

**REQUEST BY EGYPT FOR AN EXTENSION OF THE TRANSITION PERIOD
UNDER THE PROVISIONS OF ARTICLE 5.3 OF THE AGREEMENT
ON TRADE-RELATED INVESTMENT MEASURES**

The following communication, dated 20 February 2001, has been received from the Permanent Mission of Egypt.

1. Pursuant to the provisions of Article 5.3 of the Agreement on Trade-Related Investment Measures (TRIMs), the Government of Egypt hereby requests a period of five years extension of the transition period for the elimination of the measure previously notified in accordance with Article 5.1 of the TRIMs Agreement on 29 September 1995 in document G/TRIMS/N/1/EGY/1 dated 9 October 1995.

2. It is to be noted that:

- This request is submitted without prejudice to the compatibility of this measure with the TRIMs Agreement and without prejudice to Egypt's rights and obligations under GATT 1994.
- It is still uncertain whether the said measure can be considered as falling precisely within a specific category of the illustrative list annexed to the TRIMs Agreement.

Definition and scope of the measure in place

3. The measure in place provides incentives to promote the establishment and development of domestic industries. The application of this measure results in the reduction of customs duties levied on imported components incorporated in the domestic process of production. The reduction in customs duties increases with the increase of the percentage of locally produced components in the final product.

4. The measure applies to enterprises that voluntarily choose to use this incentive scheme. A large number of enterprises benefit from this measure. It applies to foreign, local as well as joint ventures without discrimination and without being limited to any particular industry.

Aim and rationale of the measure in place

- 5. Enhancing the development of the industrial base and in particular the feeding industries.
- 6. Attracting investments and ensuring technological transfer.
- 7. Providing employment opportunities.
- 8. Addressing the chronic deficit in the Egyptian balance of trade.

Consequences of the termination of the measure in place

9. As the said measure was taken in response to the Egyptian developmental, financial and trade needs, the Government of Egypt believes that the reasons behind keeping this measure in place remain unchanged, and believes that its termination could lead to serious repercussions on the economy, namely:

- A sharp decline of long established industries including enterprises having forward and backward linkages with these industries.
- An ultimate decline in investments, especially investments that will be placed accordingly in serious jeopardy.
- Closure of a large number of companies, resulting in considerable unemployment rates.
- Jeopardizing the socio-economic objectives of the far-reaching reform programme that Egypt has been implementing since 1991, and a set-back to the ambitious trade liberalization programme steps taken since that time.

In this respect, it is to be noted that the Egyptian industry is undergoing a period of structural adjustment. A large industrial modernization programme has been prepared to increase the competitiveness of the industry and passed into law by the Egyptian Parliament. Thus the requested five years extension will allow existing industries to adjust, while reinforcing the Government efforts to continue with the trade liberalization programme.

Finally, we are confident that the efforts of the Egyptian Government, coupled with the support and assistance of the international community, will yield positive results. This would allow the phasing-out of any measure that is inconsistent with the TRIMs Agreement.
