

PW-ABS-986
ISSN 90995

Final Report

Quality Control to Quality Assurance in Egypt: A Program for Change

SUBMITTED TO

U.S. Agency for International Development

SUBMITTED BY

Nathan Associates Inc.
Economic and Management Consultants
Arlington, Virginia

UNDER

Contract No. AEP-5451-I-00-2058-00
Delivery Order No. 10

January 1994

PN-HBS-986
ISSN 90995

Final Report

Quality Control to Quality Assurance in Egypt: A Program for Change

SUBMITTED TO
U.S. Agency for International Development

SUBMITTED BY
Nathan Associates Inc.
Economic and Management Consultants
Arlington, Virginia

UNDER
Contract No. AEP-5451-I-00-2058-00
Delivery Order No. 10

January 1994

A

Contents

| | |
|---|----|
| Summary and Recommendations | 1 |
| 1. Introduction | 4 |
| Definitions | 5 |
| 2. Health, Safety and Quality Regulation in Egypt: What Products Are Regulated? | 7 |
| Imports | 7 |
| Food and Agricultural Products | 7 |
| Health and Safety Control | 7 |
| Ministry of Health Rejections | 7 |
| Plant Protection and Quarantine Rejections | 8 |
| Veterinary Service Rejections | 8 |
| Quality Control | 8 |
| Manufactured Products | 9 |
| Health and Safety Control | 9 |
| Quality Control | 10 |
| Products Not Inspected | 12 |
| Exports | 13 |
| Agricultural Exports | 13 |
| Manufactured Exports | 13 |
| 3. Why Are These Products Regulated? | 17 |
| Health and Safety | 17 |
| Food Products | 17 |
| Manufactured Products | 17 |
| Industrial Protection | 18 |
| Managed Trade and Foreign Exchange | 18 |
| Reserved Powers and Justified Existence | 19 |
| Domestic Control Through Import Restriction | 19 |
| Corruption | 20 |
| Conclusion | 20 |
| 4. Who Establishes the Regulations? | 21 |
| 5. Who Enforces the Regulations? | 23 |
| Egyptian Organization for Standards and Quality Control | 23 |
| General Organization for Export and Import Control | 24 |
| Ministry of Health | 25 |

Contents (continued)

| | |
|--|----|
| 5. Who Enforces the Regulations? (continued) | |
| Ministry of Agriculture | 26 |
| General Organization for Plant Protection and Quarantine | 26 |
| General Organization for Veterinarian Services | 26 |
| Central Laboratory for Food and Feed | 26 |
| Atomic Energy Organization | 27 |
| Ministry of Supply | 27 |
| Cotton Textile Consolidation Fund | 28 |
| 6. How Are the Regulations Applied and Enforced? | 29 |
| Inspection of Imported Products | 29 |
| Agricultural Imports | 29 |
| Radiation Inspection | 29 |
| Cargo Sampling | 31 |
| Grain Clearances | 31 |
| Frozen Meat Clearances | 31 |
| Final Approval | 32 |
| Rejection and Appeal | 32 |
| Manufactured Imports | 33 |
| Inspection of Exported Agricultural Products | 33 |
| 7. Case Studies | 35 |
| Frozen Meat | 35 |
| Effect on Trade | 35 |
| Effect on Consumers | 36 |
| Wheat Flour | 36 |
| Canned Tuna | 37 |
| Cotton | 37 |
| Oil Filters | 38 |
| Tires and Windshields | 38 |
| 8. Economic Impact of the Regulatory Environment | 41 |
| Trade Sector | 41 |
| Inspection Fees | 42 |
| Costs Associated with Delay and Damage | 42 |
| Costs Associated with Market Uncertainty | 42 |
| Regulatory Created Shortages | 42 |
| Limited Access | 42 |

Contents (continued)

| | |
|---|----|
| 8. Economic Impact of the Regulatory Environment (continued) | |
| Investment Sector | 43 |
| 9. Systems of Other Countries | 45 |
| Alternative Paths | 45 |
| Statutory Board | 45 |
| Association and Trust (Nonprofit) | 46 |
| Criteria for Success | 47 |
| Egyptian Organization for Standards and Quality Control | 47 |
| 10. Recommendations | 49 |
| Policy Guideline Development | 49 |
| Recommendations for Institutional Reorganization | 51 |
| General Organization for Export and Import Control | 51 |
| Egyptian Organization for Standards and Quality Control | 52 |
| Ministry of Agriculture | 53 |
| Ministry of Health | 55 |
| Immediate Regulatory Changes | 55 |
| Appendix A. Egyptian Organization for Standards and Quality Control—Presidential Decree No. 392 for 1979 | |
| Appendix B. Egyptian Organization for Standards and Quality Control—Technical Committee Representation (selected) | |
| Appendix C. Egyptian Organization for Standards and Quality Control—Membership on Governing Council | |
| Appendix D. Egyptian Organization for Standards and Quality Control—Organizational Structure | |
| Appendix E. General Organization for Import and Export Control—Organizational Structure (Imports) | |
| Appendix F. General Organization for Import and Export Control—Organizational Structure (Exports) | |
| Appendix G. Ministry of Health, Undersecretariat for Communicable Diseases—Organizational Structure | |
| Appendix H. Ministry of Agriculture, Plant Protection and Quarantine—Organizational Structure | |
| Appendix I. Ministry of Agriculture, Veterinary Services—Organizational Structure | |
| Appendix J. Egyptian Standard 1522, 1991 (Frozen Meat) | |

Illustrations

- Table 2-1.** Food Imports Rejected by the Ministries of Health and Agriculture
Table 2-2. GOEIC Rejections of Imported Food Products
Table 2-3. Imported Manufactured Products Rejected by GOEIC
Table 2-4. Exported Products Rejected by GOEIC (tons)
Table 6-1. GOEIC Import Inspection Fees
- Exhibit 2-1.** Agricultural Products Subject to Mandatory Import Inspection for Quality Control Specifications
Exhibit 2-2. Agri-Products Moved from Ban to Quality Control List
Exhibit 2-3. Manufactured Products Subject to Mandatory Import Inspection for Quality Control Specifications
Exhibit 2-4. Manufactured Products Moved from Ban List to Quality Control List
Exhibit 2-5. Export Products Subject to Quality Control Inspection
Exhibit 5-1. Items Formerly Inspected by EOS

Glossary

| | |
|-------|--|
| AEO | Atomic Energy Organization |
| AFNOR | Association Française de Normalisation |
| ANSI | American National Standards Institute |
| APHIS | Animal, Plant Health Inspection Service |
| BSI | British Standards Institute |
| CEN | Committee for European Standardization |
| CLFF | Central Laboratory for Food and Feed |
| DIN | Deutsches Institut für Normung |
| EC | European Community |
| ELS | extra-long staple |
| EOLAS | National Agency for Scientific and Industrial Research and Development |
| EOS | Egyptian Organization for Standards and Quality Control |
| GOEIC | General Organization for Export and Import Control |
| ISO | International Standards Organization |
| LS | long staple |
| NSAI | National Standards Authority of Ireland |
| PPQ | Plant Protection and Quarantine |
| SGS | Société Générale de Surveillance |
| SISIR | Singapore Institute of Standards and Industrial Research |
| UNDP | United Nations Development Programme |
| USDA | U.S. Department of Agriculture |
| VS | Veterinary Services |
| WHO | World Health Organization |

Preface

This report was prepared for USAID/Cairo under the Macroeconomics IQC, Delivery Order 10, A.I.D. Contract No. AED-5451-I-00-2058-00, a joint venture of Nathan Associates Inc. and Louis Berger International. This report was prepared by James R. Coyle and Denis M. Gallagher, with the assistance of Hazem Nabil and Hisham Keseba.

The views, expressions, and opinions in this report are those of the authors and are not intended as statements of policy of either USAID/Cairo or the authors' parent institutions.

Summary and Recommendations

For the last 7 years, the Egyptian government has taken increasingly bold steps to reform and liberalize its regulation of trade, largely through exchange rate unification, greater private sector participation in import and export trade, tariff reform, and virtual elimination of import and export prohibitions.

Although this reform has been extensive, it has not been exhaustive. Government regulation of trade is still overbearing in much of its scope. For example, licenses are still required to import certain products. At the same time, tariff rates for many items are overly burdensome and protectionist in their application.

Without question, however, the most pervasive and inhibiting control is exercised through a system of health, safety, and quality regulations that set minimum standards for imported and exported products. Basically, these regulations have been formulated to protect the health and safety of the consumer; however, they often go well beyond protection and become restrictive in nature. In addition, much of this body of regulation rests on questionable scientific premises, and is frequently poorly administered.

Authority for enactment and enforcement of health, safety, and quality regulation is divided among the Ministries of Agriculture, Economy, Health, Industry, and Supply, as well as the Atomic Energy Authority. Each minister has the authority to issue regulations at will. This right is constantly exercised with little or no coordination between ministries. As a result, one product may be regulated by as many as four or five government agencies, each applying its own requirements.

At times, health, safety, and quality regulations have been used specifically as nontariff barriers to trade. In this report, examples are cited of cases in which regulations have been used to protect local industry or restrict trade for political and economic reasons. Although overall this body of regulation does not appear to be used systematically for such purposes, each minister has the reserve power to use the regulations as such at will, creating uncertainty in the private sector.

More often, inappropriate regulation has resulted from misguided efforts on the part of government officials. In their attempts to protect the consumer, officials have often gone overboard in issuing regulations that actually hurt the consumer. In their eagerness to demonstrate their merit, officials have consistently expanded their regulatory purview, creating an ever larger and more encompassing bureaucracy.

The effect of regulation on the economy and the consumer has been dramatic. Although it is impossible to quantify across the board, one relatively minor regulation establishing maximum fat content in beef resulted in increased consumer expenditures of more than LE 200 million per month in 1993. In all cases inspection charges and delays have resulted in increased cost to the consumer. For perishable food products, this is estimated at between 5 and 20 percent.

More broadly, the opaqueness of this system of regulation has created uncertainty and risk. Traders never knows when a new regulation is going to greatly impede their ability to do business. Foreign suppliers never knows when their products are going to be subjected to a new requirement of spurious need. Local manufacturers never know when a new restriction will prevent them from obtaining a needed input or part in a timely fashion. This uncertainty has resulted in reduced competition, declining foreign investment, and ultimately increased costs.

Far-reaching reform in the area of health, safety, and quality regulation is thus an essential next step in Egypt's overall reform efforts. Without such reform, the full extent of past efforts will not be fully realized. As such, the macroeconomic implications of such reforms are great. The reforms themselves, however, are more "down and dirty," dealing with specific regulations and bureaucratic organizational issues.

Generally, the major problem with Egypt's body of health, safety and quality regulation stems from conflicting institutional missions, diffuse and overlapping authority, and the lack of transparency in which the regulations are formed and enforced. Poor regulations are thus a product of the system, rather than the root of the problem. To deal with this problem, the following policy recommendations are made:

- The Egyptian government in the next year should establish a review commission made up of representatives from the government, the private sector business community, and scientists nominated by the International Standards Organization to conduct
 - A comprehensive review of all health, safety, and quality regulations to ensure that they reflect current needs; and
 - A review of the institutional structure of the regulatory agencies and provide suggestions for their improvement.
- The government should use the results of this review to formulate legislation by the end of 1994 that will initiate a national drive toward establishing an internationally recognized system of standardization and quality assurance.
- Ministries should be required to develop and release economic impact statements for all standards before regulatory mandate is given.
- A period of 60 days for open comment should be initiated before regulations are issued, and response to all comments should be made mandatory.
- An appeals process should be formulated so that regulations can be challenged in an administrative court system on the basis of need and fairness.

If these elements of policy strategy are implemented, the likely result is a more open and free process for developing standards and regulations. The main premise is that the government and the private sectors need to work together on these issues rather than simply criticizing each other. Also, the government needs to become accountable for its actions.

Without major institutional change to accompany this new policy dialogue, however, the efforts will likely be fruitless. The structural changes highlighted in this report include the following:

- Quality control inspection of all products by the General Organization for Export and Import Control (GOEIC) should be ended in the immediate future.
- The Egyptian Organization for Standards and Quality Control (EOS) should create a new board of directors composed primarily of representatives from Egypt's major business organizations.
- Private sector membership on all EOS technical committees should be established.

- In the next 3 years, EOS should become a statutory board outside the government.
- Inspection for all food products should be moved to the Ministry of Agriculture, eliminating duplicate inspection by the Ministries of Economy, Health, and Supply.

Although this study was not intended to examine and evaluate every regulation, a number of immediate regulatory issues came to light during its preparation. As mentioned above, these issues are symptoms of a greater problem. They should be addressed immediately because of their cost to the economy. Immediate changes that are needed include

- Elimination of set levels of fat in imported meat,
- Elimination of protein and fiber specifications for imported wheat flour,
- A change in expiration date regulations for imported frozen products to international levels,
- An end to multiple quality control inspections by GOEIC of the same manufactured product, and
- Permission for private sector representatives to attend and observe all appeal inspections.

This study was undertaken and this report written to contribute to the ongoing debate in Egypt on the direction and tempo of trade reform. Ultimately, the basis for Egypt's increased participation in world trade is the strength of the consensus established between government and the business community on issues of standardization and quality assurance. To achieve success, that consensus must be rooted in the recognition that the Egyptian consumer and Egypt's trading partners need clear and transparent standards and regulations upon which to conduct business.

1. Introduction

The most fundamental duty of any government is protecting the health and safety of its citizens. Historically, this protection has largely taken the form of protection against foreign threats and crime. More recently, governments everywhere have undertaken to protect their citizens against products that can adversely affect their health or safety. Although this latter type of protection is unquestionable both appropriate and desirable, governments often go astray in their regulatory activities. Health and safety regulations sometimes are used to protect domestic industries or to limit trade for balance-of-payment reasons. At times, simple overzealousness on the part of regulatory bodies can result in misuse of regulations.

This report is concerned with the regulation of imported and exported products in Egypt for health, safety, and quality. The purpose of the report is to identify, describe and evaluate the regulatory framework as well as the government agencies involved in enforcing this body of regulation. The study also attempts to determine the rationale for regulations when they appear to overstep health and safety requirements. By examining the rationale for the regulation, the commitment of the government to regulatory and trade reform can be judged. This report is written to answer the following simple questions:

- What products are subject to health, safety and quality regulations?
- Why are these products regulated? Is it only to protect the health and safety of the consumer, or are other reasons involved?
- What agencies establish the regulations and how are they formulated?
- What agencies enforce the regulations?
- How are the regulations applied and enforced?
- What is the effect of the regulations on the economy?

Case studies of the regulation of six different products are used to clearly demonstrate how the regulatory system works. In addition, brief descriptions of the regulatory systems of several other countries are presented for comparison.

Recommendations for improving the system are presented that take the form of suggestions for policy reform and development and involve structural and bureaucratic change. Recommendations concerning specific regulations and practices that are currently affecting trade are also presented.

This study has implications for both economic policymakers and the business community. As Egypt moved from trade control through import bans, it has moved products that were previously banned to a so-called "quality control" list. Although little evidence could be found that there is as yet a concerted effort to use standards and specification inspection as a non-tariff barrier to trade, in a number of cases the net effect has been the same—free trade has been restricted. Although this may currently apply to only a few items, the government has the reserve power under the current system to implement such barriers easily on a wide scale. This reserve power is an indication of a possible lack of commitment by the government to truly move toward free trade. This possible lack of commitment has led to uncertainty in the

marketplace and has harmed the economy through causing higher prices and less foreign investment. To keep the pace of economic reform on track, major policy reform is needed in this area to simplify trade reform. Such reform should be open, thus removing the uncertainty it creates. Without this, the true magnitude of the benefits of trade reform heretofore will not be realized.

For the business community, this study has immediate implications. The system of regulation and inspection in Egypt is one of the most arcane in the world. This report should shed some light onto it, allowing the business community to better direct its efforts in overcoming regulatory impediments to trade. In addition, recommendations are proposed with the intent of streamlining the system and giving the business community a greater role in formulating regulations. The end result will be a more open and fairer system.

