1998, 47.8% for agriculture (112.0% according to the Uruguay Round definition of agriculture) and 45.2% for industrial products (35.1% if alcoholic beverages are excluded) (Table III.4). Egypt's bound tariff rates are expected to decline to an average of 37.1% (27.5% for agriculture and 37.9% for manufacturing by the end of the implementation period in 2005).



**Chart III.2**  
**Tariff escalation by 2-digit ISIC industry, 1998**



Note: Tariff escalation excluding alcoholic beverages, import surcharge and service fee.

Source: WTO Secretariat calculations based on data provided by the Egyptian authorities.

**Table III.4**  
**Bound and final tariff averages, 1998<sup>a</sup>**  
(Per cent)

	Applied rate, 1998 (excluding customs fee and surcharge)	Bound rates		
		Base rate	Estimated rate, 1998	Final rate, 2005
<b>Total</b>	<b>26.8</b>	<b>54.9</b>	<b>45.0</b>	<b>37.1</b>
- agriculture and fisheries	18.5	62.2	47.8	27.5
(Uruguay Round definition)	64.9	131.1	112.0	84.1
- mining	10.9	31.7	23.7	21.7
- manufacturing	27.6	55.0	45.2	37.9
(excluding beverages)	21.3	30.0	35.1	29.8
By degree of processing <sup>b</sup>				
- raw materials	14.5	51.7	38.8	22.9
- semi-processed products	20.2	37.5	28.8	23.2
- fully processed products	32.9	65.5	55.3	47.7

a HS 1992 classification

b ISIC classification

Source: WTO Secretariat based on data provided by the Egyptian authorities.

31. Although applied rates are in most cases considerably lower than bound rates, on some items they exceed, sometimes substantially, the current bound rates (Chart III.3). The incidence of applied rates exceeding bindings is somewhat greater for industrial products (almost 13%) than for agriculture (under 7%) and relates mainly to chemicals, textiles, machinery and electrical machinery and equipment. In 1998, some 704 lines or 12% of the tariff had applied rates in excess of their bound levels, (compared to over 200 lines out of a total binding of 267 lines in 1991)(Chart III.3a). Over 70% of these lines relate to inorganic and organic chemicals, textiles, machinery and mechanical appliances and electrical machinery and equipment (Table AIII.3).

32. In 1998, almost 100 lines (just under 2% of the tariff) had applied rates in excess of their initial Uruguay Round bound levels (base rates) by an average of 12.6 percentage points (Chart III.3b). The disparities between applied rates and base levels were mainly on dairy products (HS Chapter 4), prepared and preserved meat and fish (HS Chapter 16), certain inorganic chemicals (HS Chapter 28) and machinery and mechanical appliances (HS Chapter 84). The difference was greatest for caravans other than those imported by hotels and for tourism (55 percentage points above the base rate) and other electric lamps and light fittings (27 percentage points above the base rate).

33. In textiles, the decision to remove a number of items from the banned import list, and to tariffy at a higher rate than the existing applied rate (54% instead of 40%), raised the applied rate above bindings.

34. Egypt informed the WTO Committee on Market Access that under Paragraph 5 of GATT Article XXVIII (on tariff renegotiations), Egypt reserved its rights to modify its Schedule for a three-year period, beginning on 1 January 1997.<sup>15</sup>

(d) Seasonal tariffs

35. Egypt does not apply seasonal tariffs. According to the authorities, however, Egypt is expected to apply seasonal tariff reductions for selected agricultural products under some Arab trade agreements. Under a recently signed preferential trade agreement with Lebanon, Egypt will provide duty-free access, on a seasonal basis, for imports of fruit (apples, grapes and pears).

(e) Tariff preferences

36. Tariff preferences are offered by Egypt to the members of the GAFTA, COMESA, and the GSTP (Chapter II(4)(ii)(b)). Under GAFTA, Egypt implemented in 1998 a 10% reduction in MFN tariffs for goods qualifying for preferential treatment under the Agreement. Tariff preferences will also be offered, under bilateral trade agreements, to imports from Jordan, Lebanon, Morocco and Tunisia once the agreements have been ratified by the Peoples' Assembly. The tariff preferences include duty-free seasonal access for some agricultural products, and gradual tariff reductions by 25% a year, starting on 1 January 1999, for fruit, vegetables and other food products imported from Lebanon; and tariff exemptions on some fish, agricultural products, metals, bulk drugs, and textile products, as well as gradual tariff reductions over five years from 1 January 1997 on goods imported from Morocco. Egypt has also signed bilateral trade agreements with Libya and Syria.

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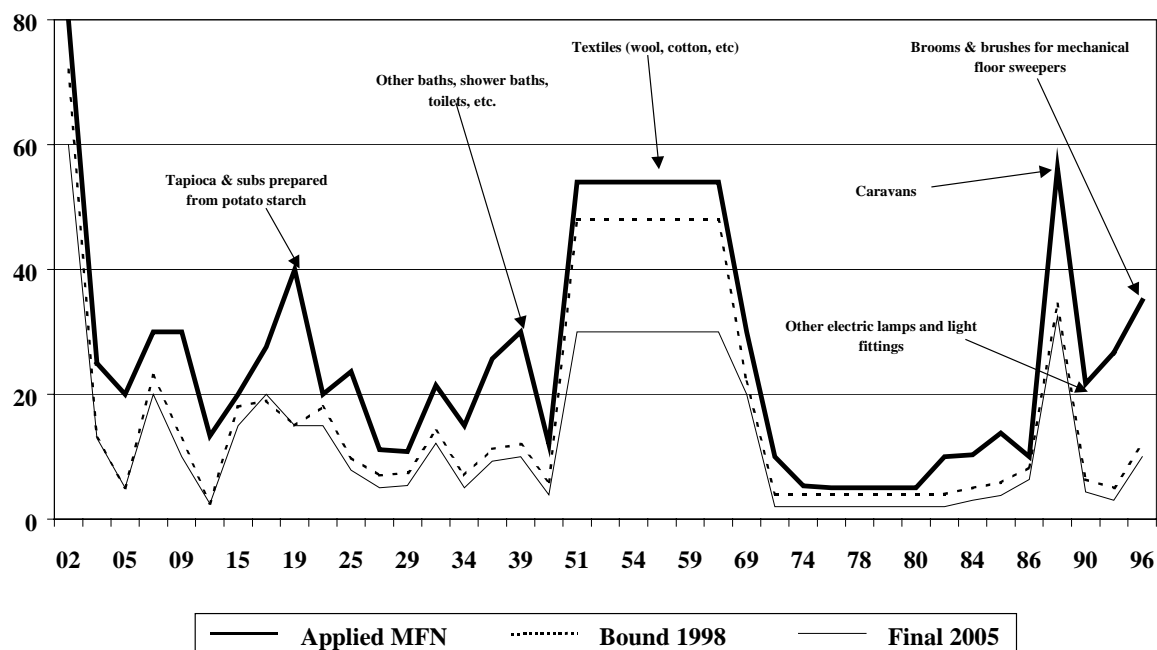
<sup>15</sup> WTO document GA/MA/20, 19 December 1996.

## Chart III.3

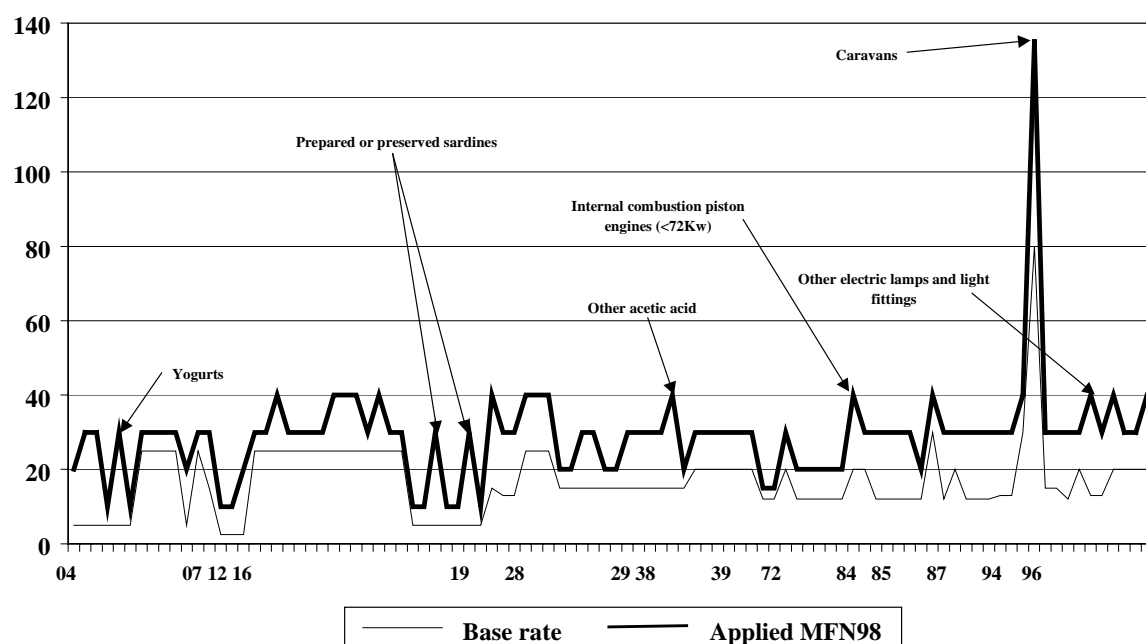
## Egypt's bound and applied tariffs, 1998

## (a) Applied MFN and bound rates

Per cent; HS2 chapter averages (704 lines)

(b) Applied MFN and base rate<sup>a</sup>

Per cent; HS8 chapter lines (96 lines)

<sup>a</sup> Initial bound rates under Egypt's Uruguay Round commitments.

Source: WTO Schedule LXIII and data provided by the Egyptian authorities.

37. During the High-Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development held in Geneva in October 1997, Egypt offered improved market access to the least developed countries (LDCs). The offer included tariff reductions of 10-20% over existing rates for around 100 products, including animal and fish products; dairy products; cereals; edible oil products; minerals; and natural and artificial fibres. In addition duty-free access was offered for around 50 raw material imports (mainly minerals). Egypt also agreed to reduce its tariff bindings for goods from LDCs by 10 percentage points of the rate in the year 2000.<sup>16</sup>

(f) Exemptions and concessions

38. A wide range of tariff and tax exemptions and duty reductions are provided to assist importers and exporters to offset the effects of Egypt's relatively high customs duties.