Ultimately and most important, this report is written for the Egyptian consumer. Consumers everywhere have the right to safe, wholesome, and healthy food. They have the right to safe medicines. They need to be protected against unsafe tools and toys that can cause serious injury. Consumers also have the right to choose which products to buy, and they need to be protected from government regulation that takes away their ability to choose products of different quality and price.

DEFINITIONS

It is hoped that this report will appeal to a wide audience. Therefore, technical language has been kept to a minimum. To avoid confusion, however, it is necessary to provide definitions for a few terms that are used extensively.

| | |
|-----------------|---|
| Quality | The totality of characteristics of a product or service that bear on its ability to satisfy the stated or implied needs of the customer. |
| Quality Control | When used technically, quality control according to the International Organization for Standards (ISO) refers to "the operational and technical activities that are used to fulfill requirements for quality." In the Egyptian regulatory context, quality control refers to the mandatory enforcement of certain quality standards by the Egyptian government. |
| Regulation | Mandated general criteria that must be used to develop or control a product or service. |
| Guideline | Directions, instructions, or procedures that provide recommended methods or means to accomplish an objective or task. |
| Standard | Measurement criteria against which the attributes or performance of a product or process are compared. |
| Specification | Technical description of the criteria pertaining to a product or service. |
| Grade | Categories or levels within a product or service that are differentiated by their own specifications. |
| Labeling | Written information on the label of a product that describes its content, date of manufacture, and date of expiration. Usually required to be in the local language of the importing country. |

ISO 9000

A set of generic standards, developed by ISO, that provide quality management guidance as well as quality assurance requirements and guidance to certify the business processes of suppliers of products or services.

2. Health, Safety and Quality Regulation in Egypt: What Products Are Regulated?

In Egypt, three basic categories of regulation concern the technical specifications of imported and exported products. The first category sets standards that are intended to protect the health or safety of the consumer. The second sets standards designed to protect Egypt's agricultural sector from contamination by foreign pests and diseases. The third category sets minimum quality standards for agricultural and manufactured products.

Health and safety regulations affect the widest range of products in Egypt, as in most other countries of the world. The additional system of so-called quality control regulations is quite unheard of in most other countries, however. Together, these regulations affect more than 40 percent of Egypt's imports, and less than 20 percent of its exports.

IMPORTS

Most health, safety, and quality regulation in Egypt is concerned with imported products. Food and agricultural products are the most stringently regulated. The regulation of manufactured items, including chemicals and building materials, is much less pervasive.

Food and Agricultural Products

Health and Safety Control

It is not surprising that imports of food and agricultural products are the most heavily regulated. All food and agricultural product imports are subject to inspection. The main purpose of this inspection is to ensure that the product is safe for human or animal consumption. This means that it must be free from harmful bacteria, viruses, or chemical contamination, and it must meet certain requirements for freshness and wholesomeness.

In addition, all unprocessed agricultural products are subject to stringent regulations designed to protect Egypt's domestic agricultural production. These regulations are designed to ensure that foreign pests in the form of insects, plant seeds, or diseases are not introduced.

An example of such regulation is the importation of cotton. Imported cotton can come only from areas designated to be free from boll weevils. Currently, the only areas certified to meet this requirement are California and Arizona in the United States. Cotton from these areas must still be fumigated under exacting standards. Further, on its arrival in Egypt, the imported cotton can be spun into yarn only in textile mills located away from the cotton growing areas.

Ministry of Health Rejections

Although health regulations are strictly applied, they normally result in few actual rejections. Rejections by the Ministry of Health's Food Control Department in 1992 represented less than 3 percent of all food consignments tested (Table 2-1). This number is somewhat overstated, however, because a large part of it includes partial consignments that were not allowed into the country.

Table 2-1. Food Imports Rejected by the Ministries of Health and Agriculture

| | 1990 | 1991 | 1992 |
|---------------------------------------|---------|---------|---------|
| Ministry of Health Rejections | | | |
| Total number of consignments tested | 7,814 | 4,635 | 6,436 |
| Rejections | 150 | 175 | 183 |
| Percent rejected | 2 | 4 | 3 |
| PPQ Rejections | | | |
| Commodity imports (000 tons) | 10,125 | 8,803 | 9,216 |
| Accepted | 9,275 | 7,635 | 7,195 |
| Requiring Fumigation | 833 | 1,164 | 1,985 |
| Rejected | 17 | 4 | 36 |
| Percent rejected | 0.2 | 0.05 | 0.4 |
| Veterinary Services Rejections | | | |
| Frozen beef imports (tons) | 154,300 | 136,600 | 136,700 |
| Rejected | NA | 4,073 | 3,325 |

Source: Ministries of Health and Agriculture.

Because the Ministry of Health does not keep records on quantity, the percentage appears higher than it actually is.

Plant Protection and Quarantine Rejections

The Ministry of Agriculture, to protect Egyptian agriculture from foreign pests, inspects far larger quantities of imported agricultural products than any other ministry. In 1992, for example, imports of more than 9 million tons of grain, oilseeds, and other vegetable products were inspected by Plant Protection and Quarantine (PPQ) in the Ministry of Agriculture. Of this, more than 76 percent of the products were admitted with no further requirement. Another 23 percent required fumigation before being admitted. Only 36,000 tons, or less than 0.4 percent, was rejected and required to be re-exported or destroyed (Table 2-1).

Veterinary Service Rejections

The same story has generally held true for frozen meat imports, at least until the first half of 1993. In 1991, for instance, the Egyptian market imported nearly 137,000 tons of frozen meat, valued at approximately US\$200 million. Of this, only 4,037 tons or about 3 percent of the total was rejected for health or veterinary reasons. The largest shipment rejected was imported by the Egyptian government for consumption by the army. This shipment, more than 1,000 tons, accounted for nearly a quarter of the rejections. A recent development that has greatly increased the rejections of meat is described in detail in Chapter 7, Case Studies.

Quality Control

A total of 88 food and agricultural items are also subject to quality control inspection (Exhibit 2-1). The bulk of this inspection is conducted by the General Organization for Export and Import Control (GOEIC) in the Ministry of Economy, although the Ministries of Agriculture and Supply also inspect the quality of certain grain products.

Exhibit 2-1. Agricultural Products Subject to Mandatory Import Inspection for Quality Control Specifications

| | | |
|---------------------------|-----------------------|-------------------|
| Sheep | Lentils | Refined sugar |
| Cattle | Broad beans | Raw sugar |
| Camels | Palm oil | Honey |
| Frozen beef | Crude vegetable oil | Cocoa |
| Frozen poultry | Refined vegetable oil | Cocoa butter |
| Frozen rabbit | Tallow | Tapioca |
| Frozen fish | Margarine | Ground nuts |
| Frozen beef liver | Vegetable ghee | Melon seed |
| Other beef offal | Palm stearin | Grated coconut |
| Smoked fish | Palm kernel oil | Coffee beans |
| Cured fish | Linseed oil | Instant coffee |
| Canned tuna | Sesame oil | Tea |
| Canned sardines | Olives | Macaroni |
| Canned salmon | Chick peas | Tomato paste |
| Canned anchovy | Lupine | Soup stock |
| Canned mackerel | Fresh vegetables | Luncheon meat |
| Canned beef | Frozen vegetables | Sausage |
| Powdered milk | Fresh fruit | Yeast |
| Milk powder/vegetable oil | Frozen fruit | Tamarinds |
| Canned cream | Shell fruits | Hibiscus |
| Condensed milk | Dates | Inedible starch |
| Fresh eggs | Apples | Vinegar |
| Cheese | Bananas | Mineral water |
| Butter | Canned fruit | Soft drinks |
| Butter oil | Soapwort | Wood |
| Wheat | Sesame | Tobacco |
| Wheat flour | Spices | Processed tobacco |
| Semolina | Dry fruit | Tanned leather |
| Com | Raisins | |
| Com meal | Nuts | |

Of the 86 items subject to quality control inspection, 15 were previously on the so-called "ban list" before being moved to the quality control list. Of these, only six were ever actually banned. The remainder required import licenses, which were easily acquired (Exhibit 2-2). As can be seen in Table 2-2, only small amounts of these products have been rejected from importation because of quality.

The original bans on food products were, in part, introduced to protect local food processors, especially public sector companies, from foreign competition. This protection diminished substantially with the removal of products from the ban list. Currently the only food product banned from importation is poultry, and this ban is expected to be lifted in June 1994. Imports are not expected to increase with the lifting of the ban, however, because there is also an 80-percent tariff on imports. Egyptian importers do not consider quality control regulations to be overly onerous.

Manufactured Products

Health and Safety Control

With the exception of pharmaceutical products and medical devices, imports of manufactured products are not subject to health and safety regulation. These products are regulated on the basis of foreign standards, and certification of a product or device by the Food and Drug Administration, or the European equivalent, is usually accepted after review.

Exhibit 2-2. Agri-Products Moved from Ban to Quality Control List

| Products transferred in May 1991 | |
|-------------------------------------|-----------------------------|
| Frozen beef ^a | Dried milk ^a |
| Beef liver and offal ^a | Margarine ^a |
| Sausage | Fully refined vegetable oil |
| Smoked fish ^a | Macaroni |
| Frozen fish ^a | Dried fruit |
| Fresh eggs | Nuts |
| Soups | Cocoa ^a |
| Canned cream | Spices ^a |
| Concentrated milk ^a | |
| Products transferred in August 1992 | |
| Meat, not for human consumption | |
| Frozen vegetables | |
| Fresh fruits | |
| Vinegar | |
| Nutmeg and mace | |
| Manufactured tobacco | |

^aItem subject to import license but not banned in practice.

Table 2-2. GOEIC Rejections of Imported Food Products

| Product | 1990-1991 | 1991-1992 | 1992-1993 |
|---------------------|-----------|-----------|-----------|
| Wheat | 34,121 | 61,036 | 0 |
| Flour | 550 | 0 | 1,000 |
| Beans | 0 | 1 | 0 |
| Lentils | 0 | 0 | 971 |
| Tea | 261 | 439 | 496 |
| Coffee | 0 | 0 | 10 |
| Sugar | 29 | 50 | 0 |
| Frozen meat | 19 | 185 | 758 |
| Offal | 10 | 218 | 88 |
| Frozen fish | 6 | 986 | 841 |
| Salted fish | 30 | 10 | 0 |
| Canned tuna | 68 | 0 | 57 |
| Luncheon meat | 3 | 0 | 0 |
| Corn oil | 19 | 0 | 0 |
| Cocoa and chocolate | 99 | 0 | 0 |
| Fresh fruit | 0 | 10 | 593 |
| Dried fruit | 0 | 0 | 491 |
| Sesame | 0 | 0 | 1,573 |

Source: General Organization for Export and Import Control.

Quality Control

The number of manufactured products subject to quality control standards and inspection is the most extensive of any product group. A total of 102 products are subject to import quality inspection (Exhibit 2-3). As with food, the inspection of import quality is conducted by GOEIC.

About 47 percent, or 49 items, on the quality control list are products that previously appeared on the ban list. The bulk of these products, 34 total, were made subject to mandatory quality control inspection in July 1993 (Exhibit 2-4).

The inclusion of many of the items on the quality control list seems to be questionable at best. Items such as playing cards, ink pens, candles, and forks and spoons (but not knives) seem out of place on the list. The reason for their inclusion is probably best explained as a simple administrative judgment to move items from one list to another. The products are, with few exceptions, not important enough to affect trade, and thus to require quality control.

Few manufactured products are rejected for reasons of quality (Table 2-3). However, the direct and indirect cost of mandatory quality inspection may be significant in increasing the cost of products to the Egyptian consumer (see Chapter 7, Case Studies).

Exhibit 2-3. Manufactured Products Subject to Mandatory Import Inspection for Quality Control Specifications

| | | |
|-------------------------------|--------------------------|-----------------------------------|
| Air conditioners | Filters (oil, air, etc.) | Porcelain pipes |
| Alcoholic drinks | Fire extinguishers | Pressure cookers |
| Alloys | Fire hoses | Pumps |
| Asbestos cement products | Formaldehyde | Radiators |
| Ball point pens | Furniture | Radio, televisions, and cassettes |
| Ballast | Gas bottles | Raw flax |
| Batteries | Gas lamps | Razor blades |
| Benzol | Gas water heaters | Refrigerators and freezers |
| Bicycles | Gelatin | Rubber tires |
| Boxes and bags | Glass containers | Sand paper |
| Brake pads | Glass jars for packing | Soap |
| Candles | Glue | Sodium hydroxide |
| Car and tractor chassis | Granite | Spoons and forks |
| Carbon paper | Heaters | Springs |
| Carpets | Heating plates | Stabilizers |
| Cement | Industrial detergents | Steam boilers |
| Cement products | Ink | Steel cutters |
| Ceramic sanitary ware | Iron castings | Steel structures |
| Ceramic tiles | Iron reinforcement bars | Stoves |
| Chains | Iron tubes | Tanned leather |
| Cooking ovens | Locks | Textiles of silk, flax |
| Copper wire | Matches | Tooth brushes |
| Electric fans | Mattresses | Tractors |
| Electric generating equipment | Metal pipes | Transformers |
| Electric irons | Metal sinks | Tube parts |
| Electric lamps | Motorcycles | Vacuum cleaners |
| Electric mixers | Moving belts | VCRs |
| Electric motors | Nails and nuts | Wall paper |
| Electric switches | Other car parts | Washing machines |
| Electric water heaters | Paints | Water fixtures |
| Elevators | Pencils | Welding skewers |
| Engine blocks | Perfumery and cosmetics | Windshields |
| Files | Playing cards | Wood |
| Filing cabinets | Polyvinyl chloride | Wood products |

Exhibit 2-4. Manufactured Products Moved from Ban List to Quality Control List

| | |
|--|--|
| Products Transferred in May 1991 | |
| Kitchen sinks, stainless steel | Ceramic sanitary ware |
| Products Transferred in August 1992 | |
| Granite | Perfumery preparations |
| Articles of cement | Refrigerators and freezers |
| Heaters | Washing machines |
| Radios | Mattress supports |
| Cement | Electric fans |
| Products Transferred in July 1993 | |
| Formaldehyde | Paints |
| Ink | Soap |
| Candles | Gelatin |
| Glues | Wall paper, floor coverings, Formica |
| Wood products for construction | Carbon paper |
| Sandpaper | Products of asbestos-cement |
| Porcelain pipes and their parts | Structures made of iron or Steel |
| Chains and parts thereof | Razor blades |
| Spoons, forks and ladles | Welding skewers |
| Chassis of tractors and cars | Bicycles without engines |
| Furniture of wood and metal | Tooth brushes |
| Ball-point pens | Pencils |
| Raw flax | Pipes for kitchen and sanitary equipment |
| Glass containers for packing | Filing cabinets |
| Electric switches, and plugs | Playing cards |
| Carpets, silk garments | Textiles of silk or flax |
| Motorcycles | |

Table 2-3. Imported Manufactured Products Rejected by GOEIC

| Product | 1991 | 1992 | 1993 (January-June) |
|--------------------|--------|---------|------------------------|
| Air filters (No.) | 42,832 | 555,316 | 31,220 |
| Candles (packages) | 1,569 | 19,127 | 1,250 |
| Automobile brakes | 0 | 19,346 | 890 |
| Windshields | 0 | 44 | 0 |
| Rivets | 0 | 0 | 533,190 |
| Fire extinguishers | 25 | 52 | 10 |
| Fans | 0 | 0 | 600 |
| Televisions | 0 | 0 | 53 |
| Radios | 0 | 0 | 47 |
| Pottery | 0 | 46,912 | 4,980 |

Source: General Organization for Export and Import Control.

Products Not Inspected

Interestingly, a number of products pass into Egypt unnoticed by inspection regulations, but in other countries they are subject to the most stringent regulation. Perhaps the most important of these is automobiles. Egypt has no safety or environmental standards for automobiles imported from anywhere in the world. There is no requirement for safety belts or shatter-proof windshields, for example.