39. Tariff exemptions are granted under the Customs Exemptions Law 186/1986, as amended. Exemptions from customs tariffs are currently granted for imports destined for Egypt's free zones with certain exceptions (Table III.5). Imports by some government ministries and their agencies and a number of goods imported by state-owned enterprises may also be exempted from duty obligations on a discretionary basis under Article 101 of the Customs Law, which governs the temporary release or exemption of goods for the payment of import duties or taxes.

40. Customs duty exemptions are also provided under the duty drawback scheme, which allows a full refund of customs duties paid on imports of inputs and components used in the manufacture of finished products provided that the finished products are exported or shipped to a free zone within one financial year following the date of payment of import duties. The one-year period may be extended by the Minister of Finance.<sup>17</sup> A partial drawback is available if the goods are shipped to an area receiving partial exemption from customs duties. All excise duties incurred on local inputs are also refunded.

41. Reduced rates of customs duty are applied for a number of activities and schemes, such as tourism and assembly industries or under the Investment Scheme for Arab and Foreign Funds.

42. Details are not available on the total annual duty forgone due to these exemptions and tariff concessions. However, their wide scope is evident - on the basis of tariff revenues collected by Customs, the simple average tariff declines to around 16%, compared with the simple average rate of 30.2% inclusive of all service charges.

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<sup>16</sup> WTO documents WT/COMTD/W/47, 15 October 1998, and WT/COMTD/W/47/Add.1, 25 January 1999.

<sup>17</sup> Customs Law, Article 102.

Table III.5  
Concessional duty schemes

Scheme	Eligibility	Conditions
<b>Exemptions</b>	Imports into the free zones, except furniture and motor cars, and machinery and equipment imported for establishing free-zone projects.  Imports by the Ministry of Defence, companies and organizations subject to the Ministry of Military production; by the National Security Authority; by the Presidency; of articles for formal use; and by the Ministry of the Interior.  Gifts and donations to the Government.  Personal effects belonging to passengers.  Articles exempted by presidential decree.	Goods destined for the free zones may be sold domestically only upon payment of full customs duties. Imports destined for the free zones are also exempt from all customs procedures.
<b>Drawback</b>	All importers are entitled to duty drawback.	Full customs duties are refunded provided that the products are destined for a free zone or are re-exported within one financial year following the date of payment of duties. Partial drawback available for goods imported to areas with partial exemption from customs duty.
<b>Temporary exemption</b>	Primary materials imported for processing, and imports of parts for repairing or completing the manufacture of finished goods.	Importer is required to deposit a bond or guarantee covering the value of taxes and duties payable to Customs. The Guarantee is returned upon the good being exported, or upon the completion of the finished good.
<b>Temporary release</b>	Ministries, government departments and companies administered by government departments.	
<b>Concessional duties</b>	Investment Scheme for Arab and Foreign Funds.  Companies established under Law 159/1981.  Companies established in the free zones.  Inputs into the free zones.  Semi-finished goods reimported as finished products.  Assembly industries.	5% single rate for all imports of machinery and equipment required to establish a company or project.      Tariff duties charged on value added and additional material used (c.i.f.).  Assembly industries may request permission that their products be treated as follows: <ul style="list-style-type: none"> <li>- completely-knocked-down (CKD) parts imported by factories under supervision of the Customs Administration are subject to the import duty rate imposed on the final product, less 20%;</li> <li>- if locally manufactured parts are used, manufacturers are entitled to a reduction in import duty rates up to 75% (see Table III.8.</li> </ul>

Source: The Customs Law; and *Customs Exemption Law*.

**(v) Tariff quotas**

43. Egypt does not apply any tariff quotas.

**(vi) Variable import levies**

44. Egypt does not have any variable import levies.

(vii) Other charges affecting imports

(a) General sales tax

45. In addition to import tariffs and service charges, a sales tax is levied on a number of imported and locally produced goods and services. The General Sales Tax (GST), introduced by Law 11 in 1991, levies rates of 5% and 25% for goods and 5% and 10% for services (Table III.6 and Table AIII.4). Since Egypt's last Review in 1992, a 30% rate levied on goods has been removed; and a number of goods subject to rates of 20% and 30% are now charged a sales tax of 25%. Essential commodities such as basic foods are exempt from the sales tax, as are newsprint, papers and magazines, and some drugs.

Table III.6  
General sales tax rates, 1991 and 1998

June 1991	June 1998
<b>Exempted goods</b>	
Dairy products	Unchanged
Vegetable oils (subsidized)	Unchanged
Milled products except imported super or leavened flour	Unchanged
Conserved, processed or prepared meat items	Unchanged
Conserved, processed or prepared fish, except smoked fish and caviar and its substitutes	Unchanged
Canned fresh, frozen or conserved vegetables, fruits, legumes, grains, seeds, salt and other spices and condiments, except those imported	Unchanged
Sesame (sweet and sauce) and halawa tahiniyya	Unchanged
Food products sold by restaurants and the non-tourist industry	Unchanged
Price administered bread	Unchanged
Natural gas and butane	Unchanged
Waste produced by the food industry; food prepared for animals, birds and fish (fodder), except for dogs, cats and ornamental fish	Unchanged
Clothes distributed by the Ministry of Trade and Supply	Unchanged
Paper pulp, paper and cardboard waste, old items made of paper and cardboard suitable for making paper	Unchanged
Newsprint, printing paper and writing paper	Unchanged
University books and notes	Unchanged
Papers and magazines	Unchanged
Macaroni made of ordinary flour	
Bank notes and coins, except collection pieces	Removed
Drugs that have been exempted by a decision of the Health Minister	Removed
	Raw Gold (added)
<b>Goods taxed at 5%</b>	
Coffee, incl. roasted, decaffeinated, husk and shuck of coffee, coffee substitutes containing any coffee	Unchanged
All products made of flour; and kneaded confectionery other than price administered bread	Unchanged
Soap and detergents for domestic and household use	Unchanged
Fertilizers	Unchanged
Antiseptics, insecticide, fungicide, herbicide, anti-germinates and rat poisons for agricultural use	Unchanged
Gypsum	Unchanged
Timber sawn longitudinally into sheets, sheeted/sliced timber, plywood and counter-lath timber sheets, grain wood, pressed wood without further processing	Unchanged
Iron bars and rods for building purposes, scrap and junk cast iron or steel, bloom and pellet.	Unchanged
Imported flour, fine or leavened flour	Removed

Table III.6 (cont'd)

June 1991	June 1998
Macaroni made of semolina	Removed
<b>Goods taxed at 20%</b>	
Colour television sets greater than 16 inch screen, even if another set is coupled therewith	Changed to 25%
Refrigerators and refrigerating equipment with a capacity of more than 12 cubic feet for domestic use and display refrigerators for trade stores and hotels and any such items that are used in other places	Changed to 25%
Freezers with a capacity of 10 cubic feet and more	Changed to 25%
Radio cassette sets; video recorders and gramophones	Changed to 25%
Air conditioning units and their split units	Changed to 25%
Lighting/chandeliers and parts thereof	Changed to 25%
Passenger cars with a capacity of 1,600 to 2,000 cc, vehicles for the transport of both goods and persons; jeeps	Changed to 25%
Electric water heaters	Removed
Electric household dryers	Removed
Stoves and ranges	Removed
Household glassware of refractory glass, e.g. pyrex glass	Removed
Mosaic tiles	Removed
Statuettes and other personal ornaments, articles of furniture, of ivory or Turkish glass or others	Removed
<b>Goods taxed at 30%</b>	
Sound recorders and magnetic reproducers (video recorders)	Removed
Playing cards	Removed
Lighters and parts thereof	Removed
Passenger cars of cylinder capacity of more than 2,000 cc. or of rotary engines	Changed to 25%
Video tapes	Changed to 25%
Aromatic preparations, cosmetics or beauty preparations and products for skin and hair care	Changed to 25%
Sanitary fixtures of marble or alabaster, except those manufactured of agglomerated marble or artificial marble	Removed
Wrist watches, pocket watches etc., with precious metal cases (platinum, gold, silver)	Removed
Caravans for housing or camping	Changed to 25%
Trailers for camping	Changed to 25%
Video cameras and parts thereof	Removed
Games fitted with motor, or machines used in public places	Removed

Source: General Sales Tax Law 11/1991 as amended by Laws 91/96, 2/97 and 163/1998.

### (viii) Import restrictions and licensing

#### (a) Import prohibitions and restrictions

46. Products subject to import bans, mainly for health and safety reasons, are hazardous chemicals; certain chemicals and pesticides under Ministerial Decree 147/1996; a number of pharmaceutical and other health related products; a number of agricultural products, such as plants, animal hides and live animals; and hazardous drugs. The import of air conditioners, refrigerators and aerosol products using ozone damaging substances is prohibited as part of Egypt's participation in the Montreal Protocol on Substances that Deplete the Ozone Layer.<sup>18</sup>

47. A ban on imports from South Africa was lifted in 1993.

<sup>18</sup> Medical products are excluded from this restriction.

48. As Egypt moves towards using tariffs as its main trade policy instrument, items previously allowed only conditional entry into Egypt, or on the "banned" list, have gradually been removed from the list. A list of 105 commodity groups in 1991 was reduced to three (25 commodities) by 1998; the list currently comprises clothing, and poultry products (Table AIII.5). The list is reviewed every six months. Although officially prohibited from import, goods on the list may be selectively imported by certain industries, such as tourism, or for certain end-uses, such as assembly production.

49. Non-tariff barriers on all textile and clothing items are expected to be phased out by 2002, in line with Egypt's Uruguay Round commitments (section (x) below); as part of this phase out, Egypt lifted a ban on most textile items on 1 January 1998, placing a tariff of 54% (40% previously) on these items (section (x)).<sup>19</sup> A previous ban on imports of whole poultry products was eliminated in July 1997 and replaced with a tariff rate of 80%, reduced to 70% in 1999. The "special conditions list", which contained nine commodities whose importation was permitted only under certain circumstances, was cancelled by Ministerial Decree 288 in July 1993.

50. Imports of second-hand goods are allowed for certain products, although in most cases permission is required from the designated Ministries (Table AIII.6).

(b) Import licensing

51. Licences and prior approval for imports are no longer required; these were abolished in July 1993 by Ministerial Decree 288. However, under a recent bilateral agreement with Lebanon, Egypt requires import licences for a number of products, including cement, gypsum, plaster, quick lime, copper and alloyed wires, and electrical and insulated electrical wires and cables.