The spare parts for cars are subject to quality control inspection, however. Even a manufacturer of original equipment must pass through this inspection, even though the equipment, when part of the assembled automobile, was not subjected to inspection. Although this does not reduce import demand, it does increase the price of spare parts.

Neither toys nor hand tools are subject to any kind of safety certification even though both are potentially dangerous items. Egypt has no regulatory standards for either item, whether produced domestically or imported.

Imported equipment used in the manufacture of pharmaceutical products is subject to neither inspection nor certification. To ensure that a quality product is produced at the manufacturing end, it is essential that the reliability of the equipment used be ensured. Most equipment used in Egypt is imported from the United States or Europe and has these countries' respective certifications, but it seems odd that this equipment is never inspected and every deck of playing cards is inspected.

EXPORTS

Agricultural Exports

There are two types of inspection for agricultural products. The first, and most comprehensive, is a phytosanitary inspection done by the Ministry of Agriculture at the request of foreign governments and to the standards specified by that government. The purpose of the inspection is to ensure that products leaving Egypt are not contaminated with pests or diseases that might be injurious to the agriculture of the importing country. This service is provided by almost every country.

The second inspection of exported agricultural products is provided by GOEIC. This inspection is to ensure that Egypt's agricultural (mainly horticultural) products meet certain standards that are intended to protect and enhance the reputation of Egyptian produce. This inspection is provided for 124 agricultural products (Exhibit 2-5). The inspection is classified as mandatory for 48 items and voluntary on the rest.

For established exporters, inspection is rarely carried out. It is intended mainly for new exporters. A substantial amount of produce is rejected for export by the inspection service. In 1992, a total of 8,122 tons of product were rejected (Table 2-4). Potatoes, onions, and rice made up the bulk of the rejections. This represents about 1 percent of the total exports of horticultural products.

Manufactured Exports

Mandatory inspection of manufactured exports is almost nonexistent in Egypt. The only exception is the required inspection of cotton yarn and cotton fabric by the Cotton and Textile Consolidation Fund. Garments were also inspected before 1986, but industry pressure forced the government to remove them from the inspection list.

Exhibit 2-5. Export Products Subject to Quality Control Inspection

| | | | |
|--|-------------------------------|--------------------------------|-----------------------------------|
| Fresh Vegetables | | | |
| Fresh onions | Green peas | Okra | Eggplant |
| Gherkins and cucumbers | Watermelon | Potatoes ^a | Sweet potatoes |
| Green snap beans | Zucchini | Cauliflower | Broad beans |
| Lima beans | Peppers | Cantaloupe | Tomatoes |
| Strawberries | Artichokes | Carrots | Fresh garlic ^a |
| Taro | Lettuce | Melokhia | Celery |
| Fresh Fruits | | | |
| Bananas | Mangoes | Grapes | Peaches |
| Pomegranates | Soft dates | Dry dates | Guavas |
| Fresh Citrus | | | |
| Oranges ^a | Grapefruit ^a | Lemons ^a | Egyptian sour lime ^a |
| Sweet lime ^a | Tangerines ^a | Bitter oranges ^a | |
| Field Crops and Animal Products | | | |
| Flax fibers ^a | Bran | Sugarcane stalks | Peanuts |
| Seeds for planting | Rice ^a | Fenugreek seed | Haricot beans |
| Broad beans | Lima beans | Peas | Lentils |
| Lupine seeds | Chick-peas | Sunflower seed | Eggs ^a |
| Honey ^a | Sesame props ^a | Biscuits ^a | Peanuts ^a |
| Molasses | | | |
| Dehydrated Products | | | |
| Jew's mallow | Okra | Green beans | Garlic ^a |
| Onions ^a | Carrots | Leeks | Limes |
| Dill | Celery leaves | Cabbage | Parsley |
| Falafel mix | | | |
| Processed Products | | | |
| Canned beans ^a | Canned okra ^a | Canned spinach ^a | Canned green beans ^a |
| Artichoke hearts ^a | Canned melokhia ^a | Mango juice ^a | Guava juice ^a |
| Orange juice ^a | Fruit beverage ^a | Jam and marmalade ^a | Artificial beverages ^a |
| Natural beverages ^a | Tangerine juice ^a | Grapefruit juice ^a | Apricot juice ^a |
| Apple juice ^a | Peach juice ^a | | |
| Frozen Products | | | |
| Spinach ^a | Okra ^a | Peas ^a | Melokhia ^a |
| Tomato juice ^a | Artichoke hearts ^a | Mixed vegetables ^a | Taro ^a |
| Grape leaves ^a | Carrots ^a | Potatoes ^a | Green beans ^a |
| Cauliflower ^a | Strawberries ^a | | |
| Spices and Herb | | | |
| Cumin | Marjoram | Basil | Hot pepper |
| Anise | Mint | Coriander | Crawy |
| Fennel | Henbane | Henna | Chamomile |
| Flowers and Flower Extracts | | | |
| Roses | Tuberose | Gladiolus | Carnations |
| Sparrow flower | Geranium oil | Rose oil | Jasmine oil |
| Rose paste | Jasmine paste | | |

^aMandatory inspection; inspection of other products is voluntary.

Table 2-4. Exported Products Rejected by GOEIC (tons)

| <i>Product</i> | <i>1991</i> | <i>1992</i> | <i>1993 (January-June)</i> |
|-----------------------------|-------------|-------------|--------------------------------|
| Citrus | 661 | 575 | 360 |
| Potatoes | 2,690 | 2,620 | 1,985 |
| Onions | 3,129 | 1,823 | 110 |
| Garlic | 314 | 46 | 295 |
| Peanuts | 210 | 228 | 203 |
| Flax | 71 | 69 | 70 |
| Molasses | 0 | 700 | 0 |
| Rice | 1,895 | 1,725 | 2,005 |
| Frozen fruit and vegetables | 70 | 105 | 77 |
| Canned Foods | 49 | 214 | 0 |
| Juices | 11 | 4 | 0 |
| Biscuits | 0 | 8 | 0 |
| Honey | 2 | 5 | 0 |

Source: General Organization for Export and Import Control.

3. Why Are These Products Regulated?

Why are these products controlled by health, safety, and quality regulations? This seems a silly question at first glance. Regulations are, of course, to protect the health and safety of consumers. Given that many countries use these regulations to control trade rather than to protect their citizens, however, it is a question that needs to be examined.

In Egypt, as in many other countries, there have been a multitude of reasons for developing a body of health, safety, and quality regulations, including the desire or need to

- Protect the health and safety of the consumer,
- Protect local industry from foreign competition,
- Dampen imports and promote foreign exchange earnings or savings,
- Respond quickly to criticism of the press or parliament,
- Justify the existence and expansion plans of major government organizations, and
- Control the quality of local manufacturing output by controlling the imported inputs used to make the final product.

This chapter examines reasons for regulation.

No single answer explains the “why” of regulation. Depending on the situation, more than one reason may justify a regulation. It is a area that remains nebulous.

HEALTH AND SAFETY

Protection of the Egyptian consumer from exposure to harmful, dangerous, and unsafe products and services is a legitimate concern of the government. This is, without doubt, the primary reason for the majority of the regulations. As would be expected, the majority of health and safety regulations apply to food products. Manufactured products, by contrast, are subject to much less regulation.

Food Products

Apart from the initial radiation inspection of the Atomic Energy Organization (AEO) on all imported foodstuffs, the primary responsibility to ensure that food imports are fit for human consumption, lies with the Ministry of Health.

The regulations of the ministry are quite strict when applied to imported foodstuffs. Like most other countries, areas that are regulated include microbiological contamination, pesticide, and other chemical residuals, production and expiration dates, and general wholesomeness of the product. It is in the last two areas that most questions are raised about the validity of the regulation. Although there may be disagreement over the expiration period, there is little to indicate that this is more than a technical disagreement.

Manufactured Products

In marked contrast to the heightened concern about the health and safety standards for imported food products, much less emphasis is placed on imported manufactured products from a health and safety standpoint (not to be confused with quality control). This phenomenon may be the result of the overlap of inspectorate responsibilities between the Egyptian Organization for Standards and Quality Control (EOS) and the General Organization for Export and Import Control (GOEIC). EOS, which is Egypt's official representative to the International Standards Organization (ISO), was forced to surrender to GOEIC responsibility for the enforcement of ISO standards and recognition of international quality marks on imported industrial products.

A review of the industrial products that are subject to mandatory testing by GOEIC (see Exhibit 2-3) reveals the limited scope of health and safety concerns. Notably absent from this list are such sensitive items as automobiles, hand tools, or children's toys and equipment. In fact, GOEIC has decided to forego the protection afforded the Egyptian consumer by choosing not to recognize internationally accepted quality marks, such as the European Community's (EC's) "CE" mark.

INDUSTRIAL PROTECTION

Many countries go beyond consumer protection and use health and safety requirements as a back-door means of protecting domestic industry from foreign competition. In Egypt, protection of local industry, especially public sector manufacturers, has always been considered an important part of government policy. In fact, one of the main reasons for the import ban list was to protect local industry.

Although currently protection does not seem to be the main purpose of health, safety, and quality regulations, in a few cases the regulations do appear to be intended to protect local manufacturers. This seems to be the case with the following products:

- Processed cheese that has a shortened expiration date, which is of substantial benefit to local cheese processors;
- Frozen poultry, which, although now banned, will be subject to quality controls when the ban is lifted; and
- Electronic appliances for which the fully assembled imported product requires mandatory testing on each consignment, while there is no testing of the imported components or final product of domestic assemblers.

Although it is undoubtedly true that on a case-by-case basis the secondary effects of the enforcement of quality control on imports may result in heightened protection of domestic manufacturers, the rivalry between organs of the Egyptian government concerned with quality control make such enforcement ineffective as a nontariff barrier.

Applying more stringent regulations to imported products than to domestic industry does put the imported product at a disadvantage. This double standard, or what is often referred to as lack of transparency, applies to almost every imported product that competes with a local product. Since most products sold to Egypt are produced for the international market, however, this double standard has little real effect. More commonly, tariffs have come to be used as the main vehicle for protection of local industry.

MANAGED TRADE AND FOREIGN EXCHANGE

A more problematic issue concerns the possible use of enforcement of Egyptian standards and quality control on imports as an instrument to strengthen the fiscal management of trade and foreign exchange.

The primary purpose of the ban list was to accomplish exactly this goal. At the time, the Egyptian banking system was suffering from an acute shortage of foreign exchange. The government resisted devaluing the Egyptian pound and instead tried to compensate by restricting imports of so-called luxury items. The ban list failed to accomplish this goal, however, and the currency was allowed to depreciate and then stabilize at its current level.

The removal of items from the ban list has had no appreciable effect on exchange rates. This is true even though the imports of some items, such as automobiles and frozen meat, have increased. As a result, there seems to be little government emphasis on reintroducing exchange rate protection, especially through the obtuse use of import quality controls.

RESERVED POWERS AND JUSTIFIED EXISTENCE

Most governments and national administrative structures, such as the civil service, constantly seek to enshrine in law or regulations discretionary powers to be reserved to ministers or other key officials of the executive branch of government.

Although quality control regulations are not widely used for protectionist or foreign exchange management, the ability to use them for such a purpose is something that any smart official would want to maintain. The opportunity to allow any number of ministries vast discretionary power is inherent in the possible use of the quality control regime for protectionist and fiscal management purposes.

More generally, the power of regulation justifies the existence of the regulatory body. The expansion of regulation justifies the expansion of the regulatory body. This is clearly an important element in understanding the Egyptian system of regulation. The growth in regulation is almost the sole reason for the continued existence of the largest inspection service—GOEIC.

Egypt's economic strategy is undergoing fundamental and rapid change. The effects of the pace of change are most acutely felt by those people and organizations that have invested heavily in the previous command economy. In the midst of this uncertain environment, organizations and individual civil servants tend to "need to be seen" in order to perform a perceived worthwhile task. Specifically, in the current quality control regime, GOEIC officials reveal an alarming sense of overzealousness in strictly applying the Egyptian standard to imported products, notwithstanding Egypt's acceptance of ISO best practice worldwide.

DOMESTIC CONTROL THROUGH IMPORT RESTRICTION

As indicated previously, the existing state apparatus for standardization and quality assurance is heavily skewed toward the control of imported products. This is not only the result of previous inward looking economic policies, but also the result of fewer resources needed to monitor products at a national port of entry than in the domestic market at-large. This fact has led the government to attempt to control the quality of a domestic product by controlling the quality of its imported components. This seemingly simple fact can give rise to severe market distortions when ISO standards, guidelines, and other internationally accepted quality practices are systematically ignored.

The current impasse on EC frozen beef imports is a case in point (see Chapter 7, Case Studies). The president of EOS has stated that the existing Egyptian Standard 1522, 1991 (frozen meat), was promulgated to curtail suspected malpractice within the domestic meat processing industry.

Neither EOS nor the Ministry of Health was prompted by health or safety concerns about the quality of beef imported from the EC as a reason to reject 10,000 tons of frozen beef. Rather, EOS and the Ministry of Health, both of which lack the authority and resources to rigorously enforce health and safety standards on domestic manufacturers, have resorted to the questionable use of reserved powers on imports to tackle problems in domestic production and distribution.

Another example of the use of reserve powers includes quality control regulations on imported cement and reinforcement bars. These regulations are used in the hope that better quality buildings will be constructed. It is easier to control these imports than to attempt to set and enforce building codes.

CORRUPTION

An often-heard reason for an overly complex body of regulation is that it allows underpaid officials to take bribes. It is tempting to attribute all malpractice to corruption, in Egypt as well as in other countries. Although it would be foolish to believe Egypt is free from corruption; such a convenient answer hides more lies than truths.

Business ethics and codes vary from country to country, and facilitation fees may be major corruption to the same individual who gladly accepts a free weekend from a supplier or contractor. Notwithstanding such an interesting if academic debate, systematic corruption in the enforcement of standards and quality assurance apparently does not exist in Egypt—nor do regulations formulated with the intention of being used to extort “bribes.” In fact, logic indicates that the inability of powerful and wealthy importers to circumvent even inane, if damaging, controls such as those recently imposed on EC frozen beef, gives credence to the belief that corruption is not pervasive.

However, a paradox may exist with regard to corruption and Egypt's standards and quality assurance regime:

- The current climate of fear and uncertainty resulting from change has made reformers and reasonable officials easy targets for unsubstantiated charges of corruption.
- The quality control regulatory regime remains largely in place and in contradiction to the market-oriented trade liberalization reforms currently under way.
- Fear of the charge of corruption appears to contribute to the over zealousness of middle-level officials and to the near paralysis of structural reform that could transform Egypt's system from one of quality control to quality assurance.

CONCLUSION

Without question, most of Egypt's regulations are intended to protect the health and safety of its citizens. Other regulations, especially those related to quality control, seem to result from a good, though misdirected, effort to protect the Egyptian consumer from poor-quality products. Inspection authorities, and especially those in GOEIC, seem to need to have something to justify their existence and their expansion.

With few exceptions, health and safety regulations in general, and quality control regulations in particular, are not currently used to extensively restrict imports for trade

protection or foreign exchange purposes. The system is designed in such a way, however, that these regulations can be used for that purpose by the Ministers of Economy, Industry, Agriculture, Supply, or Health with little hindrance. In any event, the regulations do result in increased transaction cost and uncertainty.

4. Who Establishes the Regulations?

Three primary ministries are involved in setting regulatory standards in Egypt: the Ministry of Industry, the Ministry of Health, and the Ministry of Agriculture. The Ministers of Supply and Economy also have the legislative authority to establish quality regulations that affect the import and export of products. To attempt to answer the question of who sets regulations from a legal and theoretical basis rather than placing the issue within the dynamics of structural change in Egypt, would be misleading.

Clearly, the sole legal authority to set standards for industrial products and services rests with the Ministry of Industry through the Egyptian Organization for Standards and Quality Control (EOS) as defined in Presidential Decree No. 392, 1979 (see Appendix A). In turn, the Ministry of Health—under Law No. 10, 1966—has the sole legal power to test, inspect, and certify domestic and imported food products as fit for human consumption.

A third important organization involved in the establishment and administration of standards and specifications is the Ministry of Agriculture. Under Law No. 53, 1966, the ministry, primarily through its divisions for Veterinary Services (VS) and Plant Protection and Quarantine (PPQ), is entrusted to inspect and certify movements of both imported and domestic livestock, and seeds and commodities.

Responsibility for coordination among these three key Egyptian government agencies is centered at ECS. This coordination occurs mainly within the governing council of EOS and through a number of technical committees. These technical committees coordinate setting standards in the following fields:

| <i>Field</i> | <i>Number of Committees</i> |
|-------------------------------|-----------------------------|
| Food industry | 18 |
| Chemical industry | 17 |
| Engineering industry | 30 |
| Spinning and weaving industry | 10 |
| Standards coordination | 14 |

These committees are made up of representatives from EOS; the appropriate control ministries, such as Health and Agriculture in the case of food; GOEIC, university researchers and faculty members, public sector companies, and, on rare occasions, private sector representatives. The membership lists of a few of the more important committees are given in Appendix B.

These committees develop standards, not regulations. These standards are published by EOS. Any minister can take a standard developed by the EOS committee and make it mandatory through the issuance of a ministerial decree.

From an organizational viewpoint, this system, as currently structured, appears to function smoothly, that is, if the question is limited to “who establishes the regulations.” However, when

the enforcement, and more especially the thrust and purpose, of standardization and quality assurance in Egypt are considered, the situation becomes much less clear.

The Ministries of Agriculture and Health unquestionably play an important and internationally recognized role in Egypt in the protection of the health and safety of the people of Egypt. These ministries are fundamental means of ensuring quality food for Egyptian consumers. As such, they more often than not take it upon themselves to call their own committees, set their own standards, and make the regulations—completely bypassing EOS, even though the ministries sit on the relevant EOS committees.

Likewise, EOS attempts to improve the quality and safety of industrial products and services available to the Egyptian consumer through its links within the ISO. Occasionally, GOEIC also gets into the act by promulgating and enforcing its own standards.

Unlike most other countries, Egypt has no independent, business-supported group to develop standards. According to a recent study of Egypt's standards and quality assurance regime, undertaken under the auspices of the European Community's official representative body, the Committee for European Standardization (CEN):

The prevailing culture appears to be one in which testing, quality control and certification is perceived primarily as a Government activity aimed at consumer protection in the home market, or control of the quality of exported commodities...to protect the brand name "Egyptian". In these circumstance[s] there is also a perception that any fees or charges levied on companies constitute a form of Government taxation rather than justified payment for services rendered.

The underlying message is that quality standards and specifications continue to be used as a control mechanism rather than as a framework for promotion of quality and its assurance.

5. Who Enforces the Regulations?

Although there is overlap and competition in the establishment of standards and regulations, it does not compare to the overlap in enforcement. In the area of enforcement, the General Organization for Export and Import Control (GOEIC) vies with the Egyptian Organization for Standards and Quality Control (EOS), which vies with the Ministry of Agriculture, which vies with the Ministry of Health.

All of these agencies are involved in the enforcement of mandated standards, but their abilities and professionalism vary greatly. A more detailed review of the structure, location, and staff levels of the key institutions involved in Egypt's standards and quality assurance regime is revealing in this regard.

EGYPTIAN ORGANIZATION FOR STANDARDS AND QUALITY CONTROL

As previously indicated, EOS was established in the 1950s as a government department within the Ministry of Industry. In the late 1970s, EOS was granted a greater degree of autonomy under Presidential Decree No. 392, 1979, which defines the powers and responsibilities of the organization.

EOS remains an integral part of the Egyptian civil service, and apart from limited fee income generated by testing, calibration services, and certification activities, the organization is financed through the budgetary allocations within the Ministry of Industry. All EOS staff are hired under the terms and conditions prevailing within the Egyptian civil service.

EOS is administered through a council of 23 members (see Appendix C) who represent a cross-section of public sector companies, ministries, and public institutions concerned with the issues of standards and quality assurance in Egypt. Private sector business and industrial organizations have a limited representation on the council. The chairman of the council is also the president of EOS.

The organizational structure of EOS (see Appendix D) consists of four key departments:

- Central Department for Quality Assurance and Certification
- General Department for Technical Relations
- Quality Control and Testing Center
- General Department for Financial and Administration

The majority of the 600-member technical staff is engaged in quality assurance and certification. This staff manages the activities of the specific product and sector technical committees. The majority of the remaining staff is located at the Quality Control and Testing Center laboratory complex in Amaria.

In the area of standards setting, EOS has defined its strategy to rapidly move toward the adoption of the evolving International Standards Organization (ISO) 9000 series of standards as the legal Egyptian quality standards for domestic manufacturing and service industries, whether these industries produce for the local or export markets. However, with regard to

inspection services, EOS does not have the authority to ensure the mutual recognition of quality certification on imports from ISO, CODEX, or national quality assurance organizations such as the American National Standards Institute (ANSI), the Deutsches Institut für Normung (DIN) or the British Standards Institute (BSI). The authority remains in the purview of GOEIC. The need for common standards and an agreed upon system for quality assurance lies at the foundation of the growing worldwide acceptance of ISO 9000.

Since 1990, EOS inspection activities have been limited to the domestic industry. Before 1990, EOS also had responsibility for inspecting imported manufactured products. EOS inspected 17 different products compared with the 102 now inspected by GOEIC (Exhibit 5-1).

GENERAL ORGANIZATION FOR EXPORT AND IMPORT CONTROL

GOEIC was established by Presidential Decree No. 1770, 1971, and operates as an integral part of the Ministry of Economy and Foreign Trade under Law No. 118, 1975. The historical basis for GOEIC dates to the administrative apparatus necessary to control a state-dominated command economy. During the 1970s and 1980s, GOEIC was primarily responsible for inspection as a means to control and monitor food imports by state monopolies. Additional functions appear to have included quality control of products and commodities for import and export under regional barter agreements, and trade protocols to Eastern Europe and the former Soviet Union.

GOEIC currently has more than 3,000 employees located in some 24 branch offices throughout Egypt. The organization reportedly maintains a network of laboratories in which a variety of mandatory tests are performed on specific import and export products (see Appendixes E and F).

Confusion appears to be arising both in GOEIC and in the business community as to the organization's power and authority to establish standards and regulations beyond those promulgated by EOS. GOEIC, for example, has chosen to ignore methods of testing and recognition of ISO and other leading quality assurance organizations.

Exhibit 5-1. Items Formerly Inspected by EOS

| | |
|------------------------------|-----------------------------------|
| Gas stoves and ovens | Electric stoves and ovens |
| Kerosene stoves and ovens | Electric heating plates |
| Electric cooking utensils | Electric heaters |
| Electric water heaters | Gas water heaters |
| Gas and kerosene lamps | Fire extinguishers |
| Gas cylinders | Trailers for foods and passengers |
| Gas, steam, and water valves | Water valves, taps, and faucets |
| Steel for construction | Portland cement |
| Glass containers | Matches |
| Ceramics (9 mm or more) | |

According to EOS, imported products bearing ISO and other recognized quality marks should not be subject to mandatory inspection by GOEIC. However, GOEIC officials have confirmed that mandatory inspection will continue, with every consignment of the products on the mandatory testing list.

In addition to being responsible for controlling the quality of selected food and industrial imports into Egypt, GOEIC retains various powers to intervene in the affairs of the business community engaged in international trade. These powers include

- Maintenance of a register of all importers and exporters to “verify their reputation”;
- Issuing the EUR Form A, which is recognized as the certificate of origin by the European Community; and
- Mandating the methods for shipping, packaging, and labeling according to Egyptian regulations, which may or may not be in accordance with international norms.

It is apparent that GOEIC does not play a significant or positive role in the enhancement of standardization or quality assurance in Egypt. Through its continued existence, GOEIC sends a negative signal to the Egyptian business community and Egypt's trading partners that the country's commitment to a market economy is weak.

Although evidence of direct disruption of trade by GOEIC is circumstantial (see Chapter 7, case study on oil filters, for example), the long-term damage to the Egyptian consumer and the cost to manufacturing industries from the lack of free access to quality products and inputs may be significant.

MINISTRY OF HEALTH

As previously discussed, the Ministry of Health has the national responsibility to enforce health and safety standards that ensure that imported and domestically produced foodstuffs are fit for human consumption. The ministry also has the responsibility to establish wide-ranging health and safety standards and regulations within the guidelines provided by the World Health Organization (WHO).

The First Under Secretary for Communicable Diseases has 52 divisions under his control (Appendix G). The senior health official in each of the 26 regions and governorates also report to him.

With regard to quality assurance and inspection for foodstuffs, the Ministry of Health's testing, analysis and decision is final. The method of testing and analysis can be

- Chemical analysis, usually performed in a 7- to 10-day period at Ministry of Health laboratories, either regional the Central Laboratory in Cairo; or
- Biological analysis, a more complicated procedure requiring a minimum of 15 days and the full resources of the Central Laboratory in Cairo.

The Central Laboratory complex of the Ministry of Health reportedly performs nearly 17,000 tests and analyses of food-related products and services per month. Many of these tests (about 40 percent) represent referrals from the 24 regional Ministry of Health laboratories. Of this heavy workload, some 75 percent of the tests are undertaken on domestic food processors, products, or food handling establishments.

The professional technical staff of the Central Laboratory comprises 74 chemists, 43 physicians, 7 veterinarians, and 7 pharmacists. In addition to food analysis, the staff of the Central Laboratory performs approximately 5,000 analytical tests on non-food-related issues each month.

Unfortunately, the physical conditions of the Central Laboratory and its sublaboratories are appalling. Although the scientific staff of the laboratory may be professional in their desire to do a good job, they cannot approach this goal given the physical and administrative conditions under which they work. With their stated workload, for instance, the staff at the Central

Laboratory is required to perform and complete an analysis every 30 seconds under conditions that are so appalling that they almost ensure that any test will be biased because of laboratory contamination.

Although the legal powers of the Ministry of Health to set and enforce health and safety standards for foodstuffs remains generally unquestioned; GOEIC has publicly announced (The Egyptian Gazette, September 22, 1993) that it intends to set standards for imported package food products.

This action by GOEIC is either

- In contradiction to Law No. 10, 1966, which empowers the Ministry of Health to set and maintain health standards for foodstuffs; or
- In contradiction to Presidential Decree 392, 1979, which empowers EOS to set standards for industrial processing.

This incident confirms the fear expressed by the First Under Secretary for Communicable Diseases that neither the demarcation between standard-setting ministries for imported and local food products, nor the process by which "non-health-related" aspects of these standards are set, is clear and transparent.

MINISTRY OF AGRICULTURE

The Ministry of Agriculture derives its statutory powers from Law No. 53, 1966, to protect Egypt's agricultural sector against contamination by foreign pests and diseases. The Ministry has three key constituent organizations that are entrusted with standard setting and inspection services in the agricultural sector: the general organization for Plant Protection and Quarantine (PPQ), general organization for Veterinarian Services (VS), and the Central Laboratory for Food and Feed (CLFF).

General Organization for Plant Protection and Quarantine

PPQ is tasked with protecting Egypt's crops from foreign pests and diseases. Pests can take the form of insects, injurious seeds (like varieties of weed seed not yet found in Egypt). The organizational structure of the Ministry of Agriculture PPQ is provided in Appendix H.

PPQ conducts the most extensive survey of all the inspection services on any imported grain or horticultural product. Members of PPQ are in general quite well trained in their jobs, better than members of most other inspection services. The management of PPQ also enjoys close relationships with its sister organizations in other countries. Its relationship with the U.S. Department of Agriculture's Animal, Plant Health Inspection Service (APHIS) is especially close.

PPQ has a tendency to be perhaps a bit overprotective when it comes to protecting Egyptian agriculture, and its management prefers to err on the side of extreme caution. This is especially true in the case of Egypt's cotton crop. PPQ often seems to follow subjective, and at times erratic, procedures rather than reach decisions that are derived from clearly stated guidelines.

General Organization for Veterinarian Services

VS is primarily concerned with the control of animal disease in Egypt. The organizational structure of the agency is presented in Appendix I. The mission of VS concerns both domestic and imported animals and meat that may carry diseases harmful to the health of local animals.

VS provides a range of services, including inspection and quarantine of live-animal and meat imports. Inspection services are also directed toward standards and quality control in the country's abattoirs.

VS is considered one of the more professional organizations by the Egyptian trade. Most of its professional staff are veterinarians who are reasonably well trained to carry out their mission. VS laboratory facilities are relatively dated, however, and if an imported shipment of meat is suspected of being contaminated by disease, the diagnostic period can become quite long.

Central Laboratory for Food and Feed

CLFF provides testing and grading services for importers of feed grains and other animal feedstuffs on a voluntary and fee for service basis. This organization is an example of how a state-assisted national service can contribute to the promotion of quality assurance in Egypt. CLFF is supported solely on the basis of its own fees. It charges a fee for its services that is commensurate with the cost of providing the actual service.

Inspection income has allowed CLFF to maintain a level of quality in its own work that is unmatched by any other government inspection agency in Egypt. Salaries for CLFF staff are not tied to government norms, but rather are based on incentives. As such, salaries are much higher than salaries paid in other inspection agencies. The quality and training of the staff is commensurate with its higher salaries.

The condition of the equipment and laboratories at CLFF is also much better than any other laboratory in Egypt. CLFF works closely with the U.S. Department of Agriculture's (USDA's) Federal Grain Inspection Service to ensure that the CLFF's standards are appropriate for the products it is testing. CLFF also receives financing and technical support from private trade associations in the United States and Europe.

Perhaps the major difference between CLFF and Egypt's other inspection agencies is its philosophical interpretation of its mandate. CLFF views itself as an organization that fosters understanding between buyers and sellers. It does not view itself as an organization designed to ensure maintenance of outmoded standards. When a shipment does not meet the minimum requirements of quality set by the GOEIC, CLFF does not reject the shipment but only ensures that the product enters the market at its real quality level (grade). This position has given CLFF the enviable distinction of being the only Egyptian standards organization whose certificates of grade are widely accepted outside of Egypt. Sellers in both Europe and the United States accept the CLFF certificate of inspection as final.

ATOMIC ENERGY ORGANIZATION

The role of the Atomic Energy Organization (AEO) in inspecting imported food products was greatly enhanced by the worldwide concerns of possible radiation contamination following the catastrophe at the Chernobyl nuclear reactor. Inspectors from the AEO routinely board all incoming vessels to check radiation levels of food cargo, and only after the products are deemed free from contamination does the inspection process proceed. Incidence of radiation contamination and subsequent rejection by the AEO of the imported products is low.

MINISTRY OF SUPPLY

The role of the Ministry of Supply in inspection has diminished greatly in recent years. This reduced role has been tied to its decline as Egypt's biggest importer. In the mid-1980s, the

Ministry of Supply imported the bulk of Egypt's food. Imports included wheat, flour, corn, vegetable oil, dairy products, and frozen meat and poultry. The Ministry's principle activity is now the importation of wheat, and this activity is in the process of being privatized as well. The first private sector wheat import occurred in September 1993. Currently, wheat is the only product still inspected by the Ministry of Supply.

Wheat quality inspections are conducted by the General Authority for Silos and Storage, the government receiver of imported wheat, as well as by GOEIC. Although the Ministry of Supply uses U.S. Federal Grain Inspection Service grades, in the past the ministry was found to be more interested in protecting its commercial position as an importer, rather than presenting an unbiased evaluation. The role of the General Authority inspections when wheat imports are fully privatized is as yet uncertain.

COTTON TEXTILE CONSOLIDATION FUND

The Cotton Textile Consolidation Fund (CTCF) is a parastatal organization established to set and enforce standards for exported cotton products. Originally, its mandate included inspection of yarn, fabric, and garments. In 1986 the requirement for inspection was dropped.

The governing committee of the CTCF is made up of the seven chairmen of the state-owned spinning and weaving mills, and five members representing the Ministries of Industry, Economy, Supply, Agriculture, and Finance. The CTCF receives no funding from the government budget, but rather is self-supporting. The organization does receive funds from the United Nations Development Programme (UNDP).