(ix) Import quotas

52. Egypt has no import quotas.

(x) Balance-of-payments restrictions

53. Egypt disinvoked GATT Article XVIII:B (on trade measures taken for balance-of-payments reasons) on 30 June 1995, and made a commitment to remove its remaining conditional import prohibitions on fabrics, and on apparel and made-ups, no later than 1 January 1998 and 1 January 2002, respectively<sup>20</sup>; conditional prohibitions on the import of fabrics were lifted by Presidential Decree 1 in 1998 and tariffed at 54%. Egypt's last consultations with the WTO Committee on Balance-of-Payments Restrictions were held in June 1995.<sup>21</sup>

(xi) State-trading enterprises and import cartels

54. According to a WTO notification made in September 1998, Egypt does not have any state-trading enterprises as defined under Paragraph 1 of GATT 1994 (State Trading Enterprises).<sup>22</sup>

55. Nevertheless, the public sector continues to play an important role, notably in imports of petroleum products, through the Egyptian General Petroleum Corporation (EGPC), and imports of cereals, through the General Authority for Supply Commodities.

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<sup>19</sup> Additionally, there is a 10% sales tax and a 3% service fee on these imports.

<sup>20</sup> WTO document WT/BOP/R/2, 30 June 1995.

<sup>21</sup> WTO document WT/BOP/R/2, 30 June 1995.

<sup>22</sup> WTO document G/STR/N/4/EGY, 1 October 1998.



56. Egypt does not have any import cartels although imports of certain goods appear to be reserved for general and specialized trading companies.

**(xii) Import surveillance**

57. Import surveillance does not appear to be applied in Egypt.

**(xiii) Anti-dumping, countervailing and safeguard measures**

58. By ratifying the WTO Agreement in 1995 and through Presidential Decree No. 72, Egypt accepted the WTO Agreements on the Implementation of Article VI (Anti-Dumping), Subsidies and Countervailing Measures, and Safeguards. Law 161, passed in 1998, set out specific regulations and procedures for examining dumping, subsidy and safeguard complaints.<sup>23</sup> The authority to carry out investigations lies with the Ministry of Trade and Supply, which appears to have considerable discretion to accept or reject recommendations made by the International Trade Policies Department, the investigating authority, and the Advisory Committee (Box III.2)

59. Egypt initiated two anti-dumping cases, concerning seven European producers, in 1997. Of these, measures against five producers were in force as at end June 1998 (Table III.7).<sup>24</sup> According to the authorities, anti-dumping investigations relating to imports of tyres from the EU, Japan, and the Republic of Korea were under way in late 1998.

**Table III.7**  
**Anti-dumping actions, as of 30 June 1998**

Product	Exporting country	Date of initiation	Provisional measures	Final measures
			Date, dumping margins	Date, dumping margins
Stainless steel kitchen sinks (inset)	Greece	30.01.1997	None	28.06.1998 (35%)
Stainless steel kitchen sinks (inset)	Spain	30.01.1997	None	28.06.1998 (50%)
Steel reinforcing bars	Russia	30.07.1997	None	23.02.1998 (no injury)
Steel reinforcing bars	Romania	30.07.1997	None	28.06.1998 (6.4% - 14.2%)
Steel reinforcing bars	Ukraine	30.07.1997	None	28.06.1998 (19.38% - 21.98%)
Steel reinforcing bars	Former Yugoslav Republic of Macedonia	30.07.1997	None	23.02.1998 (no injury)
Steel reinforcing bars	Latvia	30.07.1997	None	28.06.1998 (23% - 23.50%)

Source: WTO document G/ADP/N/41/EGY, 30 July 1998.

60. No countervailing measures are currently in force; the International Trade Policies Department was carrying out an investigation on EU subsidies for refined sugar in late 1998.

<sup>23</sup> The law, which is a composite law for anti-dumping, countervailing and safeguard measures, has been notified to the Secretariat in WTO document G/ADP/N/1/EGY/2, 11 November 1998.

<sup>24</sup> WTO document G/ADP/N/41/EGY, 30 July 1998.

**Box III.2: Anti-dumping, countervailing and safeguard procedures in Egypt**

Law 161, on "The Protection of the National Economy from the Effects of Injurious Practices in International Trade", passed in 1998, along with its Executive Regulations, introduced procedures to be followed when conducting anti-dumping, countervailing or safeguard investigations.

Anti-dumping and countervailing measures

All complaints must be made in writing to the International Trade Policies Department (Anti-dumping, Subsidy and Safeguard Department), Foreign Trade Sector in the Ministry of Trade and Supply. The application for an investigation must be registered with the Department, on behalf of the domestic industry, by interest groups such as industry associations, or by the Ministries of Agriculture, and Industry, and the Business Public Sector.

Investigations are only to be considered if the application is supported by domestic producers whose collective output accounts for more than 50% of total output of the portion of domestic industry expressing support for the application and at least 25% of total output of the domestic industry.

The Department must inform the applicant whether the application has been accepted within seven days of its receipt. Within 30 days of registering the application, the Department must submit a preliminary report to an inter-Ministerial Advisory Committee, with its recommendations. The Advisory Committee, which makes a decision based on recommendations made by the International Trade Policies Department and the interests of Egypt, must present its recommendations to the Minister of Trade and Supply within ten days of receiving the report of the International Trade Policies Department. The Minister may accept or reject the recommendations made by the Advisory Committee.

Provisional anti-dumping or countervailing measures, not greater than the margin of dumping or of the subsidy rate, may be taken 60 days from the date of initiation of the investigation and may be applied for a period of up to four months, which may be extended to six months depending on the need for extension on a case-by-case basis. In the case of anti-dumping measures, if there is a possibility that a duty lower than the margin of dumping would be sufficient to remove injury, provisional measures may be applied for a six-month period extendable to nine months.

Final measures may be taken for a period not exceeding five years from the date of publication of the final measures. Review of the final measures may be carried out after one year and must be initiated at least six months before the end of the five-year period. Any such review must be completed within one year, during which time the final measures remain in force; thus final measures may be in place for five and a half years. Final measures may be reimposed for a further five years if necessary, following the review.

The Department may recommend termination of an anti-dumping investigation if the volume of dumped imports for a particular country is less than 3% of the total, unless countries accounting individually for less than 3% collectively account for more than 7% of the total, or if the margin of dumping is less than 2% of the export price. For countervailing measures, termination of the investigation is recommended if the amount of subsidy is less than 1% of the value of the subsidized goods, or if the imposition of countervailing duty is considered to be inconsistent with Egypt's obligations under GATT, for example where green box subsidies are identified.

Safeguard measures

Provisional safeguard measures may be imposed in the form of tariff increases, for a maximum period of up to 200 days. Definitive measures may be imposed in the form of quantitative measures or tariff increases or both. The measures are to be imposed to the extent necessary to prevent or remedy the injury caused, where "to the extent necessary" is determined by the extent of injury, adjustment programme and public interest factors. Final measures are applied for a period up to four years and may be extended up to ten years (rather than the eight years provided for by Article 7 of the Agreement on Safeguards) inclusive of the period during which provisional measures were applied.

*Source:* Law 161, 1998.

61. Safeguard proceedings were initiated in August 1998 in response to an allegation by the domestic match industry of serious injury caused by a surge in imports. According to the authorities, the growth in imports of matches was 36% in 1998 compared to 6% in 1995; as a result, the viability of the dominant company in Egypt appeared to be in doubt.<sup>25</sup> As a provisional measure, in 1998 the Government imposed a tariff of 46% on the c.i.f. import value of matches for a period of up to 200 days, pending the completion of the investigation. Final measures were imposed on 19 February 1999 and are expected to last until 4 August 2001. The safeguard duty will be charged on the c.i.f. export price value at an annual rate of 34%, 22% and 11% for each of the three years during which it is in force.<sup>26</sup>

**(xiv) Standards and other technical requirements**

**(a) Standards**

62. Standards are formulated and set by the Egyptian Organization for Standardization and Quality Control (EOS), while verification of compliance is the responsibility of agencies affiliated to different ministries, including the Ministry of Health, the Ministry of Agriculture, the Atomic Energy Authority and, for imported goods, by the General Authority for Export and Import Control in the Ministry of Trade. Importers are usually required to inform the General Authority for Export and Import Control about the standards to be applied to imported goods, prior to import. The fact that the formulation and enforcement of standards is carried out by different organizations within different ministries makes their administration complex.

63. All product standards in Egypt are formulated and set by the EOS in the Ministry of Industry. The EOS was formed by Presidential Decree No. 392 of 1997, and its activities include issuing standards and technical specifications for raw materials and industrial products; testing conformity with established standards; issuing quality marks to local industrial products conforming to specific standards; and training.

64. Draft standards are developed by the EOS in consultation with technical committees, of which there are currently around 100. The committees include representation from research organizations, control authorities, producers, consumers and chambers of commerce and industry. A draft standard, once developed by the technical committee is circulated to all interested persons for comment for a period of at least two months. Once all the relevant comments have been incorporated and a final draft developed, the standard must be formally adopted by the EOS Council whose composition includes the heads of holding companies and control authorities as well as representatives from the legal profession and the media. Egyptian standards are reviewed periodically, usually once every five years, to ensure their relevance to current requirements.

65. In 1997 there were around 1,000 standards in Egypt, of which 107 were mandatory. The majority of the mandatory standards are concerned with food products, engineering goods and textiles and clothing. In addition to standards, the EOS also issues quality and conformity marks. The latter are mandatory for products such as engineering goods, and address health and safety concerns. The quality mark is issued by the EOS upon request from a producer, is valid for two years, and is subject to random testing.

66. In recent years, efforts have been stepped up to increase the conformity of Egyptian standards with international standards. According to the authorities, international standards, where available,

<sup>25</sup> WTO documents G/SG/N6/EGY/1, 11 August 1998, G/SG/N7/EGY/1, 11 August 1998, and G/SG/Q2/EGY/2, 5 November 1998

<sup>26</sup> WTO document G/SG/N/8/EGY/1, 10 February 1999.

are increasingly being adopted in place of the development of new Egyptian standards. In addition, where there are no specific Egyptian standards, Decree 42 of March 1994 amended by Decree 180 of 1996, identified the following standards that could be used: ISO/IEC standards, as well as the national standards of France, Germany, Japan, the United Kingdom and the United States. Cooperation agreements have also been concluded with a number of national standards bodies in other countries, including, the Jordan Institute for Standardization and Metrology (JISM), in 1988; the Libyan National Centre for Standardization and Metrology (LNCSM) and the *Institut Nationale de la Normalisation et de la propriete Industrielle* (INNORPI) from Tunisia in 1991; the Saudi Arabian Standards Organization (SASO) and the Syrian Arab Organization for Standardization and Metrology in 1992; the Yemeni Institute for Standards Measurements and Quality Control in 1996; the China State Bureau of Technical Supervision; and the Lebanese Standards Institution (LIBNOR).