CTCF does not charge for its services but seems to be the product of a bygone era rather than a key to quality improvement in the textile industry. Its functions are much better suited to private inspection firms contracted by buyers and sellers, and to inspecting contract specifications rather than enforcing government-mandated standards.

6. How Are the Regulations Applied and Enforced?

The overlap in responsibilities among government agencies involved in formulating and enforcing the regulatory requirements for health, safety, and quality has caused tremendous headaches for private Egyptian traders without adding greatly to the protection of the Egyptian consumer. In certain cases there may be as many as five agencies whose clearance is required before a product is released from the port. This process can take weeks. The delays that result lead to increased storage costs. For a perishable product, the delays greatly increase risk and thus price. Each organization charges a fee for its services that, again, adds to the overall cost. The net result of all this is an increase in cost for the Egyptian consumer.

It is important to stress that this hassle factor is not part of a concerted effort to restrict trade. Rather it seems to result from overlap in function among the regulating agencies, from turf battles, and perhaps most important, from the need for these agencies to justify their existence.

Fee generation on the part of the individual inspection services is not a reason for inspection. Fees, although when added together can become burdensome, are for the most part quite low (Table 6-1). Only one agency, the Ministry of Agriculture Central Laboratory for Food and Feed (CLFF), depends directly on fee generation. Interestingly, this group has the reputation of being the best inspection agency in the country although it is probably also the most expensive. All other agencies depend directly on budget support from the government. Their fees go into the Treasury rather than being kept for their own use. In addition, Ministry of Finance Decree 254, 1993, assesses a 1-percent ad valorem fee to cover inspection costs. When combined with the other fees, this makes Egyptian inspection costs high.

In this chapter, to provide the reader with an understanding of how actual inspection is conducted, we address the issue by separating imports from exports, and by separating agricultural from nonagricultural products.

INSPECTION OF IMPORTED PRODUCTS

Agricultural Imports

Radiation Inspection

All agricultural products are subject to inspection by the Atomic Energy Organization (AEO). This is the first inspection performed, and it is required to be completed before any other inspection or any discharge of the cargo takes place. This inspection is handled efficiently, and usually the results are given within a few hours after samples are taken. There have been no reported cases of radiation contamination for a number of years.

Table 6-1. GOEIC Import Inspection Fees

| <i>Item</i> | <i>Amount (LE)</i> | <i>Unit</i> |
|--------------------------|--------------------|---------------------------|
| Wheat | 0.01 | per 2 tons of consignment |
| Wheat flour | 1.00 | per ton |
| Com | 1.00 | per ton |
| Beans and lentils | 1.00 | per ton |
| Coffee and tea | 5.00 | per ton |
| Frozen meat | 5.00 | per ton |
| Beef liver | 10.00 | per ton |
| Frozen fish | 5.00 | per ton |
| Eggs | 0.05 | per package of 30 or less |
| Sugar | 5.00 | per ton |
| Cooking oil | 5.00 | per ton |
| Butter | 5.00 | per ton |
| Tobacco | 5.00 | per ton |
| Nonalcoholic drinks | 0.01 | per bottle |
| Alcoholic drinks | 0.05 | per bottle |
| Detergents | 0.05 | per kg |
| Cosmetics | 0.01 | per bottle |
| Ceramic tiles | 0.25 | per package |
| Wood | 25.00 | per ton |
| Sanitary products | 0.25 | per kg |
| Cans | 0.01 | per kg |
| Paving stones | 2.00 | per ton |
| Pipes | 1.00 | per ton |
| Rivets | 2.00 | per kg |
| Steel cross-sections | 1.00 | per ton |
| Copper wire | 0.05 | per kg |
| Locks | 0.05 | per item |
| Air conditioners | 5.00 | per item |
| Dish and clothes washers | 3.00 | per item |
| Electric fans | 1.00 | per item |
| Electric heaters | 1.00 | per item |
| Electric irons | 0.25 | per item |
| Electric mixers | 0.25 | per item |
| Hot water heaters | 3.00 | per item |
| Refrigerators | 3.00 | per item |
| Electric lamps | 1.00 | per item |
| Radios and televisions | 0.25 | per item |
| VCRs | 0.25 | per item |
| Leather | 0.01 | per kg |
| Filters (oil and air) | 0.05 | per item |
| Break pads | 0.10 | per package |
| Safety glass | 1.00 | per piece |
| Electric motors | 0.25 | per kg |
| Soap | 0.05 | per kg |
| Ink | 3.00 | per ton |
| Paint | 3.00 | per ton |
| Formica | 0.10 | per kg |
| Sand paper | 0.01 | per kg |
| Forks and spoons | 1.00 | per ton |
| Wood furniture | 3.00 | per ton |
| Pencils | 0.01 | per kg |
| Carpets | 1.00 | per ton |
| Toothbrushes | 0.10 | per kg |
| Bicycles | 3.00 | per item |

Cargo Sampling

Providing that the radiation test is negative, a delegation made up of representatives from each of the relevant inspection agencies arrives at the port to take samples. In the case of wheat the delegation will consist of representatives from

- Ministry of Agriculture, Plant Protection and Quarantine (PPQ);
- Ministry of Health;
- Ministry of Supply, General Authority for Silos and Storage; and
- Ministry of Economy, General Organization for Export and Import Control (GOEIC).

These representatives will usually be accompanied by an employee of a private survey and inspection firm, such as Société Générale de Surveillance (SGS) or Comibassal.

If the product is corn, the representatives from the Ministries of Health and Supply will be replaced by a representative of the Ministry of Agriculture CLFF.

In the case of a frozen meat, shipment the delegation will consist of

- Ministry of Agriculture, Veterinarian Services (VS);
- Ministry of Health; and
- Ministry of Economy, GOEIC.

Although the inspectors usually arrive together, this is not necessarily always the case. At times multiple samples will be taken, disturbing the commodity, especially in the case of a frozen product.

Grain Clearances

In the case of grain shipments, PPQ must give the first release before the commodity can be discharged. If PPQ finds evidence of insect infestation, it can order the shipment fumigated before discharge. If the cargo is contaminated with a banned seed, such as cotton seed, PPQ can order the ship diverted to another Egyptian port where the cargo can be cleaned, or it can reject the shipment altogether. PPQ usually makes its judgment in 1 to 2 days.

Although PPQ gives the first inspection on a grain intended for human consumption, the inspection of the Ministry of Health is overriding in its importance. If the Ministry of Health declares a shipment unfit for human consumption, the shipment will be rejected and sold for salvage outside the country or destroyed. The Ministry of Health will test for pesticide residuals and microbiological contamination. The decision of the Ministry of Health can take up to 2 weeks.

GOEIC takes its sample from the hatch cover. This sample is tested to see if the cargo meets the minimum grade requirement. GOEIC is not an important player in grain inspection, and rarely is a cargo held up at this point.

By contrast, the Ministry of Supply, or the CLFF, take constant samples of the cargo as it is being discharged. They are thus able to determine the grade of the entire cargo, not just the sample on the top, which is usually not representative. Certificates are usually issued within 2 days of sampling.

Frozen Meat Clearances

A visual inspection of cargoes of frozen beef, beef offal, and frozen poultry is undertaken by VS before any discharge can take place. If the cargo passes this inspection, it can be discharged into a cold store located anywhere in the country. It cannot be released into the market, however, until all clearances are obtained.

Clearance by both the Ministry of Health and the Ministry of Agriculture are essential to final release. Both groups conduct laboratory analysis that takes 10 to 14 days. GOEIC conducts tests to determine the quality of the product, but as in the case of grains, this inspection seems to be redundant, adding little to the final determination.

Final Approval

Procedures for sampling, testing, and certification are basically the same for all food products—only the inspection team and the tests vary. Once the test results are determined to be positive, the Under Secretary for Health in the importing governorate issues a final report approving the product for sale in the local market.

For grains, this release is usually provided quite rapidly. For meat, it usually takes at least 2 weeks before the release is issued, and, after it is issued, it takes another week to 10 days for the certification to work its way through the bureaucracy and to the cold store where the meat is being held.

These delays present one of the most pressing problems to importers, especially those with perishable products. Because the expiration date on many products is unreasonably short, every day that a product is held before release results not only in storage costs, but also in lower prices because the product is older.

It is at this stage that facilitation fees play their most prominent role. To speed up the process, or move their papers to the front of the line, importers will often pay relatively minor fees to employees to speed up the process. These payments do not seem to accomplish more than this. Once a decision is made, it is almost impossible to change.

Rejection and Appeal

Although the inspection procedure normally works as described previously, slow but sure, there are often times when a product is rejected from importation. Rejection can occur on the basis of a decision made by any of the inspecting agencies. Although the right to appeal exists, this appeal is made in the confines of the inspecting agency—there is no superarbitrator.

Ministry of Health refusal is the most difficult to overcome. If the port laboratory rejects a consignment, the importer has the right to appeal the decision and request reinspection by the Ministry of Health Central Laboratory (see earlier description of this laboratory). When this laboratory retests the product, it does so knowing the reason for rejection. It is thus looking for signs of the same problem, rather than giving an impartial evaluation. Representatives (e.g., private surveyors) from the importer are not allowed to attend this test. Only rarely are Ministry of Health rejections overturned on appeal.

The Ministry of Agriculture is somewhat easier to deal with when problems occur. PPQ, and to a lesser extent VS, make serious attempts at accommodation. If the product can be fumigated, cleaned, or otherwise treated, they are often willing to help.

GOEIC rejection of food products is quite rare and usually concerns labeling issues or expiration dates. Labeling issues can usually be handled by attaching a sticker label to the package. Expiration date rejections come and go because of constant changes in the expiration periods that are often made by other ministries.

If a product is rejected for specification reasons, GOEIC will conduct a second sample. If it is rejected again, the rejection can be appealed to a five-member arbitration board made up of three members of GOEIC and two chosen by the importer. Obviously the odds are in favor of GOEIC maintaining its opinion. GOEIC's appeal process seems to be the most open, but Egyptian traders do not consider it a viable option in a dispute.

Manufactured Imports

Imported manufactured products are not as heavily regulated as imported food products. GOEIC is responsible for the import inspection of 104 products described in Chapter 2. In addition, pharmaceutical and medical device imports are inspected by the Ministry of Health.

Inspection of manufactured products by GOEIC is a relatively new development, starting only in 1990. Before 1990, the Ministry of Industry group, the Egyptian Organization for Standards and Quality Control (EOS), had been responsible for inspecting the imports of 17 products. Responsibility was moved to GOEIC to make use of its excess capacity in light of its declining position as an issuer of import licenses.

When one of GOEIC's mandated products enters an Egyptian port, GOEIC takes a sample. The process for taking a sample varies from product to product (obviously playing cards are sampled differently than cement), but GOEIC seems to have no set procedure for sampling.

GOEIC samples every consignment of every controlled product that enters Egypt. This means that, when importers import exactly the same model of radio from exactly the same manufacturer in Japan, each shipment is subjected to exactly the same inspection.

A common complaint about this procedure is that the sample product is often destroyed during testing (see Case Study on Tires and Windshields in Chapter 7). Testing can take quite some time, but since the product is not likely to have expiration dates as food products do, the testing does not result in as many problems.

The more pressing issue is to determine whether GOEIC really needs to inspect these products at all. If so, why must the same model be tested repeatedly? As was mentioned earlier, GOEIC has limited laboratories, especially for testing manufactured products. The main reason for repeated testing seems to be GOEIC employees needing something to do.

INSPECTION OF EXPORTED AGRICULTURAL PRODUCTS

As mentioned previously, GOEIC provides inspection for 124 agricultural products. Inspection before export is mandatory on 48 of these products. Rarely are these inspections carried out, however. Most of Egypt's larger, more established exporters report that they are rarely visited by government inspectors. Rather, they work to standards determined by their buyers that are usually much more stringent than those established by GOEIC. Quality control and inspection are carried out in a fashion agreed to by buyer and seller. The process can include self-inspection, buyer inspection or independent inspection. Government certificates are never used and probably should be eliminated.

7. Case Studies

FROZEN MEAT

The Egyptian Standard 1522, which sets the specifications for frozen meat (beef, buffalo, sheep, goat, and camel) was approved in November 1991 and superseded the earlier Standard 1522, 1986 (see Appendix J).

The current standard was not enforced until early 1993. Its primary effect has been on frozen meat imports from the European Community (EC). Since its enforcement, the standard has severely disrupted import trade, domestic distribution, and the price of beef products in Egypt.

The standard was established by the Egyptian Organization for Standards and Quality Control (EOS), and enforced by the Ministry of Health under its powers to protect the health and safety of the Egyptian consumer from food "unfit for human consumption." It has a number of unique specifications, including the following:

- Fat content of meat intended for direct consumption should not exceed 7 percent, and the meat product should have an expiration date of 9 months from date of slaughter.
- Fat content of meat intended for further processing should not exceed 20 percent and the meat product should have an expiration date of 6 months from date of slaughter.
- The amount of fluid present after defrosting (drip) cannot exceed 1 percent of the weight of the meat product.

Specifications of this type and stringency are peculiar to the Egyptian standard and are unknown elsewhere in the world.

In addition, the relevant officials at the Ministry of Health charged with enforcing this standard on health criteria concur that no agreed-upon basis in health science exists to deem meat products whose fat content exceeds 20 percent "unfit for human consumption."

Effect on Trade

By September 1993, more than 10,000 metric tons of frozen beef from EC suppliers had been rejected for release into the Egyptian market. The cost on a CIF basis of these blocked products is estimated at nearly US\$13 million.

In addition, the availability of "rejection insurance" coverage for Egypt, normally required in the international beef trade, has become restricted. Where available, the cost of such insurance has risen from approximately 1 percent of the value of the consignment to a range of 5 to 7 percent. At this level, the cost is prohibitively expensive and will ultimately be borne by the Egyptian consumer.

Trade sources suggest that long-term prices will increase because European insurers will be reluctant to reduce premiums quickly. This reluctance is due to the heightened risk factor that has been established in the beef commodity trade with Egypt.

In exercising their reserved powers in setting and enforcing standards on the importation of meat, ministers have adversely affected trade by

- Demonstrating to the Egyptian and foreign business community the nontransparency of government regulations in Egypt,
- Raising the risk factor to potential investors and discouraging the development of business opportunities in Egypt,
- Undermining the integrity of the standardization and quality assurance system in Egypt, and
- Bringing into question the commitment of the Egyptian government to building a market-based economy.

Effect on Consumers

National consumption of beef is estimated at 43,000 metric tons per month. The effect of withdrawing 10,000 tons from the market, and the impact of higher insurance premiums, has been dramatic.

Retail price increases reached LE 5 per kilogram during the summer of 1993. The cost of this health standard to the Egyptian consumer has amounted to more than LE 200 million per month.

WHEAT FLOUR

The specification requirements for imported wheat have been a constant problem for Egyptian importers and their foreign suppliers. Egypt has only one set of specifications for imported wheat, although literally dozens of types of wheat are produced for specific applications.

The specifications set forth by Minister of Supply Decree 349, 1992, call for a flour with the following specifications:

| | |
|------------|-------------|
| Extraction | 72 percent |
| Protein | 9 percent |
| Moisture | 14 percent |
| Fiber | 0.1 percent |

These specifications were established when the Ministry of Supply was the sole importer of flour. To simplify its own buying procedures, the ministry bought only one kind of wheat flour, whether it was from the United States, France, or Italy. It also sold only one type of imported flour on the market, whether it was to bread makers, pastry shops, or pasta factories.

Now that flour is being imported by private sector traders on a commercial basis, these specifications have greatly limited their ability to provide their customers with the quality of flour they desire. A pastry manufacturer, for instance, would normally prefer a flour with a lower protein level than called for by the standard. A pasta producer, by contrast, requires a higher level of fiber to produce a better quality product.

Flour milled to 72 percent extraction locally is not required to meet these standards. In fact, this flour, produced by the public sector mills, is often of inferior quality because of poor quality control during the milling process.