67. Egypt is also encouraging the use of ISO 9000 standards although adherence is optional. The testing and implementing authority in this case is the EOS.<sup>27</sup> Industries wishing to apply ISO 9000 standards are required to submit a request to the EOS, which will issue the required specifications and conduct the necessary tests to ensure that the goods meet the standard definitions.

68. Despite these efforts, however, only 25% to 30% of Egyptian standards conform with international standards; the majority of standards have no equivalence to international standards. Of new standards issued since 1992, less than 20% on average have been equivalent to ISO or IEC standards (Table AIII.7).

(b) Quality control measures

69. As tariffs and quantitative restrictions were lowered in the early 1990s, the list of imports subject to mandatory quality control was expanded. Subsequent to their derestriction, a number of previously banned items, including live animals and poultry, eggs, coffee, tobacco, iron tubes and pipes, ceramic sanitary ware, stoves and heaters, steam boilers, washing machines, electrical equipment, motor vehicle parts and pencils were moved to the quality control list. In 1998, textiles were removed from the banned list and were added to the quality control list.

70. Since Egypt's previous Review in 1992, the quality-control list has been expanded, rising from 69 items to 182 in 1998. The list covers a wide range of categories including food stuffs, construction products, appliances, electronic products, spare parts and consumer products.<sup>28</sup> No details were available on similar measures applied to equivalent domestic products. Inspections are carried out by the General Authority for Export and Import Control and inspection fees range up to LE 10.<sup>29</sup> Egypt is currently reviewing the system of mandatory quality control.

71. While quality control measures may be necessary to ensure that imports meet a minimum standard, the unevenness of their application to some products, depending upon end use, raises the question of whether they are being used effectively. For example, Ministerial decree 99/1994, exempts imported industrial inputs from quality control even if the products are on the quality control list. It is also unclear whether products manufactured in Egypt that are equivalent to imported products on the quality control list, are subject to equivalent quality control restrictions in Egypt. The inspection fee for a number of goods imported for industrial use is also lower than the fee applied to retail goods.

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<sup>27</sup> Dun and Bradstreet (1997).

<sup>28</sup> The list is annexed to the Import and Export Regulations.

<sup>29</sup> Import and Export Regulations, Part V, Article 73.

72. Quality control standards for exports are also applied to a number of products, including flax fibres, citrus fruit and juices, and frozen and canned vegetables.<sup>30</sup>

(c) Sanitary and phytosanitary measures

73. In addition to quality control, there are various controls and inspection procedures for food products. The controls are implemented by the Food Control Agency for foods products; the Atomic Energy Agency, to examine radiation levels; the Agriculture Quarantine Body for fruit and seeds; and the Animal Quarantine Body for fresh and frozen animal products, hides and skins and raw wool.

74. Sanitary certificates, from the Ministry of Agriculture and Land Reclamation, are required for fresh and canned meat, attesting that the slaughter was carried out in accordance with Islamic customs and that the meat had been free from contagious diseases for at least three months prior to slaughter; and for plants and plant products. Requirements for radiation certificates, which are granted by the Atomic Energy Agency, have been lifted for several agricultural products since 1992; foodstuffs, oils and fats and products thereof, live animals except for camels imported from Sudan, plants and seeds, animal fodder, milk substitutes and tobacco remain subject to radiation inspection upon import.<sup>31</sup>

(d) Packaging

75. There are a number of specific packaging requirements. Packed goods must be in packaging that ensures preservation of the product; the product should occupy the space of the packaging in full; wooden containers must be accompanied by an official certificate declaring the containers to be free of insects and pests; each package must also contain the following information in Arabic: producer name and trade mark, if available; the kind of product; technical specifications; international specifications and transportation and handling guidelines; country of origin; and date of production and expiry. For non-food commodities, the shelf-life when imported should be at least half the original shelf-life.<sup>32</sup>

76. Appliances, machinery and equipment must be accompanied by details compatible with information on the packaging and in the country of origin. They should also be accompanied by a manual in Arabic containing an illustrative drawing of the parts; assembly and operating instructions; maintenance; details of the electric circuitry for electronically operated appliances; and security precautions.

77. Foodstuffs should be packaged in suitable containers and be accompanied by the following information in Arabic in addition to any foreign language: name of the producer or factory or trade mark; country of origin; commodity name, grade and kind; name and address of the importer; production and expiry date for the commodity; method of preparation; components of the product and their proportions; method of preservation and storage in the case of perishable goods; net and gross weight; additives and preservatives; and the phrase "Islamic slaughter" in the case of all animal products except fish. There are also a number of conditional requirements for foodstuffs, for example, at least half the shelf-life of the product must remain when it is imported, except for wheat and green coffee grains; and agricultural produce must be of the same crop year, except for green coffee. Poultry and meat products must be shipped directly from the country of origin to Egypt and must be packed in hermetically sealed and sanitized packaging; the packaging should contain the following details, both inside and outside the packaging, in Arabic: country of origin, name of product and its trade mark if any; name of the slaughterhouse; slaughter date; name and address of the

<sup>30</sup> Import and Export Regulations, Annex 9.

<sup>31</sup> Import and Export Regulations, Annex 3.

<sup>32</sup> Import and Export Regulations, Article 74.

importer; name of the "Quarter" supervising the slaughter, which should be carried out according to Islamic law, provided that the "Quarter" is approved by the Commercial Office in the country of origin.<sup>33</sup>

**(xv) Free trade zones**

78. Free-trade zones, or free zones as they are known in Egypt, may be established by the Council of Ministers under Article 29 of Law 8/1997. The large number of incentives offered by the free zones are meant primarily to attract foreign investment and to provide employment for Egyptians.

79. There are currently three types of free zones: public free zones, private free zones and free zones covering an entire city. The public free zones are established for projects licenced under the provisions of Law 8/1997, whereas the private free zones are established and confined to one project (Chapter II(5)). Individual public free zones are managed by a Board of Directors, which licenses projects within the zone. Overall management of the zones is carried out by the General Authority for Investment and Free Zones (GAFI), which may also establish private free zones if appropriate. There are six public free zones in Egypt: Ameria in Alexandria; Port Said; Nasr City in Cairo; Suez; Ismailia; and Damietta Industrial Zone. Another two free zones were being established in late 1998 at Ataka in the North Suez area and in Damietta, while four were under consideration.

80. All imports destined for the free zones are exempt from duty, but the firms established in the zones are subject to an annual 1% charge on the value of goods entering and exiting the zone. Goods exported to Egypt from the zones are liable to customs duty on the value of imported inputs used in the manufacture of the final product.

81. Research conducted by the World Bank found that a majority of the investment that has taken place in the free zones is by Egyptians nationals, suggesting that, to a great extent, the free zones are attracting domestic capital. More than half of the approved projects were for storage and warehousing rather than for value-adding activities. The study also found that the free zones are, in the main, fulfilling their goals of job creation, especially through employment of low-skilled workers in textiles and clothing units; however, the dominance of storage projects hindered job creation.<sup>34</sup> In terms of exports, there has been some success, with free-zone exports growing by almost 11% annually between 1992 and 1997, compared with Egyptian export growth of around 6% over the same period.

**(xvi) Other measures**

**(a) Countertrade**

82. Egypt has signed a number of countertrade agreements but the authorities indicated that implementation of these agreements has practically ceased.

**(3) MEASURES DIRECTLY AFFECTING EXPORTS**

**(i) Registration and documentation**

83. Export approval is not required. Exporters (as importers) must be registered on the Commercial Register with the General Authority for Export and Import Control.<sup>35</sup> Other conditions

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<sup>33</sup> Import and Export Regulations, Article 74 (i)(1).

<sup>34</sup> According to the study, data provided by GAFI showed that the number of jobs created per storage project was around 25 compared to 100 for service projects (World Bank, 1997).

<sup>35</sup> Import and Export Regulations, Articles 44-46.

for registration include minimum capital requirements, and that the exporter have no previous criminal or bankruptcy record. Public sector or government employees may not be registered as exporters. Unlike the conditions for imports, exports are not restricted to Egyptian nationals only. A decision to register the potential exporter must be made within two days of submission of the application with all the relevant documents. Registration must be renewed every five years.

84. In some cases certificates of origin are required by Egypt's trading partners under bilateral and regional agreements. These may be obtained from the General Authority for Export and Import Control.<sup>36</sup> A request for a certificate of origin must be accompanied by a copy of the invoice and a customs declaration.

85. All exports are subject to random inspection by the General Authority for Export and Import Control, which may check between 1% and 10% of each exported consignment to ensure compliance with export conditions and specifications and any quality control requirements, before issuing a certificate (section (ii)(b) below).<sup>37</sup> The certificate, as well as the origin certificate, if requested, must be issued within 24 hours of the inspection and sooner in the case of perishable goods or goods shipped by air.<sup>38</sup>

86. Customs charges include duties for registration, which range from LE 3 to LE 50 and charges for inspection of exports. In addition, according to Article 8 of the Import and Export Regulations, a duty of up to 100% of the value of the good may be imposed at any time by the Minister of Trade.

87. Producers and exporters in the free-trade zones are exempt from all rules concerning customs procedures under the Law of Investment Guarantees and Incentives (Law 8/1997).

## **(ii) Export prohibitions and licensing**

### **(a) Export prohibitions and quotas**

88. Export prohibitions previously maintained on tanned hides and scrap metal were removed in 1994 and September 1996, respectively. The ban on exports of raw hides was removed in July 1998.

89. Export quotas were removed on wool, not carded or combed; wool waste; cotton waste and cotton yarn wastes; tanned leather; and returned newspapers in 1993. Egypt maintains export quotas on textiles and clothing, and some agricultural products under bilateral trade agreements (section (b) below).

### **(b) Export licensing and surveillance**

90. Egypt does not have export licensing requirements. The Government, however, monitors exports of some products that are restrained under bilateral agreements with trading partners, notably textiles and clothing. In addition, under the Cooperation Agreement with the European Union, agricultural exports from Egypt are constrained by quotas and reference prices (Chapter II(4)(ii)). A recent decision by the Minister of Agriculture and Land Reclamation to restrict exports of "baby" potatoes unless they are grown in specified fields, is related, according to the Egyptian authorities, to EU technical regulations.

<sup>36</sup> WTO document, G/RO/W/26, 25 March 1998.

<sup>37</sup> Import and Export Regulations, Article 81.

<sup>38</sup> Import and Export Regulations, Article 82.

91. Some 50 export products appear to be subject to quality controls.<sup>39</sup>

(c) Export price controls

92. Egypt does not maintain any export price controls. The Federation of Cotton Exporters publishes export prices for cotton, based on the international price for cotton, on a regular basis.