Flour is sold largely on the basis of protein and fiber. The higher the protein, the higher the price, and the higher the fiber, the lower the price. If Egypt's importers were allowed to

purchase the correct type of flour for their needs, the price would likely be about 3 percent less. With the approximately 110,000 tons of flour imported last year, eliminating this restriction would have resulted in a savings of more than US\$600,000. More importantly, if this restriction did not exist, domestic producers of pastries and pastas would be able to obtain the best input for their processes and produce a better quality product.

CANNED TUNA

No ministerial decree currently regulates the importation of types of canned tuna. However, in recent months there has been a good deal of discussion within EOS about issuing regulations that will specify the type of tuna imported.

Canned tuna is packed in three basic forms. The highest quality, and most expensive, is solid pack. This type of pack is one solid piece of the fish that is cut, cooked, and canned. The medium quality is chunk pack. This pack is smaller chunks of the fish, which are cooked and canned. The least expensive type is flaked. This is the largest selling type of pack worldwide. It is the smaller parts of the fish that are shredded, cooked, and canned.

The Technical Committee for Canned Fish in EOS has been discussing banning the importation of flaked tuna. Such a ban is being proposed not because there is anything inherently unhealthy about flaked tuna, nor because such a ban would protect domestic canning operations, since there are none. Rather, the regulation has been proposed to protect the Egyptian consumer against consuming anything that is considered by some members of the committee to be obviously inferior.

In reality, such a regulation, if enacted, will do no more than limit the ability of consumers to choose the type of tuna they desire. All types are available on the market, and flaked is the largest selling of the three types, even in the better grocery stores of Cairo. Chunk tuna costs about 25 percent more than flaked tuna.

COTTON

Cotton is, and has always been, Egypt's principal agricultural export. Until the discovery of large exportable quantities of petroleum, cotton was Egypt's largest export. Egyptian cotton is also the best in the world. Extra-long staple (ELS) and long staple (LS) cotton from Egypt have always commanded premium prices and are used to make the world's finest cotton garments.

In 1985, Egypt began importing limited amounts of cotton. Demand for textiles had grown to a point that Egypt's premier cotton was being sucked into a system that made poor-quality cloth that was sold at subsidized prices. Earnings from cotton exports declined as a result. Cotton was imported to free up higher-grade Egyptian cotton for export. The arbitrage has been a resounding success.

Understandably, the Ministry of Agriculture has been apprehensive of this trade. Egypt is one of the few countries in the world that is not infested with boll weevil. Ministry of Agriculture officials are concerned, perhaps excessively, that the Egyptian crop not be contaminated.

To ensure that boll weevil does not enter Egypt, the Ministry of Agriculture has set the most stringent phytosanitary standards anywhere in the world for cotton. To be imported, cotton

- Must come from a boll weevil free producing area;
- Must be fumigated, under vacuum, with methyl bromide or hydrocyanic acid for a minimum of 3 hours;

- Cannot be stored with cotton that is bound for a different destination;
- Must be fumigated a second time on arrival in Egypt; and
- Can only be spun in Egyptian textile mills outside the cotton growing areas.

The only cotton that meets all of these standards comes from California and Arizona, in the United States.

Although other countries may grow cotton that is not infested with boll weevil, they do not have the vacuum fumigation facilities required. Cotton from the Mississippi Delta region, while it can be vacuum fumigated, cannot enter Egypt because the region as a whole has boll weevil, even though there are areas that have eradicated the pest.

The cost of Egypt's three levels of safety is substantial. Vacuum fumigation is a costly process. Cotton from California and Arizona is the most expensive in the United States, and except for LS varieties, it is the most expensive in the world. The second fumigation in Egypt adds further cost.

In the 1992–1993 marketing year, Egypt imported 163,000 bales of U.S. cotton. Imported U.S. cotton cost \$0.74 per pound compared with an export price of \$2.02 to 2.30 per pound for ELS cotton and \$1.50 to 1.94 for LS cotton. If Mississippi Delta cotton had been imported, however, the price would have been \$0.10 to \$0.20 less, adding even more to the terms of trade.

OIL FILTERS

Since early 1992, GOEIC has undertaken rigorous testing of the quality of air and oil filters imported into Egypt. Why oil and air filters have been singled out from a fairly wide range of automotive spare parts is somewhat perplexing.

The array of automotive spare parts subject to mandatory testing by GOEIC in every consignment includes spark plugs, fan belts, liners, elements, bolts, nuts, washers, brake pads and shoes, condensers, and glass windshields. In addition to product testing, each item and carton must indicate on its label, in Arabic, the name, model number, inspection mark, and country of origin.

For some unexplained reason British, French, and U.S. manufacturers of air and oil filters have not been as adept as their spark-plug and fan-belt manufacturing colleagues in mastering Egypt's standards and specifications. The result has been a substantial number of rejections. GOEIC senior management has in fact expressed satisfaction that more than 3,000,000 oil and air filters have been rejected by their inspectors.

One British manufacturer was told that its product labeling did not meet specifications. The British firm has protested, although without success.

Three American manufacturers, with the help of the U.S. Foreign Commercial Service, asked the U.S. National Institute of Science and Technology to evaluate GOEIC's procedures. The opinion of this body was that GOEIC "was testing the imported filters improperly by testing all imported oil and air filters with a single ISO test—ISO 2942." This raises suspicion that singling out air and oil filters for inappropriate quality control testing has more to do with protecting Egyptian-based manufacturers than concern with the quality of imported filters.

TIRES AND WINDSHIELDS

Although GOEIC mandatory testing of each consignment of maintenance spare parts, such as spark plugs and oil filters, makes little sense, the continuous testing of major nonmaintenance items is causing serious commercial damage.

In the case of replacement glass windshields, GOEIC insists on testing every consignment according to the Egyptian standard and will not recognize the quality marks of the major brand-leading producer countries. The fact that the original windshield on the imported automobile is not tested apparently does not concern the Egyptian authorities. Testing of glass windshields requires destruction of the product sample. This becomes costly when every consignment of the same product, from the same manufacturer and with the same part number, must be tested.

GOEIC's policy for testing tires is similar. Tires are a major replacement part for both individual automobile owners and industry. Tires manufactured by firms such as Michelin, Goodyear, or Firestone are subject to "destructive" testing. This includes testing samples of the same product, from the same consignment, which may be held in duty-free bonded warehouses for release under various schemes. These schemes include donor-assisted development projects, for which the tires serve as spares for project vehicles. GOEIC's policy to test every consignment is, again, an unnecessary and costly practice

Thus far, GOEIC only has the equipment to test tires for smaller trucks and passenger vehicles. However, industry sources believe that GOEIC is about to gain the capacity to test large tires used on large vehicles, such as earth-moving equipment. The replacement cost of such industrial tires can range from US\$3,000 to well beyond US\$5,000 each. If GOEIC tests and destroys these tires at the same rate as automobile tires, the commercial and economic damage will be substantial.

8. Economic Impact of the Regulatory Environment

As was demonstrated in the case study on beef imports (Chapter 7), the improper use of regulatory authority can have dramatic implications for both the businesses involved in the trade, and Egyptian consumers. As is more often the case, however, the regulatory environment has small, often hardly noticeable, effects on trade. In the other case studies presented in Chapter 7, addressing the impact of the regulation regulatory environment may seem almost trivial. Does it really matter if the price of a product is 1 or 2 percent higher because of regulatory restrictions?

For the importer, a 1- to 2-percent increase in cost can mean the difference between profit and loss. For the consumer, increased costs result in less money to spend on other products. And, since the system can cause huge price increases, as in the case of beef, with little or no advance warning, the regulatory environment can have a dramatic effect on expenditures and profits.

It is, in fact, this uncertainty that is the underlying problem. Because the business climate can change at anytime, because a needed import may be effectively restricted from importation, and because the whole process is such a hassle, businessmen will only undertake activities that can provide profits large enough to offset the risk. This, of course, limits competition, keeps prices high, and has a dampening effect on the economy. The purpose of this chapter is to discuss the effect of quality control regulations on both trade and investment in Egypt.

TRADE SECTOR

Egypt's system of health, safety, and quality control regulations has had and continues to have a dampening effect on trade. The Egyptian market, although large, is considered in the international trading community to be one of the hardest in which to do business. This is not because determining what the consumer wants is difficult. The problem instead lies in the difficulty of getting the product through the government-created maze of regulations so that it reaches the consumer.

This is not to imply that the system of regulation is insurmountable. Private Egyptian traders have been quite successful in negotiating the system. Goods of all types are available on the market. With the exception of textiles and poultry, which are still on the ban list, most goods find their way into the market. Banned goods find their way in, as well, and can be found in the market, albeit in more limited quantities than would otherwise be the case.

The main effect of the current regulatory regime on the economy is a substantial increase in price. The system of regulations keep prices high because of a number of factors, including

- Costs associated with fees for inspections,
- Costs associated with delays and product loss in the clearance process,
- Costs resulting from uncertainty in the market,
- Price increases when regulation causes false shortages, and

- Lack of competition in the market that results from limited access.

Although quantifying these items is difficult, ultimately, the consumer pays the costs associated with mismanagement of the trade sector.

Inspection Fees

Table 6-1 showed that the fees charged by individual inspection services are quite low. For food products particularly, however, they begin to have an additive effect. When the fees of up to five inspection agencies are added together, they begin to become burdensome. Added to these is, of course, another 1-percent fee charged through the Ministry of Finance Decree 254, 1993, to cover inspection costs. When added together with facilitation and overhead costs, food importers estimate that these fees can add between 5 and 20 percent to their costs. Although the magnitude is not as great for manufactured products, costs are increased there as well.

Costs Associated with Delay and Damage

Traders complain more about delay and damage costs than any other costs. For food products, the inspection process takes weeks. During this time the product must be stored. If it is a perishable product that requires refrigerated storage, the cost can become quite high. Also, for products with limited expiration periods, delays during clearance shorten the time in which it can be introduced into the market.

The inspection process can also be costly through destruction of samples that are taken. As in the case of tires and windshields, discussed in Chapter 7, this cost can become substantial.

Costs Associated with Market Uncertainty

The regulatory framework of Egypt creates tremendous uncertainty for the trade community. Regulations affecting trade can come from as many as five different ministries. Reversals in policy can and do occur almost daily. Woe to the unfortunate trader who has a shipment on the water when a regulation is changed. Depending on the case, some ministries are less understanding than others.

The effect of this uncertainty on pricing is probably the most damaging result of the regulatory system. All importers in Egypt must assume that from time to time they will be on the losing end of a regulation. To compensate, they must deal only in products for which profit margins are large, and they must charge high prices to offset their risk.

As has become obvious throughout this report, the meat trade is subject to the most uncertainty. Meat trades are not alone, however, as the importers of oil and air filters discovered. The salient point, however, is not that uncertainty exists, but that it is the government that is responsible for the uncertainty. This has been a major factor in keeping prices high in Egypt.

Regulatory Created Shortages

When there is a shortage of a product that is in great demand, prices increase to compensate. In Egypt, government regulation of standards have been responsible for many shortages, and the consumer has paid the cost in higher prices.

In the case of frozen meat imports, this price has amounted to more than LE 200 million per month for nearly a 6-month period. The rejection of 3 million oil and air filters raised the price of those products as well.

Limited Access

Given that the regulatory environment in Egypt is complicated and constantly changing, it is hard for new companies to enter the market. Information on regulations, including the regulations themselves, is not easy to obtain. Knowing how they are actually applied is even more difficult to determine unless one is directly involved. Also, contacts needed to deal with questions and problems are difficult to establish.

Dealing with the regulatory environment is easier for large, established companies who know the system and are capable of expanding into new areas easily. The result is limited to competition, and the increased costs that this implies.

INVESTMENT SECTOR

The continued reliance by Egyptian authorities on the regulatory mechanisms built for the failed policies of the command economy is also having a negative impact on the investment climate in Egypt. Industrial licensing and other barriers to investment have overshadowed the debate on investment legislation and policy. The continued improper use and nontransparency of the standardization and quality assurance regime has contributed to the negative reputation of Egypt as an investment location.

The strategy for encouraging investment and the use of technology differs from country to country, although a general trend has emerged suggesting that domestic and foreign investors alike respond best to

- Conditions of low uncertainty,
- Minimum necessary government controls,
- Adequate incentives, and
- A supportive business climate with readily available business services and infrastructure.

The worldwide trend to promote and ensure standards of quality in manufacturing and service sectors through the adoption of the International Standards Organization (ISO) 9000 series of standards is a response to the growing need of the business community to reduce the risk of doing business beyond and within its national borders. Egypt cannot afford to stand apart and in isolation from this phenomenon, and maintain a system of national quality control when the demand of the international market is for seamless assurance of quality.

Competition for investment is keen, and investment can take forms other than the traditional notion of capital investment in plant and machinery. Investment options also include

- Contractual agreements between individual enterprises in a national market,
- Subcontract manufacturing agreements for final production or subassembly, and
- Licensing of production processes for the national or international market.

Does the existing system for standardization and quality assurance in Egypt reduce the risk of the business community in investing in any of the options identified above? If the answer is negative, the Egyptian authorities concerned with standardization and the promotion of quality should ask, from an investor's viewpoint, how the system can be reformed to help make a positive impact on the investment decision.

9. Systems of Other Countries

As can be gleaned from the preceding chapters, changes in the economic policy of Egypt have resulted in tension and conflict between public sector institutions whose *raison d'être* lies with the failed policies of a command economy, and private and public organizations hoping to provide leadership in the future.

In Egypt, the transition of the current system of state-dictated quality control to a market-led requirement of quality assurance is being stymied by these conflicts. Egypt needs, however, to develop a consensus and new leadership in this area to continue on the path of trade liberalization and industrial development.

This move means that Egypt, as a country, needs fundamental changes in policy, regulation, and institutional responsibility. To develop a conceptual framework for the optimal organizational structure for health, safety, and quality assurance, it is useful to examine some successful models from other countries.

ALTERNATIVE PATHS

Broadly, three models exist for organizing a national system for standards and quality assurance. The first, used by Egypt and many other developing countries, is a single governmental department charged with developing and maintaining standards. A second option, and one used successfully by countries intent on modernizing their manufacturing capabilities, is the development of a partnership between government and private industry. The third option, which has been followed by many other countries, is to charge a purely private organization with responsibility to develop standards and specifications.

Each of these systems reflects structures established because of differing levels of economic development and political history. In the latter two systems, the authority of government to regulate is not diminished; government still has the right and duty to determine what standards are required to protect the health and safety of the consumer. Because the system in Egypt is one of pure government authority, this chapter examines the other two systems to determine which, if either, might be an appropriate model for Egypt.

Statutory Board

A number of countries that have made a successful transition to developed economies have used the concept of an independent statutory board to give state support without ministerial or civil service interference in standards development. To be successful, this path to development requires an extraordinary degree of consensus between the public and private sectors, with a strong commitment by successive governments to a clearly defined open-market economy.

An independent statutory board normally has its powers, board membership, and authority clearly defined in law rather than by administrative decree. Methods of financing depend on a board's activities and should, where possible, be drawn from fees for services supplemented by

government grants. Through law, independence must be established so that neither ministers nor their civil servants can interfere in the operations of a statutory board.

Invariably, to be successful the chairman of the board and the majority of its members must be selected from the private business community. Management and staff of such an organization are recruited by and ultimately report to the board of directors, as is normal in the private sector.

Two examples of this type of administrative structure are the Singapore Institute of Standards and Industrial Research (SISIR); and the National Standards Authority of Ireland (NSAI), a division of the National Agency for Scientific and Industrial Research and Development (EOLAS). Both these organizations have been quite successful in fostering a culture of quality assurance.

The origins of both SISIR and NSAI/EOLAS date to the policy reform process of the 1960s in their respective countries. At that time, industrial development through the attraction of foreign investment became the key strategic economic policy of each country.

Both of these organizations foster linkages between high-technology international firms and domestic producers. They also provide vital industrial research capabilities as part of the investment package offered to the international investor. In doing so, both SISIR and NSAI/EOLAS have required the support, but not the direct interference, of the government.