**(iii) Export charges**

93. Exports from Egypt do not seem to be subject to any charges other than for customs inspection and registration and are exempt from the general sales tax.

**(iv) Export monopolies**

94. Export monopolies are not restricted in Egypt. The export of cotton is carried out by seven public sector trading companies and ten private companies, operating under the Federation of Cotton Exporters which regulates all exports and imports of cotton. Petroleum exports are carried out by the Egyptian General Petroleum Company (EGPC). Other public sector export monopolies were discontinued in 1991. No information was available on whether external trade in wood, paper, pulp and board continues to be reserved for the public sector.<sup>40</sup>

**(v) Performance requirements**

95. Egypt has notified the WTO that it maintains incentive measures in the form of customs duty reductions to promote the establishment and development of certain industries in the country.<sup>41</sup> The reductions in customs duty, which are offered to assembly industries, depend upon the proportion of local content and can go up to a maximum of 75% of the full tariff rate (Table III.8). According to the authorities, the incentives are aimed at facilitating the exploitation of available resources, transfer of technology and remedying what is viewed as a chronic trade deficit.

**Table III.8**  
**Tariff concessions for local content in assembled products**  
(Per cent)

Proportion of locally manufactured parts	Reduction in import duty
20	25
30	30
40	40
50	50
60	60
Over 65	75

Source: IMF (1998), *Egypt: Beyond Stabilization; Towards a Dynamic Market Economy*, Occasional Paper no. 163, IMF, Washington D.C., May.

96. Local-content requirements of up to 60% for assembly industries were abolished in July 1993. Similarly, tax incentives for companies investing in Egypt and producing goods with local content of more than 60% have been discontinued under the Law of Investment Guarantees and Incentives (8/1997), which replaced Investment Law 230 in 1997.<sup>42</sup>

<sup>39</sup> Import and Export Regulations, Annex 9.

<sup>40</sup> European Commission Market Database (internet address: <http://makacdb.eu.int/mkdb/chksel.pl>)

<sup>41</sup> WTO document G/TRIMS/N/1/EGY/1, 9 October 1995.

<sup>42</sup> Previously, Article 11(7) of Investment Law 230 provided tax exemptions on industrial and commercial profits and corporate income tax for 12 years if local components in machinery, equipment and outfits exceeded 60%.



**(vi) Export promotion activities****(a) Subsidies and financial assistance**

97. Egypt does not have any direct export subsidies. However, producers and exporters are supported through incentives such as tax concessions, and loans from the Export Development Bank of Egypt (EDBE). The EDBE was established in 1983, under Law 95; its main purpose was to encourage the development of Egyptian exports. It provides short- and medium-term loans to finance capital assets of export companies, and bank guarantees required for financing exports either directly to the exporter, or through other banks. The Bank also provides credit to finance imports primarily meant as inputs for export production, and acts as an insurer for exports against commercial and non-commercial risks. Around 200 projects were approved by the Bank in 1997. At the time of Egypt's last Review in 1992, it was estimated that around 25% of Egypt's non-traditional exports were financed by the EDBE.

98. In 1992, the EDBE established an Export Credit and Guarantee Company to assist exporters in improving their marketing efforts and in developing new markets for their exports. The Company issues export credit insurance guarantees to exporters, covering up to 80% of any losses incurred.

**(b) Export promotion**

99. The main government agency responsible for export promotion is the Egyptian Export Promotion Centre (EEPC), established under Presidential Decree 475 in 1979. The Decree was modified in 1986 to allow representation by the private sector on the Board of Directors of the EEPC and to broaden its responsibilities to include services exports. The EEPC is affiliated to the Ministry of Trade and Supply and includes the Commercial Representation Body; the General Organization for International Exhibitions and Fairs; and the International Trade Point in the Ministry of Trade and Supply. The main activities of the EEPC are to:

- monitor export markets and provide information to exporters on market access;
- conduct market surveys and studies to help exporters expand their markets;
- develop export incentives;
- organize trade fairs and exhibitions; and
- organize training programmes to develop and enhance export performance.

100. The Ministry of Trade and Supply has developed a 20-year export promotion strategy to be implemented by the EEPC. The strategy is aimed at increasing exports by 10% during the period 1997-2002; 15% between 2002 and 2007; 20% from 2007-2012; and by 16% between 2012 and 2017. During the period 1997-2002, the Government aims to integrate Egypt more closely into the international trading system by developing and redefining bilateral relations; strengthening companies specializing in international trade; taking any measures needed to protect the domestic market from unfair trade practices; offering legal and technical advice to exporters; and reforming and restructuring the institutional framework for export promotion. The Government has also targeted a number of industries for export promotion, including aluminium, carpets, clothing, cement, ceramics, household appliances, inputs for assembled engineering goods, processed agricultural goods, shoes and other articles of leather, spinning and textiles.

101. The EEPC also provides detailed technical advice to exporters as well as information about packaging requirements in the markets of trading partners. In 1997/98 the EEPC had a budget of around LE 1.6 million (around US\$0.5 million).

102. In addition to the EEPC, the Export Development Trading Company was established under Law 159 in 1988 to provide financial and technical assistance for export promotion. The company's authorized capital is LE 10 million. Expenditure in 1997 was LE 258,000, equivalent to US\$76,000.

103. The International Trade Point in the Ministry of Trade and Supply, which is supervised by the EEPC, carries out export promotion targeted specifically to small- and medium-sized enterprises, and offers databases providing market information, export opportunities, credit availability and technical specifications and requirements in export markets.

(c) Tax concessions

104. To encourage exports, Egypt provides tax (and tariff) exemptions for companies established in any of its public free zones. More generally, tax incentives are provided for all companies established under the Law of Investment Guarantees and Incentives and for companies established in the Urban Communities and Industrial Zones (Chapter II(5) and section (2)(xv)).

105. In addition, refunds of import duties are offered for goods re-exported within one year under the duty drawback scheme (section (2)(iv)(f)). Procedures for obtaining refunds under this scheme have been liberalized since Egypt's previous Review although a recent survey of companies in Egypt suggests that these procedures could be further streamlined.<sup>43</sup>

(d) Other support for exports

106. Price regulations, although being phased out, continue to apply to certain inputs in favour of exports. For example, although substantially liberalized, energy prices, including for petroleum products, remain below international levels. Prices of some infrastructure services, notably electricity, are subsidized, although gradually being raised. Certain fees for air transport services for exports have been cancelled. In addition, export infrastructure and support systems for transport, marketing, financing and export guarantees have been improved.

**(vii) Measures maintained by importing countries**

107. Egypt has frequently voiced its concerns about the use of trade defence measures by its trading partners, especially for cotton products, including textiles and clothing.<sup>44</sup> Between 1992 and February 1999, five anti-dumping measures were imposed on Egyptian exports, three of which affected Egyptian exports of cotton fabrics to the European Union (Table III.9).

108. Egypt also feels that sanitary and phytosanitary measures pose a barrier to their exports of agricultural products. In addition, market access for agricultural products has been one of the main reasons for a failure to complete negotiations for a Euro-Mediterranean agreement with the European Union (Chapter II(4)(ii)(a)).

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<sup>43</sup> Fawzy (1998).

<sup>44</sup> The Government and private businessmen reportedly threatened to cut trade with some countries of the European Union if definitive anti-dumping measures were imposed on Egyptian exports of unbleached cotton (*Africa Economic Digest*, 3 August 1998).

Table III.9

Anti-dumping measures maintained on Egyptian exports, 1992–99<sup>a</sup>

Product	Country	Initiation	Measures
Unbleached cotton fabrics	European Union	21/02/1996	Provisional (20/11/1996)
Bed linen (cotton)	European Union	13/09/96	Final (04/12/1997)
Cotton fabrics	European Union	11/07/1997	Provisional (09/04/1998)
Aluminium hollow-ware	South Africa	27/10/95	Final (05/02/1997)
Ferrosilicon	United States	08/02/1993	No final measures (22/10/1993)

a Until April 1999.

Source: WTO Secretariat (based on notifications to the WTO).

#### (4) MEASURES AFFECTING PRODUCTION AND TRADE

##### (i) Production incentives

##### (a) Tax incentives

109. Egypt gives tax incentives for companies formed under the Companies Law (159/1981) or the Law of Investment Incentives and Guarantees (8/1997). Limited incentives are provided under the Companies Law, mainly on income earned from shares registered on the stock exchange. A wider range of exemptions are offered by the Law of Investment Incentives and Guarantees (previously under Investment Law 230), including tax holidays of between five and 20 years (Table III.10). Tax exemptions are also provided for investments outside the Old Valley and under the New Communities Law, or for investments made in certain sectors such as tourism. Exemptions from and reductions in tariff duties are also offered to investors under these laws (section (2)(iv)).

110. According to the IMF, a number of companies established in Egypt do not pay income tax as a result of these tax concessions. The tax incentives provided to investors can also result in a significant misallocation of resources, especially between favoured and disfavoured sectors and economic activities.<sup>45</sup> Egypt's tax rates are comparable to rates in neighbouring countries; however, overall revenue raised from taxes (including personal income tax and goods and service taxes) was under 14% of GDP in 1996/97, compared to an average of above 16% of GDP for neighbouring countries.<sup>46</sup> The incentives do not appear to have had a significant impact on foreign direct investment which, on an annual basis, has averaged around 1% of GDP since 1994 (Chapter I(4)).<sup>47</sup>

<sup>45</sup> IMF (1998).

<sup>46</sup> IMF (1998).

<sup>47</sup> The observation about low rates of foreign direct investment is supported by Fawzy (1998).

Table III.10  
Main tax exemptions offered to companies in Egypt by the Central Government, July 1997

Tax	Base	Exemptions
<b>Taxes on income and profits</b>		
Law 157/1981 amended by Law 187/1993	Annual tax on accrued net taxable profits earned in Egypt by foreign and domestic companies (including public sector enterprises) engaged in economic activities including manufacturing, commerce, banking, mining, real estate brokerage and commercial leasing activities.	<p>Law 8/1997 provides a tax holiday of up to five years for direct taxes on corporate profits and dividends. Exemptions up to ten years are provided for investments in the New Urban Communities and Industrial Zones and up to 20 years for investment outside the Old Valley. Investors are also exempt for up to three years from paying all stamp and notarization duties.</p> <p>Investment in the free-trade zones is exempt indefinitely from taxes.</p> <p>Law 187/1993 provides a five-year corporate income tax holiday for industrial corporations employing 50 or more workers.</p> <p>Sector specific income and property tax exemptions for between five and ten years.</p> <p>Deductions allowed on a wide range of activities including all business expenses, wages and bonuses to be statutorily granted to workers, social security contributions for workers, inventory costs, interest and royalties.</p>
<b>Taxes on goods and services</b>		
General sales tax Law 11/1991, Decrees 180/1991, 295/1993, 304/1993 and 39/1994.	Sales tax applied at the manufacturing level on imported and domestically produced goods and specified services including hotel and tourist services, communications, and intermediary real estate services.	Firms with turnover of less than LE 54,000 are exempt. Exports are exempt as are certain goods including essential food products, paper products and newspapers and magazines.

Source: IMF (1998), *Egypt: Beyond Stabilization, Towards a Dynamic Market Economy*, Occasional Paper 163, Washington D.C., May; and *Law of Investment Guarantees and Incentives*, 8/1997.

(b) Financial support

111. The cost to the Egyptian Government of direct subsidies provided through the annual budget has declined substantially, from around LE 7.6 billion in 1991/92 (around 6.5% of GDP), of which around 20% was used for subsidizing electricity, to LE 4.4 billion (around 1.5% of GDP) in 1995/96. Most of the funding is currently provided to the General Authority for Supply Commodities, the main government agency for procurement of food products, and for other commodity subsidies. The subsidy for fertilizers and pesticides was due to be removed by 1995/1996.

(c) Marketing and pricing arrangements

112. Additional support, provided mainly in the form of administered prices, has been substantially reduced since the previous Review in 1992, as domestic prices for most products are now close to or on par with world market prices. Cotton prices, which were administered to provide cheap raw materials to Egypt's textiles and clothing industry, have been gradually liberalized since 1996, although the Government guarantees a floor price for farmers, which has been higher than the international market price in recent years.<sup>48</sup> Similar guarantee prices are provided for wheat and corn.

<sup>48</sup> *Financial Times Survey* on Egypt, May 1997.

To compensate farmers for low prices on agricultural products, important inputs such as fertilizer, water and electricity were traditionally provided at subsidized prices. Price controls on these inputs appear to have also been substantially reduced.

113. Prices of some industrial products are still controlled, including pharmaceuticals, cigarettes, rationed sugar and rationed edible oil. Prices of petroleum products were raised to around 36% of international benchmark prices in May 1989, and had been allowed to rise to around 90% by June 1995.<sup>49</sup> The most important remaining price controls apply to utilities, including electricity, water, housing and transport.

114. In addition to administered prices, the Government of Egypt has intervened extensively in marketing and distribution activities, especially in the agricultural sector. This intervention has been reduced considerably since the previous Review (Chapter IV(2)(i)).

(d) Assistance for research and development

115. No explicit incentives are provided by the Government to encourage investment in research and development activities. The Government does, however, fund research and development directly through the Ministry of Scientific Research; other ministries that are provided funding for R&D from the Annual State Budget; and through scientific institutions and universities. According to the authorities, annual budgeted assistance for R&D is around 0.5% of GDP.

(ii) Adjustment and regional assistance

116. Although the Government does not provide adjustment assistance to sectors affected by the stabilization policy of the 1990s, some funding is provided for displaced labour under the Social Fund for Development (SFD) and through the Government's privatization programme.

117. The SFD was established in 1991 and is regulated by the World Bank (Box III.3). It received funding of around US\$613 million from the European Union, the UNDP, and bilateral donors during its first phase, which lasted until 1996. A second phase was begun in 1997 with funding worth US\$746 million. The SFD has funded public works, community development, enterprise development and human resources development. According to the SFD, an estimated 350,000 permanent and temporary jobs had been created by 1997 at a total cost of around LE 2.1 billion (US\$0.6 billion).

118. The restructuring of public sector firms prior to their sale has implied significant redundancies. The Ministry of Public Enterprises estimated that in 1995/96, prior to restructuring, companies grouped under 16 holding companies employed over 932,000 workers; although no accurate estimates are available, the Ministry suggests that between 180,000 and 300,000 workers, or up to 30% of the total labour force in these companies, was "excess labour".<sup>50</sup>

119. Under the privatization programme there are a number of possibilities to assist displaced employees, including through early retirement, sales of shares to employee associations, and SFD training programmes. Early retirement has been taken by around 60,000 employees at a cost of LE 1.5 billion; the cost has been shouldered by the holding companies, which retain one third of the proceeds from sales of the public sector companies for this purpose. The Government is presently considering ways in which to raise finance for early retirement payments for a further 80,000 employees, estimated to cost around LE 2 billion.

<sup>49</sup> The main controls are for fuel oil, kerosene and gas oil (IMF, 1998).

<sup>50</sup> Khattab (1998).

**Box III.3: Key elements of the Social Fund for Development**

The Social Fund for Development (SFD) was created in March 1991 with funds provided by international and bilateral donor contributions, primarily to help Egypt adjust to the stabilization programme. The main features of the SFD include:

*Public works programme:* Provides basic services and infrastructure in rural and low-income areas by creating temporary employment through labour-intensive projects such as roads, water, and irrigation.

*Community development programme:* Includes two projects: (i) productive activities project, which provides employment generating activities and concentrates on the micro and cottage industry level; and (ii) the social development activities project aimed at improving the delivery of basic community services such as health and education.

*Enterprise development programme:* Creates jobs by providing loans through banks to small and micro enterprises

*Institutional development programme:* Aimed at improving the Government's ability to identify and monitor the impact of economic and social policy on living standards.

*Employment and retraining programme:* Funds projects that assist employees of restructured public sector enterprises.

The first phase of the SFD ran from 1991 to 1996. The second phase, which began in January 1997, while maintaining the programmes of the first phase, emphasizes targeting, sustainability, decentralization and impact assessment.

The main changes to individual programmes include: the enterprise development programme is to become an independent, permanent body and will provide lending to a range of small businesses; the employment and retraining programme will be expanded to include skills development and to change its name to the human resource development programme; the public works programme will be scaled down by almost half, and its responsibilities shared by the ministries; resources for the community development programme have been doubled; and more resources are to be spent on working with local institutions and non-governmental organizations.

*Source:* The Egyptian authorities; and IMF (1998), *Egypt Beyond Stabilization: Toward a Dynamic Market Economy*, Occasional paper 163, MF, Washington D.C., May.

120. Although no targeted assistance is provided for industrial development, Egypt wants to develop the sparsely populated parts of the country and to reduce pressure on the Nile or Old Valley. Special zones such as the New Communities and New Industrial Zones have been developed outside the Old Valley and provide attractive incentives to investors and developers.

121. The New Communities were established in desert areas and were designed specifically to encourage people to move away from the Old Valley. Administered by the Ministry of New Communities, they include the Tenth of Ramadan, Sixth of October, Sadat City and Borg el Arab, and offer subsidized land with modern infrastructure with a ten-year tax holiday for all development in order to attract investment.<sup>51</sup> The incentives offered by the 19 New Community projects have resulted in a significant increase in industrial activity in these areas (Table AIII.8). However, people appear to be reluctant to move out of the Old Valley. Despite having a capacity for a population of almost 6.4 million, and incentives to attract that population, the New Communities had absorbed less than 300,000 by the end of 1993.

<sup>51</sup> World Bank (1997).

122. The New Industrial Zones were designed exclusively for industrial purposes; they are administered by the Governorate Investment Approval Committee and offer the same investment incentives as the New Communities.

123. Another ambitious effort to attract the population away from the Old Valley, is the New Valley Project, whose total cost is estimated at LE 300 billion. The Project, which is expected to be completed by the year 2017, will channel water from Lake Nasser through a newly constructed canal to create an oasis in the Western Desert. The canal is expected to irrigate over 900,000 hectares of land and to increase Egypt's habitable area to around 25% (from 10% presently). Questions are being raised about the New Valley Project in view of the failure of incentives provided through the New Communities and Industrial Zones to attract the Egyptian population out of the Old Valley.

### (iii) Public sector enterprises and their reform

124. The public sector accounts for more than a third of economic activity in Egypt and employs around a third of Egypt's labour force (Table III.11). Its overall contribution to GDP has remained virtually unchanged since the late 1980s.<sup>52</sup> The public sector consists of a number of different entities including the central and local governments and around 100 Service Authorities; some 60 economic authorities, whose responsibilities include power generation, telecommunications, the Suez Canal, the Egyptian General Petroleum Company (EGPC), the railways, Egypt Air, the Post Office, government supplies, and water and port authorities; over 300 non-financial public companies, including a large number of partnerships between private and public companies, and a few large industrial enterprises concerned with military production, and iron and steel, which fall under Law 97; four public commercial banks and the National Investment Bank; and the insurance sector, dominated by three public insurance companies and a reinsurance company.

125. The largest contribution in the public sector, in terms of share of GDP, is made by the economic authorities followed by the public enterprise sector and banking. In the early 1990s, as part of the overall reform programme, the Government of Egypt embarked on a restructuring of the sector, which envisaged a reduction in government support for the non-financial public enterprise sector, followed by reform under the provisions of Law 203/1991, and eventually privatization (Box III.4). The 314 companies selected by the Government, out of a potential 399, as suitable candidates for privatization, were reorganized under 27 and then 17 (later 16) holding companies.<sup>53</sup> These companies account for around 26% of public sector output.<sup>54</sup> The high degree of involvement of the Government in all aspects of the economy is shown by the activities of the holding companies set up to manage a range of enterprises in industry, agriculture and services (Box III.4).

126. Although legislation enabling public sector reform and privatization was in place by 1992, and the restructuring of many companies completed in fiscal year 1993/94, the privatization programme was slow in gaining momentum. By early 1996 three companies, Coca Cola, Pepsi Cola and Al Nasr Boilers, had been sold to strategic or anchor investors chosen by the Government through direct negotiation, representing thereby a transfer of the company from a single owner in the public sector to a majority owner in the private sector.<sup>55</sup> Minority shares, between 4% and 33%, in

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<sup>52</sup> IMF (1998).

<sup>53</sup> It is estimated that around 85 companies, including the economic authorities, and a number of services related companies are not subject to privatization (Khattab, 1997).

<sup>54</sup> IMF (1998).

<sup>55</sup> According to the authorities, the preference for anchor investors for certain companies lies in the need for specialized investors qualified to develop the company's management and to enhance its technical and marketing abilities.

16 companies were floated in the stock market, and 5% to 51% of shares in ten companies were sold directly to Employee Shareholder Associations (ESAs).