The services offered by the SISIR and NSAI/EOLAS include

- The development and publication of standards and specifications;
- Certification to the International Standards Organization (ISO) 9000 series of standards;
- Testing and inspection to national and international standards, including metrology and calibration services;
- Accreditation of laboratories and inspectors and auditors;
- Contract research and development and consultancy; and
- Training in all areas of quality assurance and quality control.

SISIR and NSAI/EOLAS are strong central organizations playing a pivotal role in the process of standardization and quality assurance. Their links with industry, both foreign and domestic, are close, built over 30 years of stable and predictable economic policy that fosters private investment. Not surprisingly, both organizations have been at the forefront in promoting the acceptance of the ISO 9000 series of standards as the national, regional, and international norm for quality assurance.

Association and Trust (Nonprofit)

The older industrialized nations have often developed their system of standardization and quality assurance through a path other than establishing an statutory board. Such a system reflects the historical experience of industrialization and the strength of science and the scientific professions in their countries.

Standards-setting organizations, such as the Association Française de Normalisation (AFNOR), the Deutsches Institut für Normung (DIN), and the British Standards Institute (BSI), all date from the late 19th and early 20th century. This was a time when the needs of industry, science, and engineering started to converge. Agreed-upon methodology for testing, standards, and measurements laid the foundation for industrial growth through investment.

The role of governments in directly intervening in the emerging process for developing standards was minimal, except in regard to the military buildup at the turn of the century. The

primary partnership was between science and industry, while government acted largely as a silent partner.

As the role of government and the state took on new dimensions after the First World War, the process for standardization and industrial quality caused the "silent partner" to take a more active interest in the partnership. However, in all three leading European industrial countries—France, Germany, and the United Kingdom (UK)—governments have left intact the basic alliance between science and industry, and have given national authority to that alliance. AFNOR, DIN, and BSI are private, nongovernment associations that have been entrusted by the sovereign power within France, Germany, and the UK, respectively, to establish and maintain the country's system of standards and quality assurance.

All three organizations are membership based, are not-for-profit, and are financially independent of government. Although AFNOR, DIN, and, to a much lesser extent, BSI receive some government financing, these associations have a stronger relationship with industry.

The level of services provided directly by each of these organizations differs. Neither AFNOR nor DIN is directly in the business of testing or certification, while the bulk of BSI activity and revenues is derived from its large laboratory facilities where testing and certification to BSI/ISO standards is undertaken. Each of these organizations continues to play leading roles in the development of the single European market through the convergence of quality assurance under merging European Community (EC) directives and the EN29000/ISO 9000 series of standards.

CRITERIA FOR SUCCESS

The benchmark of a successful system for standardization and quality assurance is the degree to which the system represents the alliance of science and industry in their efforts to continually provide safer, cheaper, and more useful products and services to the consumer.

Science, industry, and commerce increasingly transcend the political boundaries of nation-states. The administrative structure of a standards organization required to respond to the challenges of the market and the needs of industry points to an organization that has

- Independence from the government;
- Management autonomy to recruit highly qualified staff;
- A board of directors that is drawn from private industry, business, and science;
- Leadership in executive management to strengthen consensus for both industry and national goals; and
- Adequate financial resources provided voluntarily by its clients for commercially useful services, such as
 - Subscriptions,
 - Fees for accreditation and certification,
 - Sale of standards and specifications,
 - Contract research and development,
 - Consultancy, and
 - Training.

As can be seen from the previous discussion, history and economic policy have set the environment in which a number of paths have led to the successful creation of a culture of quality. Egypt is now at the crossroads. If it hopes to move its economy toward open markets, it must rethink its form of standards development. It must move toward the successful models of other countries and develop a system that has as little government interference as possible.

EGYPTIAN ORGANIZATION FOR STANDARDS AND QUALITY CONTROL

Notwithstanding its title, the Egyptian Organization for Standardization and Quality Control (EOS) is in reality a department within the Ministry of Industry. As such, the Government of Egypt is presented with a unique opportunity to help transform the existing civil service apparatus into a movement that enhances the system of standardization and quality assurance.

Although, as an interim measure, EOS should retain its current status, the ultimate goal of such an organization should be to move toward a more independent and open status. Whether this means a statutory board or an independent organization needs to be determined. This status could be determined by

- Government publication of a policy-based White Paper on the creation of a standardization and quality assurance system in Egypt; and
- The nonbinding findings of a review commission on standardization and quality, drawn equally from the private sector business community, the Egyptian and international scientific community, and relevant public sector organizations.

The key objective in convening a review commission would be to lay the foundation for a consensus to build a nongovernmental institution that can foster a culture of quality in the Egyptian economy. A secondary objective of such a commission would be to review the laws, regulations, and public organizations involved in the current apparatus for standardization and quality control. Egypt can expect the support of the international community and especially the technical support of the ISO.

10. Recommendations

As described in the preceding chapters, Egypt's system of health and safety regulation has numerous problems that have far-reaching effects on the economy. In some cases, individual regulations need to be changed to promote free and open trade, and economic efficiency.

Although changing certain regulations would certainly be a boon to the business community and to the Egyptian consumer, longer-term structural and policy changes are also needed. Developing a new and better system of regulation would lessen the chance of poor regulations being enacted and enforced.

It is essential that the Egyptian government change its attitude toward health, safety, and quality regulation. Government policy must move away from heavy handed-regulation and toward promotion of higher quality products for both domestic consumption and export.

The purpose of this chapter is to provide an action-oriented plan for reform in health, safety, and quality regulation. Two major focuses of change are discussed. The first deals with developing a policy framework that makes the regulatory process more open and encourages the active participation of the business community. The second deals with the institutional restructuring that is required to support this change. Although the institutional changes discussed propose major reorganization in some of the Egyptian government's key ministries, without these changes Egypt will cut itself off from the direction in which much of the world community has embarked—the movement toward freer trade and higher quality products.

In the course of preparing this study, a number of current regulatory problems were identified, some of which were discussed in Chapter 7, Case Studies. Although the purpose of this report was not to simply identify regulations that need to be changed now, using a Band-Aid approach, it would be remiss not to also propose immediate, specific changes.

POLICY GUIDELINE DEVELOPMENT

The fundamental policy structure of the Egyptian regulatory system is in need of sweeping change. No longer can Egypt afford to cling to the policies of a command economy if it expects to become a modern trading nation.

The most pressing need is for the system to become open and accountable. Currently, the business community has little or no input into the formulation of standards. It has even less input into the formulation of regulatory law. However, the business community is also not accountable for its activities because of a glaring lack of product liability law and only minor penalties under trade law.

With the government, one agency often does not know or care what another is doing. The agencies can be operating at the same time on completely different agendas because no one ministry is tasked with overseeing and coordinating their activities.

These are issues that the government and the business community need to discuss together, at a national level. Together, they need to develop a policy dialogue that addresses these

concerns. To initiate this process and identify key policy changes that should be considered, a number of proposals should be considered. These proposals are outlined next.

Establishment of a review commission to conduct

- *A comprehensive review of all health, safety, and quality regulations, to ensure that they reflect current needs (this type of review should be conducted every 3 years);*
- *A review of the institutional structure of the regulatory agencies; and*
- *An investigation into the possibility of introducing a body of product liability law.*

Rationale: Egypt's body of legislation and decrees that establish the regulatory framework date over 4 decades and were largely established during a period in which economic policy was geared toward command management rather than market forces.

Effect: The nonbinding recommendations of an independent review commission whose membership is equally drawn from Egypt's public sector, private sector business community, and Egyptian and international scientists and experts nominated by the International Standards Organization (ISO) would provide the government with an unparalleled opportunity to overhaul the regulatory environment.

Formulate legislation by the end of 1994, on the basis of this review, that will initiate a national drive toward establishing an internationally recognized system of standardization and quality assurance.

Rationale: The government needs to define its policy for standards and its program for achieving quality assurance. Doing so would strengthen its commitment to moving toward a market economy. This would help ensure that all the different policymakers and regulatory agencies have the same goal and are working toward it. Given ministerial concerns, an activity such as this should probably be coordinated by the Prime Minister's office.

Effect: By providing leadership in establishing a national policy for quality, the Government of Egypt would help define the respective roles and responsibilities expected of private industry, the public sector, and Egypt's scientific community. This in turn would help foster understanding between these groups and end much of the present uncertainty.

Develop and release the required economic impact statements for all standards before regulatory mandate is given.

Rationale: Establishment and maintenance of an internationally recognized quality assurance system in Egypt would contribute to cost savings for Egyptian industry and consumers. The requirement of an economic impact statement to accompany all national standards would safeguard the economy from the type of damage (LE 200 million per month) caused by the current standards on imported meat.

Effect: In many instances, developing an internationally recognized quality assurance system in Egypt would contribute to cost savings for Egyptian industry and consumers. Requiring that an economic impact statement accompany all national standards would safeguard the economy

from the type of damage (LE 200 million per month) caused by the current standards on imported meat.

Initiate an open comment period of 60 days before regulations are issued. Response to all comments must be mandatory.

Rationale: In most countries, before a regulation is put into effect, a period allowing comment is established. This process forces the regulatory body to justify its proposals. Often, even with economic impact statements, those affected by a regulation are the best judge of its full impact and are best able to dispute the government's justifications for the regulation's adoption.

Effect: Open comment makes all sides think about what they are doing before regulations are issued. This makes the process more open and fair.

Formulate an appeal process so that regulations can be challenged in an administrative court system on the basis of need and fairness, not just whether they meet legal requirements

Rationale: Once a regulation is issued as a Ministerial Decree, little can be done by the business community to change or appeal it outside of informal lobbying. The introduction of an established appeals process is another means of making the government accountable. At present, regulations can only be challenged on the basis of their adherence to legislative law. This body of law is so vague, however, that it gives ministers great power to issue regulations as they see fit, with no accountability.

Effect: The process of appeal forces both the government and the business community to become more involved in the regulatory process. Before it issues a new regulatory mandate, a ministry would make sure it has the right and need to do so if an appeal can be anticipated. The right of appeal would better prepare the business community to deal with regulation and keep business from complaining that they can do nothing.

RECOMMENDATIONS FOR INSTITUTIONAL REORGANIZATION

If the preceding recommendations are implemented by the government and the business community, a more open and free process for developing standards and regulations will likely result. For the first time, the government and the private sector would work together on these issues rather than simply criticizing each other.

Without institutional change to accompany this new dialogue, however, the efforts will likely be futile. For the most part, the government inspection agencies will steadfastly resist change. In their current structure, they are not open to new ideas or to participation by the business community. It is essential, therefore, that their structure and responsibilities be fundamentally overhauled.

In this subsection major changes are proposed for the government inspection agencies. Proposed changes in each agency—the General Organization for Export and Import Control (GOEIC), the Egyptian Organization for Standards and Quality Control (EOS), the Ministry of Health, and the Ministry of Agriculture—are discussed next.

General Organization for Export and Import Control

GOEIC is responsible for the control of quality in both food and manufactured products. However, as Egypt moves toward a modern system of standards, such as ISO 9000, the need for an agency such as GOEIC is eliminated. Quality is an attribute of a product that should be determined by the buyer, not a government agency. GOEIC's role in inspection has become redundant, and its recent expansion in commodity coverage seems to be geared more toward an attempt to demonstrate its usefulness rather than an actual need for its services. Thus, the following is proposed:

Quality control inspection of all products by GOEIC be ended in the immediate future.

Rationale: Standards and quality assurance in Egypt is the responsibility of EOS. Health and safety inspection of food and animal products is the responsibility of the Ministries of Health and Agriculture. Conformance to quality standards that do not have health and safety considerations is an issue to be addressed by the buyer and seller through the sale contract. Private inspections (third party) services are available should either the buyer or seller demand such inspections within the contract.

Effect: The net effect of this recommendation is negligible. Although it removes GOEIC from the inspection business, GOEIC's role is so small that its absence would not be noticed. In fact, even GOEIC's sister agencies believe that it adds nothing to protecting the health or safety of the Egyptian consumer.

In addition, eliminating GOEIC would provide private inspection firms the opportunity to expand their activities. Use of these firms, and the expense it entails, would be a decision left to buyers and sellers. No longer would inspection be mandated. Inspection would also be specific to the terms of the contract rather than to the general standards used by GOEIC.

Egyptian Organization for Standards and Quality Control

As mentioned previously, the role of the national standards organization is critical to a country's efforts to develop its business and manufacturing capabilities. These capabilities develop as a partnership between government and the business community. It is a relationship that is not effective if it is forced on business by the government.

In Egypt, the national standards organization, EOS, is neither a partnership between members of the business community nor a partnership between government and business. Instead, it is a government agency with little outside input.

Since it can be agreed upon that it is better to move standard-making out of the government, EOS needs to be restructured so that it can become a true national standards organization. Making this change can most effectively be accomplished as a process. This process would include proposals to do the following:

Create a relevant board of directors for EOS by replacing its current steering committee members from state holding companies with the leadership of Egypt's major business associations. The board should be limited to 10 members. The president of EOS should not serve as the chairman of the board, but rather as technical director. This change should take place immediately.

Rationale: As the economic reform and privatization process gathers momentum, leadership of Egypt's business community would change toward the private sector. To reduce risk and encourage investment, industry representatives need a voice in establishing Egypt's standards and quality assurance system.

Effect: Creation of a predominately private sector board of directors for EOS is the first step in building a partnership between the government and the business community in the area of standards and quality assurance. This development would foster dialogue and ultimately lead to trust.

Establish private sector membership on all EOS technical committees. This change should take place immediately.

Rationale: Egypt's main source of technical expertise in the area of standards lies in the private sector. This expertise is neither used nor respected. If appropriate standards are to be developed, however, this expertise must be called upon. At present, private sector participation in EOS technical committees is minimal; thus depriving EOS and the society at large of access to the sources of technical expertise to ensure quality.

Effect: Egypt's private sector business community is the largest stakeholder in the economy to benefit from adequate standards and ensured quality. Participation in EOS technical committees would strengthen industry commitment to enhancing the quality of products for Egyptian consumers. It would also foster dialogue between government and business at the technical level.

Review the status, structure and authority EOS, act to raise the professionalism of its staff, and clarify its mission regarding ISO 9000.

Rationale: EOS as currently structured within the civil service is

- Incapable of attracting and remunerating the caliber of staff required.
- Unable to command the respect and cooperation of the business community.
- Hampered by an absence of authority that would allow it to successfully execute its international obligations under the ISO for mutual recognition of quality assurance.

Effect: Implementing these recommendations would establish EOS as an organization that is working for and with the Egyptian business community to promote quality to Egyptian and international consumers.

Reorganize EOS as a statutory board outside the government within the next 3 years, making it member supported.

Rationale: As was discussed in Chapter 9, the national standards organizations of successful industrializing countries are outside the realm of the government. Egypt should attempt to duplicate this model. With boards such as those described in these organizations, the business community becomes in large part self-policing. In this situation, the business community also has much more influence over regulatory mandates because it works in cooperation with the government.

Effect: When standards setting becomes independent of government policy, it becomes more concerned with the interests of the consumer. It becomes consumer-driven. Ultimately this leads to the manufacture of better quality products that meet the true needs of the consumer.

MINISTRY OF AGRICULTURE

The professionalism of the three primary inspection services in the Ministry of Agriculture are the highest of any in the government. Plant Protection and Quarantine (PPQ), Veterinarian Services (VS), and the Central Laboratory for Food and Feed (CLFF) all maintain high standards of professionalism and work closely with their counterparts in foreign countries.

Given its level of professionalism, the Ministry of Agriculture is well placed to expand its role in foodstuff inspection and take on a role more akin to that of the U.S. Department of Agriculture. Consolidating food inspection in the Ministry of Agriculture would not only improve the quality of the service, it would also end the duplication caused by having multiple ministerial agencies carrying out separate inspections.

Transfer sole responsibility for inspection of imported grain, flour, and legumes for quality and non-PPQ requirements to CLFF.

Rationale: Grain is currently inspected by the Ministry of Agriculture, the Ministry of Supply, the Ministry of Health (for wheat and flour), and GOEIC. Most of this inspection is redundant and adds no additional safety for the consumer. CLFF is also the most highly respected inspection organization in Egypt, and, because of its success, its role should be expanded. This expansion would give CLFF a role similar to the Federal Grain Inspection Service in the United States.