**Table III.11**  
**Size and composition of the public sector in Egypt, 1996**  
(Per cent)

Public sector entity	Share of public sector output	Public sector share in total GDP	Public sector employment as share of labour force
Central and local government and service authorities <sup>a</sup>	19.4	7.3	24.9
Economic authorities <sup>b</sup>	46.7	17.5	2.8
Public enterprise sector <sup>c</sup>	25.8	9.6	5.9
Banking	7.0	2.6	0.4
Insurance	0.1	0.0	0.1
Social insurance	0.2	0.1	n.a.
Others <sup>d</sup>	0.9	0.3	n.a.
<b>Total</b>	<b>100.0</b>	<b>37.4</b>	<b>34.0</b>

a Service authorities include regulatory bodies for agriculture, industry, transportation and communication, trade and finance, housing, reconstruction and health, the educational institutions, and other bodies providing tourist, cultural and presidential support services.

b Includes petroleum, electricity, transportation and communication, Suez Canal, and public utilities.

c Includes industry and mining, construction and building, trade and restaurants, and tourism and hotels.

d Includes agriculture and real estate.

Source: IMF (1998), *Egypt Beyond Stabilization, Towards a Dynamic Market Economy*, Occasional paper No. 163, May.

127. Since early 1996, the pace of privatization has picked up markedly, with 116 companies being sold by end-December 1998, in addition to the three sold earlier (Table III.12). Of the 119 companies privatized before end 1998, the majority had been sold through the stock market, with ten sold to anchor investors and 26 and 28 sold to Employees Associations and as assets, respectively. According to the IMF, by the end of 1997 the privatization programme had resulted in the sale of companies with a total market value of around LE 17.7 billion.<sup>56</sup>

128. In addition to an accelerated pace, the recent privatizations have included companies covering a larger number of sectors, including land reclamation and dredging, housing development, insecticides and fertilizers, flour, cotton ginning and weaving, and engineering. Companies sold to anchor investors have been mainly beverage, utility and agricultural export companies. Only minority shares have been sold in pharmaceutical and wheat milling companies, for social reasons, according to the authorities.

129. Privatization has also been broadened to include joint ventures between public and private sector companies and public banks and public insurance companies. The Government will sell up to 20% of its share in Egypt's four largest public sector banks (Chapter IV(5)). Build-own-operate-transfer (BOOT) schemes have become more widely used in infrastructure sectors such as electricity, transportation and telecommunications.<sup>57</sup>

<sup>56</sup> IMF (1998).

<sup>57</sup> Fawzy, (1998).



**Box III.4: The privatization programme in Egypt**

In 1991 the Government of Egypt initiated steps to reform and eventually privatize a number of public sector companies. The key steps were taken under Law 203, the Office for Public Enterprises, and Law 52.

**Law 203** passed in 1991 and brought 314 public sector companies under 17 (later 16) holding companies whose activities included the management of companies involved in pharmaceuticals and medical equipment; mills, bakers, rice and silos; consumer goods marketing; spinning and weaving; chemical industries; engineering industries; construction and electricity distribution; mining and refractories; food industries and marketing; metallurgical industries; housing, tourism and cinema; construction and urbanization; agricultural development; poultry and animal resources; cotton production and trade; land transport services; maritime transport; and public works, including land reclamation.

Previously these companies were managed by 27 holding companies, each specialized in a particular activity.

Other goals of the law include:

- separation of ownership from management activities;
- removing privileges previously granted to the public sector;
- transferring responsibility and accountability in each company to a Board of Directors elected by the general assembly of the company;
- establishing clear guidelines to reform and eventually privatize the company; and
- liquidating public companies if losses exceed half a company's paid up capital.

**The Office for Public Enterprises** or the Public Enterprise Office (PEO) was established in the Ministry of Public Enterprises in 1991, to be responsible for the 17 holding companies, and reducing control exercised by individual Ministers on sectoral public sector enterprises. Daily management and decisions regarding full or partial sale of companies are taken by a Board of Directors elected by the General Assembly of individual companies, thereby removing management decisions from Government Ministries. The PEO also oversees the eventual privatization of companies, by one or more methods provided for in Law 203: sale on the stock exchange; sale to Employee Shareholder Associations (ESAs); sale to anchor investors; and liquidation of assets.

**Law 52** of 1992 established the independent Capital Markets Authority and paved the way for improved management of the capital market and for the privatization of public sector firms through the capital market.

*Source:* The Egyptian authorities.

130. According to the IMF, Egypt's experience, in terms of privatization receipts as a percentage of GDP, ranks it among the top four countries that have recently had similar privatization programmes.<sup>58</sup> Privatization programmes in the other countries was concentrated in the infrastructure sector and involved a relatively small number of companies with substantial revenue yields; Egypt's privatization programme has been concentrated mainly in the manufacturing sector. This concentration, according to the Egyptian authorities, arises mainly because the sector has had time to adjust to price liberalization, while the services sector has not been similarly exposed to competition.<sup>59</sup>

<sup>58</sup> Privatization receipts in Egypt account for 1.5% of GDP, following behind Hungary (3%), Malaysia (2.1%) and the Czech Republic (1.9%) (IMF, 1998).

<sup>59</sup> Khattab, 1997.

Privatization plans for 1999 include some service providers among the 74 companies to be sold mainly to anchor investors.<sup>60</sup> The services to be included are those that have already had some exposure to competition through recent BOOT schemes, such as port and maritime and road transport related services.

**Table III.12**  
**Privatization in Egypt, 1991-99**

Method	Number of companies
<b>1991-1998</b>	
Majority sale	95
Anchor investors	10
Stock market	34
Employee associations	23
Sold as assets	28
Minority sale	24
40% sold	12
Less than 40% sold	12
<b>Total 1991-1998</b>	<b>119</b>
<b>1999 (scheduled sales)</b>	
Anchor investors	47
Anchor investors/stock market	18
Stock market	2
Employee associations	7
<b>Total 1999</b>	<b>74</b>

*Source:* Data provided by the Egyptian authorities.

131. Although over 60% of the original 314 companies slated for privatization will be partially or fully privatized if the 1999 programme is successfully completed, it has been suggested that a significant number of the remaining companies remain financially weak, creating the possibility of a slow-down in the programme, or that the percentage sold to single shareholders will increase, as is already evident from the 1999 programme. The IMF in 1998 noted that around a third of the remaining public sector companies remained financially weak and that more than half of the companies privatized thus far had been profitable.<sup>61</sup>

#### **(iv) Trade-related intellectual property rights**

##### **(a) Introduction**

132. Egypt is a member of most of the main international treaties on intellectual property. It joined the Berne Convention for the Protection of Literary and Artistic Works, on 7 June 1977; the Geneva Convention for the Protection of Producers of Phonograms, on 23 April 1978; the Convention establishing the World Intellectual Property Organization, on 21 April 1975; the Madrid Agreement on the International Registration of Marks, on 1 July 1952; the Paris Convention for the Protection of Industrial Property, on 1 July 1951; and the Patent Cooperation Treaty.

<sup>60</sup> 87% of the 74 involve sales to only anchor investors, or to anchor investors and through the stock market.

<sup>61</sup> IMF (1998).

## (b) Industrial property

133. The current Egyptian patent law dates from 1949 (Table III.13). It extends patent protection for a period of 15 years from the date of filing and excludes from patentability substances produced by chemical processes if such products are to be used as food or medicine.<sup>62</sup> Patents may be granted only for processes and not for products. A renewal for a period of five years may be granted if the invention is of special importance and has not been adequately worked to compensate patent holders for their efforts.<sup>63</sup> Improvements to existing patents may be granted an additional patent, valid up to the expiry date of the original patent.

**Table III.13**  
Summary of intellectual property rights protection in Egypt corresponding to its TRIPS obligations

IPR	Main legislation	Duration of protection	Minimum duration of protection under TRIPS	Comments
Copyright	Law 354/1954; amended by Laws 38/1992 and 29/1994	Life of the author plus 50 years except in the case of visual, audio-visual and compiled works when duration is 15 years from publication.	Life of author plus 50 years	The most recent amendments extended copyright protection to computer software
- related rights			50 years from year of performance or fixation; 20 years from year of broadcast	
Patents	Law 132/1949	15 years from date of filing; renewable for 5 years	20 years from date of filing	Mailbox facility under Article 70(8) provided
Industrial designs	Law 132/1949	5 years; renewable for two successive 5-year periods	10 years	
Geographical indications	Law 57/1939	10 years	Unlimited	
Trade marks	Law 57/1939	10 years (20 years for foreign trademark holders)	At least 7 years; renewable indefinitely	
Layout designs of integrated circuits			10 years from first commercial exploitation	
Undisclosed information	None	Variable	No specific period	

Note: As a developing country, Egypt has until the year 2000 (2005 in some cases) to meet its TRIPS obligations.

Source: Information provided by the Egyptian authorities.

134. Applications for a patent are made to the Egyptian Patent Office. A six-month period is granted to file and examine any opposition to a patent. According to the authorities around 1,000 patent applications are made every year, 70% of which are made by non-Egyptians; around 500 patents are issued each year, the majority to non-Egyptians.

135. Under the patent and trade mark laws, rejected applications may be appealed by the applicants. For patents, a special three-member Committee was established by the Council of State to examine appeals against patent application rejections by the Egyptian Patent Office. The Committee's decision in turn may be contested before the Administrative Court of the Council of State within 30 days of the decision.

<sup>62</sup> Article 2.

<sup>63</sup> The patent holder may apply for such an extension within the last year of the patent's validity, upon provision of proof that the invention is of special importance and that a suitable benefit has not been reaped (Article 12).

136. Compulsory licences may be granted for a patent that has not been worked, or inadequately worked, for a period of three years from the date on which it was granted.<sup>64</sup> However, should the Patent Office find that the reason for non-exploitation of the patent is beyond the patent holder's powers, an extension of up to two years may be granted to the patent holder to exploit the patent. The patentee is in turn entitled to "suitable" compensation. The decision to grant a compulsory licence by the Patent Office may be contested before the Administrative Court of the Council of State within 30 days of notification of the compulsory licence.<sup>65</sup> A compulsory licence may be granted to the Government for reasons of public utility or national defence.<sup>66</sup> According to the Egyptian Scientific Research Academy, no compulsory licences have been granted since 1992.

137. As a developing country member of the WTO, Egypt has until the year 2000 to amend its intellectual property laws to comply with the obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); the Peoples' Assembly is currently debating a new patent law.<sup>67</sup> Nevertheless, the Agreement requires developing countries to provide a means for receiving product patent applications for pharmaceutical and agricultural chemical products, and on fulfilment of certain conditions, to provide exclusive marketing rights for pharmaceutical and agricultural chemical products.<sup>68</sup> Egypt notified its mailbox facility for such applications in 1995; the agency in charge of receiving patent applications in this case is the Egyptian Patent Office.<sup>69</sup>

138. Trade marks are protected under Law 57 of 1939 and are available to all manufacturers or traders resident in Egypt or residing in countries providing reciprocal treatment to Egyptians under the Paris Convention. Ownership rights are provided by law initially for ten years from registration but may be renewed indefinitely. According to the authorities, Egyptian trade marks by law are granted for a period of ten years; however, as a signatory to the Paris Convention, Egypt grants trade marks registered by non-Egyptians for 20 years. The requirement for a trade mark to be registered is that it be distinctive and not misleading or contrary to public morals. Once a registered trade mark has been used for a period of five years it may no longer be contested.<sup>70</sup> Applications may be made to the Trademark Registration Department and once accepted are published in the Trademarks Journal for public inspection. Published trade marks become officially protected if they are uncontested for a period of three months.

139. Under Law 57/1939 governing trade marks, the applicant may appeal to a Special Committee within 30 days of receiving notification of rejection from the Trademark Registration Department.

140. Parallel imports, in cases where franchises have exclusive rights to market goods protected by a certain trade mark, are not permitted.

141. Industrial designs are protected by Patent Law 132 of 1949 and are registered by the Office of Industrial Designs and Models in the Register of Industrial Designs and Models. Protection is granted for a period of five years from the date of application and may be renewed for two successive periods

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<sup>64</sup> Article 30.

<sup>65</sup> Articles 32 and 33.

<sup>66</sup> Article 33.

<sup>67</sup> Egypt notified the TRIPS Council in September 1995 that a new patent law was under consideration (WTO document IP/N/1/EGY/1, 21 September 1995).

<sup>68</sup> Article 70, paragraphs 8 and 9 of the TRIPS Agreement.

<sup>69</sup> WTO document IP/N/1/EGY/1, 21 September 1995.

<sup>70</sup> Dun and Bradstreet (1997).

of five years, provided that an application for renewal is submitted by the owner during the last year of each period.<sup>71</sup>

142. Egypt does not currently provide protection for layout designs of integrated circuits. It has ratified the Treaty on Intellectual Property in Respect of Integrated Circuits, adopted in Washington, D.C. on 26 May 1989. However the Treaty is not yet in force.

143. Although no protection is provided for trade secrets through legislation, commercially valuable information may be protected through contractual agreement between parties. Civil or criminal remedies may be sought, depending on the severity of the damage caused, in the case of any infringement.<sup>72</sup>

(c) Copyrights

144. Egypt's Copyright Law 354 of 1954 was amended in 1992 by Law 38; Law 29 of March 1994 amended Law 38 to ensure that computer software would be protected as literary work. Article 20 of Law 354 grants copyright protection for a period of the life of the author plus 50 years; protection in the case of visual, audio-visual and compiled works, however, is 15 years from the date of publication. In addition a Ministerial Decree of April 1994 clarified rental and public performance rights, sound recordings, and the definition of personal use. Applications for copyright must be made, depending on the material, either to the National Centre for Cinema for audio-visual works; the Cabinet Information and Decision Support Centre for computer works; or to the General Authority for Books and National Documents for written works and for all other material.

(d) Enforcement

145. Under Article 49 of Law 132, the owner of a patent or industrial design may obtain an injunction from the President of the Administrative Court of the State Council allowing infringing goods to be seized at the border. Patent and industrial design infringements are punishable by imprisonment for up to two years or by a fine of between LE 10 and LE 300.<sup>73</sup>

146. Copyright offences are punishable by a jail sentence and/or a fine of between LE 5,000 and LE 10,000 (between LE 10,000 and LE 50,000 for repeat infringements). The copyright owner may obtain an injunction under Article 43 of Law 354, enabling the Customs Administration to seize material at the border.

147. In August 1996, Egypt's Minister of Supply and Trade announced that enforcement of copyright provisions that protect computer software would be suspended for one year during which time Egyptian companies would be given a grace period to convert their current software systems to conform to the new intellectual property right laws.<sup>74</sup>

148. Trade mark infringers may be subject to between one and two years of imprisonment and/or a fine of between LE 10 and LE 300, depending on the offence. The owner of a trade mark may obtain a court order seeking and enabling seizure of the infringing material, including at the border, within eight days of the order being granted; if the injunction is followed by civil or criminal action against

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<sup>71</sup> Article 44.

<sup>72</sup> Dun and Bradstreet (1997).

<sup>73</sup> Chapter III (Article 48), Law 132/1949.

<sup>74</sup> Dun and Bradstreet (1997).

the offending party, the seized material would remain in the possession of the Customs Authority until termination of the case.<sup>75</sup>

149. According to news reports, software piracy in recent years is estimated to have accounted for around 85% of Egypt's software market.<sup>76</sup> The Government has taken action, including raids on factories and seizure of counterfeit goods, to reduce software piracy. As a result, losses by software makers from piracy was estimated to be US\$13 million in 1997, down from over US\$18 million in 1996.<sup>77</sup> Further efforts were launched in February 1999 through a campaign in the press directed at software users.<sup>78</sup> Despite such efforts at enforcement, software piracy and the weakness of current patent legislation remains a problem, especially in relation to industries such as pharmaceuticals.

150. Pressure to change patent laws sooner than the deadline under the TRIPS Agreement has come mainly from international pharmaceutical companies, which believe that patent protection under the present law is inadequate. Egypt's efforts to develop as a regional hub for high-technology applications, including biotechnology and information technology may moreover be hampered by weak patent protection. Opposition to patent reform has come mainly from the local pharmaceutical companies, arguing that premature enforcement of patent laws will deprive local industry of its ability to produce, and raise prices by 5-7%.<sup>79</sup> The Government is presently drafting a new law to strengthen protection of intellectual property.

#### **(v) Government procurement**

##### **(a) Introduction**

151. Government procurement has historically been an important trade issue in Egypt because of widespread government involvement in production (section (4)(iii)) and, as noted in the 1992 Review, the relatively high share of foreign supplies in public purchases. Also noted in the first Review was the mounting criticism of procurement policies that restricted purchases to certain suppliers. In recent years, the relative importance of procurement has probably diminished with the declining role of the State in the economy, while the introduction of new procurement legislation may have led to improved procurement practices. However, evidence of such progress is not available.

152. Procurement by the Egyptian Government is currently governed by Tenders Law 89 of 1998 which replaced Law 9/1983. The authorities noted that the new law is aimed at investment promotion, deregulation and decentralization, and greater flexibility in procurement procedures by raising procurement ceilings. Procurement procedures under the Tenders Law require that awards go to the lowest bidder, with the exception of sales financed by international financial institutions, where quality, efficiency and other standards, as well as price, are considered when purchasing. In all procurement, a 15% price preference is given to Egyptian bidders.

153. The new Tenders Law is an improvement on the previous legislation, but it continues to provide considerable discretion to government departments to limit procurement to selected suppliers. In addition, since most procurement is based on the lowest bid price, the 15% preference may represent a substantial advantage to Egyptian bidders over foreign suppliers, and result in correspondingly higher procurement costs for the Government and taxpayers. Information on the

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<sup>75</sup> Law 57/1939 as amended by Law 143/1949 and Regulations up to 1 December 1952 (Article 35).

<sup>76</sup> Moore (1997).

<sup>77</sup> According to the Business Software Alliance, a group of major software producers.

<sup>78</sup> *Reuters Press*, February 18 1999.

<sup>79</sup> Moore (1997).

total annual value of procurement by various Departments of the Egyptian Government is not available.

154. Egypt is not a signatory to the WTO Agreement on Government Procurement.

(b) Procedures

155. There are currently two ways in which tendering can be carried out for goods and services: public tender or public practice (negotiations). These are open to all suppliers, Egyptian and foreign. Tenders must be advertised in daily newspapers in Egypt and abroad. Under exceptional circumstances, and under decree from the competent authority, one of four alternatives may be used, limited tender, local tender, direct agreement and limited practice (negotiations).

156. Public tenders and public practice (negotiations) require offers to be submitted in two sealed envelopes, one with technical and the other with financial specifications. The envelope with the technical offer is considered first; only those financial offers corresponding to accepted technical offers are then considered. Decisions with regard to tenders are made by one Committee if the value of the tender is up to LE 50,000; above this amount, two Committees examine all bids. For bids above LE 250,000, the Ministry of Finance must be represented in the Committees; in cases where the value exceeds LE 500,000, representation from the Ministry of Finance and competent legal counsel from the Council of State is required. According to the authorities, a public tender is preferable for products of a highly technical nature.

157. Limited tenders are applied in cases where the nature of the product requires participation by selected suppliers in Egypt and/or abroad. Local tenders are used for products with a value up to LE 200,000. Tendering is limited in this case to local suppliers from within the Governorate.

158. In urgent and exceptional cases, contracting can take place through direct agreement by obtaining a permit from the head of administration or the authority, for contracts not exceeding LE 50,000 (LE 100,000 for contractual work); or through the competent Minister or Governor for contracts not exceeding LE 100,000 (LE 300,000 for contractual work). Both the Ministries of Defence and of Military Production and their entities may use any of the limited methods of tendering when necessary.

159. Limited practice (negotiations), which are based on private bargaining with selected suppliers are used in the following cases: (i) products available only from specific suppliers in Egypt or abroad; (ii) products whose nature dictates that they be brought from their production locations; (iii) products whose technical specifications require that they be purchased from certain suppliers; and (iv) national security. As with public tenders and public practice (negotiations), limited practice (negotiations) tenders are examined by a Committee; technical, financial and legal aspects of the tender are included in its examination. The composition of the Committee varies depending on whether the bids involve domestic or foreign suppliers. Participation of the Ministry of Finance in the Committee is mandatory if the value of the tender exceeds LE 250,000 and also competent legal counsel from the Council of State if the value exceeds LE 500,000.

(vi) Competition policy

160. Egypt has no competition law although the Law of Supplies and Commerce forbids competition-reducing activities such as collusion and hoarding.

161. The Government is presently drafting new anti-trust legislation, with the assistance of the United Nations Conference on Trade and Development (UNCTAD), the European Union, and the United States. The legislation will establish an independent Anti-Trust and Competition Protection

Council under the supervision of the Ministry of Trade and Supplies. The Council will have the authority to take action to stop anti-competitive practices; sell assets and close down offending companies; and impose penalties against offenders.

162. The reduction of state control in the Egyptian market is increasing the need for comprehensive competition legislation to increase competition in particular sectors and in the Egyptian economy in general. Certain policies have encouraged the development of an anti-competitive environment in key sectors of the economy. In several services sectors, for example, the sector remains monopolized by the public sector service provider, with the Government retaining majority ownership. In the Government's privatization programme, the tendency, especially recently, has been to sell state-held companies with significant market power to strategic or anchor investors.