Effect: Moving sole responsibility to CLFF would end duplication of inspection. This in turn would result in lower inspection costs and greater security for both the buyer and the seller because they would have only one agency to deal with rather than four. It would also improve Egypt's standing with the international grain community, which thinks highly of CLFF.

Complete inspection of imported meat and offal should become the sole responsibility of VS.

Rationale: Inspection of imported frozen meat is without question in need of dramatic overhaul. Too many groups inspect meat. Most of the inspection is performed under appalling conditions. The cost of this system to the importer, to the consumer, and to the economy is unjustifiably high. VS has the most professional staff of any of the agencies conducting inspection. VS could adequately carry out all needed inspection, similar to the Food Safety Inspection Service in the United States. At a later time, inspection of fish could also be moved to VS.

Effect: Adoption of this recommendation would have the effect of eliminating the endless duplication that plagues meat inspection. This would lower costs and speed up clearance.

Determine if Ministry of Agriculture is capable of expanding its ability to inspect all food products.

Rationale: The Ministry of Agriculture has shown the greatest degree of professionalism in its inspection activities of any government agency. Given the abysmal state of its sister agencies, the ministry should take the lead in all food inspection.

Effect: Removing the Ministries of Health, Supply, Industry, and Economy from food inspection would eliminate duplication. It would also allow more resources to be allocated to upgrading and improving the abilities of the Ministry of Agriculture. Other ministries, especially the Ministry of Health, should be involved in setting standards for food, but inspection of all products would be more efficient if handled by one ministry.

MINISTRY OF HEALTH

The Ministry of Health has a critical role to play in protecting the health and safety of the Egyptian people. In Egypt, this role has had two aspects: 1) development of standards and 2) inspection. In its attempt to do both, the ministry has not been able to do either adequately. Fundamental change is needed to improve the viability of the ministry. Proposals include for this ministry are as follows:

Transfer, immediately, responsibility for inspection of grain products and meat to the Ministry of Agriculture. Eventually the responsibility for inspection of all food products should be transferred to the Ministry of Agriculture.

Rationale: The rationale for this move was discussed earlier. Inspection can be much more efficiently performed by the Ministry of Agriculture.

Effect: Moving grain and meat inspection from the Ministry of Health would allow the ministry to better use its scarce resources for domestic operations, such as food handling. Removing food inspection would also allow the Ministry of Health to clean up its operations in the Central Laboratory because the bulk of the laboratory's burden is in food testing. This laboratory is desperate need of overhaul.

IMMEDIATE REGULATORY CHANGES

Although it was not the intention of this report to evaluate every regulation on the books in Egypt (a proposal mentioned above), in our study of the system of regulation, a number of immediate regulatory problems came to light that need to be addressed. Care must be taken not to think that solving these current difficulties would solve the larger problem. They are symptoms of the disease in the regulatory system, rather than the main problem. Nevertheless, they are issues that can and should be addressed immediately. The following proposals deal with a few of the more pressing issues.

Eliminate beef fat percentages in imported meats.

Rationale: There is no known scientific basis to restrict the percentages of fat in meat on health grounds.

Effect: Changing this regulation would allow meat supplies to stabilize and prices to fall. The result would be the removal of the LE 200 million per month cost penalty to the Egyptian consumer.

Eliminate protein and fiber content specifications for imported wheat flour.

Rationale: Protein and fiber content are quality issues and do not relate to the health or safety of the product. These specifications serve no purpose but to restrict consumers' ability to choose the best product for their uses.

Effect: There is demand for wheat flour with lower protein levels and higher fiber content. These products are needed by the pastry and pasta industries to produce better products. Lower protein and higher fiber wheat flour is cheaper than the quality called for by government specifications.

Change expiration date regulations for imported frozen products to international levels and apply shortened expiration dates only after product has cleared customs.

Rationale: Government officials have a valid concern that frozen products, especially meat, deteriorates quickly in the Egyptian climate when not stored or handled properly. This deterioration occurs in domestic marketing channels, not in the far better conditions that exist on ships and in the port.

Also, a product like meat deteriorates at the same rate when improperly handled, no matter how long ago it was slaughtered. If the government's concern is domestic handling, its efforts should be directed to improving that system. Shortened validity dates for imported meat products only make business more difficult and keep prices high.

Effect: Changing these regulations would allow greater flexibility for Egyptian importers to locate new sources of supply and to negotiate more favorable terms. This would result in greater choice for the Egyptian consumer and a subsequent reduction in price.

End multiple quality control inspections by GOEIC of same manufactured product.

Rationale: Repeated inspection of the same product in every consignment adds cost in terms of fees and time delay that must be borne by the Egyptian consumer or industry.

Effect: The shift toward random or spot checks on repeat consignments would reduce cost to the consumer and provide an adequate safeguard mechanism

Allow private sector representatives to attend and observe all appeal inspections.

Rationale: The need for anonymity in the testing process is no longer applicable once a product has been identified as not meeting a specific standard. Given the general condition of government laboratory facilities, outside observation of appeal inspections would help improve the quality of the reinspection.

Effect: Adoption of this proposal, which is strongly supported by trade and private inspection companies, would help establish greater transparency in the inspection and appeals process and thereby help create private sector support for Egypt's standards and quality assurance system.

Appendix A

EGYPTIAN ORGANIZATION FOR STANDARDS AND QUALITY CONTROL
Presidential Decree No. 392 for 1979

**PRESIDENT OF THE ARAB REPUBLIC OF EGYPT
DECREE NO. 392 FOR 1979**

**ORGANIZING THE EGYPTIAN GENERAL AUTHORITY FOR
STANDARDIZATION AND PRODUCTION QUALITY**

President of the Republic

Having viewed the constitution; and,
The Law No. 803 for 1955, regarding administrative attachment; and,
The Law of the general authorities, promulgated by the Law No. 61 for 1963;
and,
The Law No. 35 for 1973, regarding protection of public funds; and the Law
No. 47 for 1978, promulgating the system of the state civil personnel; and,
The Decree fo the Presicent of the Republic No. 29 for 1957, establishing the
Egyptian General Authority for Standardization;
and the Decree of the President of the Republic No. 116 for 1965 regarding the
Egyptian General Authority for Standardization;
and the approval of Cabinet of Ministers; and,
according to what the State Council found appropriate:

DECREEED:

ARTICLE (1):

The Egyptian General Authority for Standardization shall be organized in the manner indicated in this Decree; and its nomenclature is amanded to the Egyptian General Authority for Standardization and Production Quality, to which the Industrial Production Quality Control Center shall be incorporated.

ARTICLE (2):

The Authority shall be subject to be Minister of Industry, having judical person, and its head quarters shall be in Cairo City.

ARTICLE (3):

The Egyptian General Authority for Standardization and Production Quality is considered the national referance for all the affairs of standardization, production quality, and calibration in The Arab Republic of Egypt.

ARTICLE (4):

The Authority alone, shall be concerned with:

- a) Laying down and issuing standard specification for raw materials, industrial products, measuring and test instruments, methods of technical inspection, quality control, calibration, industrialization operations, principles and condition of technical execution, classifications, engineering drawings, performance procedure of products, and industrial services, industrial safety, issuance of technical repairs, definitions, and unified technical symbols.
- b) Accomodating the facilities guaranteeing the achievement conformity of raw materials, commodities, and industrial products with the approved standard specifications, including carrying out studies, technical researches, works of control, technical inspection, drawing samples and testing them, establishing the necessary laboratories; issuing conformity certificates for the corresponding specifications, calibration certificates and their necessary marks with respect to local production, and that prepared for exportation, and the imported industrial products.
- c) Authorization for giving quality marks to the local industrial products in conformity with the Egyptian Standard Specifications.
- d) Manifestation of technical consultation to organizations, industrial companies, authorities and the like, in the fields of specifications, industrial production quality, measure and calibration.
- e) Verification of accurancy of measuring and testing instruments used in the industrial units in all sectors.
- f) Training technicians in the bodies concerned with all activities of standardization, industrial production quality, measurement and calibration.
- g) Representing the State in the international and reional organizations whose activity enters within the Authority field of competence, following up thier works, coordinating standardization works, quality control and calibration in the Arab Republic of Egypt with its equivalents abroad.

ARTICLE (5):

The Authority shall have a board of directors to be formed in the following manner:

- a) The Authority Chairman
- b) Twenty members representing the bodies concerned with the affairs of standardization and quality control in the different sectors of industry, ministries, institutes, and other concerned bodies.
- c) Two members of those having special qualifications in standardization affairs, to be chosen by the Minister of Industry. A decree from the President of the Republic pursuant to the proposal of the Ministry of Industry shall be issued for the formation of the board of directors, and fixing the remuneration of its members.

INDUSTRIAL PRODUCTION QUALITY CONTROL CENTER

The Head of the Center shall be subject to the Chairman general directive. It shall be concerned with the following:

- Perform general supervision over the directors of the general departments (Industrial measurements and Calibrations, Engineering Products Testing, Spinning and Textile Products Testing; Chemical Products Testing, Construction Materials, and Food stuff Products Testing), and distributing work on them, specifying their duties, organizing the works entrusted to them, and verifying that the general departments perform the works entrusted to them in a perfect manner.
- Issuing the executive resolutions within the framework of the policies approved by the Board of Directors, or the concerned authority.
- Participation in proposing the general policies, plans and programmes required to perform the works necessitated for the objectives of the Industrial Production Quality Control Center, and submission to the Board of Directors for approval.
- Follow up executing the policies, and approved programmes, and presentation of results in periodical reports to the Board of Directors.
- Follow up executing the Board of Directors resolutions, and presentation in periodical reports including results.
- Issuing instructions clarifying the work policy, and carrying out all the resolutions that organize work progress.
- Organizing the provision of experience the technical consultations to the agencies, and requesting them.
- Approving results of the tests which are carried out by the Center on the commodities and industrial and industrial products.
- Coordination between the works of the Center and other central departments.
- Utilities and Maintenance Department is annexed to the Industrial Production Quality Control Center. It performs supervision on the maintenance of the Center building, electrical and sanitary articles, and the instruments concerning the Quality Control Center.

Form No. (6) indicates the Organization Structure for the Industrial production Quality Control Center. The Center consists of five divisions as follows:

- The General Department for Measurements and Industrial Calibrations.
- The General Department for Engineering Products Testing.
- The General Department for Spinning and Textile Products Testing.
- The General Department for Chemical and Construction Materials Testing.
- The General Department for Foodstuff Products Testing.

The Center carries out the necessary inspection and tests on commodities and products for defining the extent of their being in conformity with the Standard Specifications. The Industrial Production Quality Control shall be concerned with the following:

- Carrying out inspections and operations on raw materials, products and industrial commodities which are produced by industrial establishment to conform them with the Egyptian Standard Specifications.
- Checking the accuracy of inspections and instruments prescribed in the specifications on samples drawn production, and comparing their results with those carried out in the tests laboratories in the factory.
- Adjusting measuring instruments used in laboratories and factories, and checking them with approve correlations and references having high degree of accerancy.
- Counting measuring instruments used in industry, institutes and laboratories with the aim of achieving the designated accuracy level of these instruments, calibrating and adjusting them periodically to guarantee the continuance of accuracy measuring.
- Executing the system of quality marks, and certificates of conformity with the Egyptian Standard Specifications, as well as the system of illustrative statements with the aim of rendering service to local industry and foreign importers.
- Carrying out the studies and inspections necessary for the development and promoting the quality of industrial products.
- Training the engineers and technical specialists in the fields of standardization, production quality and calibration.
- Providing industrial companies with the advices and necessary technical data concerning materials and products in all industrial sectors connected with the works of standardization, production quality and calibration.
- Carrying out applied researches necessary for the issuance and application of the standard specifications; also, for the industrial organizations and companies with the aim of solving the technical problems which impede industrial production with respecton and production quality.

Appendix B

EGYPTIAN ORGANIZATION FOR STANDARDS AND QUALITY CONTROL
Technical Committee Representation
(selected)

METALLIC PRODUCTS

1. Tebbeen Institute for Metalurgical Studies
2. Tebbeen Institute for Metalurgical Studies
3. El Nasr State Company for Hammering
4. El Nasr State Company for Hammering
5. Egyptian State Copper Company
6. El Nasr State Company for Pipes
7. El Nasr State Company for Pipes
8. Egyptain State Company for Iron and Steel
9. El Nasr State Company for Alloys
10. Metalex Engineering Company (State)
11. Steel Company (State)
12. Research Center for Materials
13. Industry Union
14. Chamber of Commerce
15. General Organization for Import and Export Control (GOEIC)

AUDIO/VISUAL PRODUCTS

1. El Kasr—El Aini Faculty of Medicine
2. Medical Equipment Center
3. National Research Center
4. World Arab Optics Company
5. Industrial Safety National Center
6. Hapi Company
7. Sentra Lenses Company
8. Opticians Federation
9. H.O. Lenses Company
10. Environmental Research and Studies Institute
11. Faculty of Medicine
12. Academy of Arts
13. The Egyptian Opers House
14. Ein Shams Faculty of Engineering
15. Environmental Affairs Department
16. National Organization for Communications

GRAINS AND PULSES

1. Zagzig University Faculty of Agriculture
2. Agricultural Research Center
3. National Research Center
4. Chemistry Depart
5. BISCO State Company for Food Products
6. Misr Cafe State Company
7. Shimto State Company
8. Ministry of Supply
9. Ministry of Health—Central Laboratory
10. Holding Company for Silos and Grinders
11. American Wheat Association
12. BIM BIM Company
13. Ex-General Manager of Chemistry Association
14. Chamber of Food Industries
15. Cairo Chamber of Commerce
16. Alexandria Chamber of Commerce
17. General Organization for Import and Export Control (GOEIC)
18. State Holding Company for Food Industry.

ANIMAL FODDER

1. National Research Center X 3
2. Chemistry Department
3. Ministry of Supply
4. Ministry of Agriculture
5. Research Institute for Animal Nutrition
6. El Mansoura Faculty for Medicine
7. Ein Shams Faculty of Agriculture
8. Cairo University Faculty of Agriculture
9. Central Laboratory for Food and Fodder
10. Cairo Chamber of Commerce
11. State Holding Company for Food Industries
12. Alexandria State Company for Oil and Soap
13. Cairo State Company for Oil and Soap
14. Tanta State Company for Oil and Soap
15. Middle East Company for Fodder
16. United Company for Fodder
17. Cairo Company for Poultry
18. Alexandria Chamber of Commerce
19. General Organization for Import and Export Control (GOEIC)
20. Chamber for Food Industries

Appendix C

**EGYPTIAN ORGANIZATION FOR STANDARDS AND QUALITY CONTROL
Membership on Governing Council**

MEMBERS OF THE EOS COUNCIL

1. President of the State Holding Company for Engineering Industries.forces
2. President of the State Holding Company for Chemical Industries.
3. President of the State Holding Company for Food Industries.
4. President of the State Holding Company for Metallurgical Industries.
5. President of the State Holding Company for Textile Industries.
6. President of the State Holding Company for Mining and Refractories.
7. President of the State Holding Company for Consuming, Engineering and Chemical Commodities.
8. Chairman of the Legislation Department, Ministry of Justice.
9. President of the Industrial Control Department, Ministry of Industry.
10. President of the Holding Company for the Armed Forces.
11. President of the National Institute of Measurement & Metrology, Academy of Scientific Research & Technology.
12. President of the General Organization for Import and Export Control (GOEIC)
13. Vice-President of the General Organization for Industrialization (GOFI)
14. Secretary of State, Ministry of Health.
15. Director of Information, Ministerial Cabinet.
16. Vice-President of the Egyptian General Petroleum Authority for Planning and Industrial Projects.
17. President of the Industrial Design Development Centre, Ministry of Industry.
18. President of the Engineers Society.
19. President of the Egyptian Federation of Industries.
20. A Public Figure nominated by the Medi plus three additional members nominated by the Minister of Industry.

Appendix D

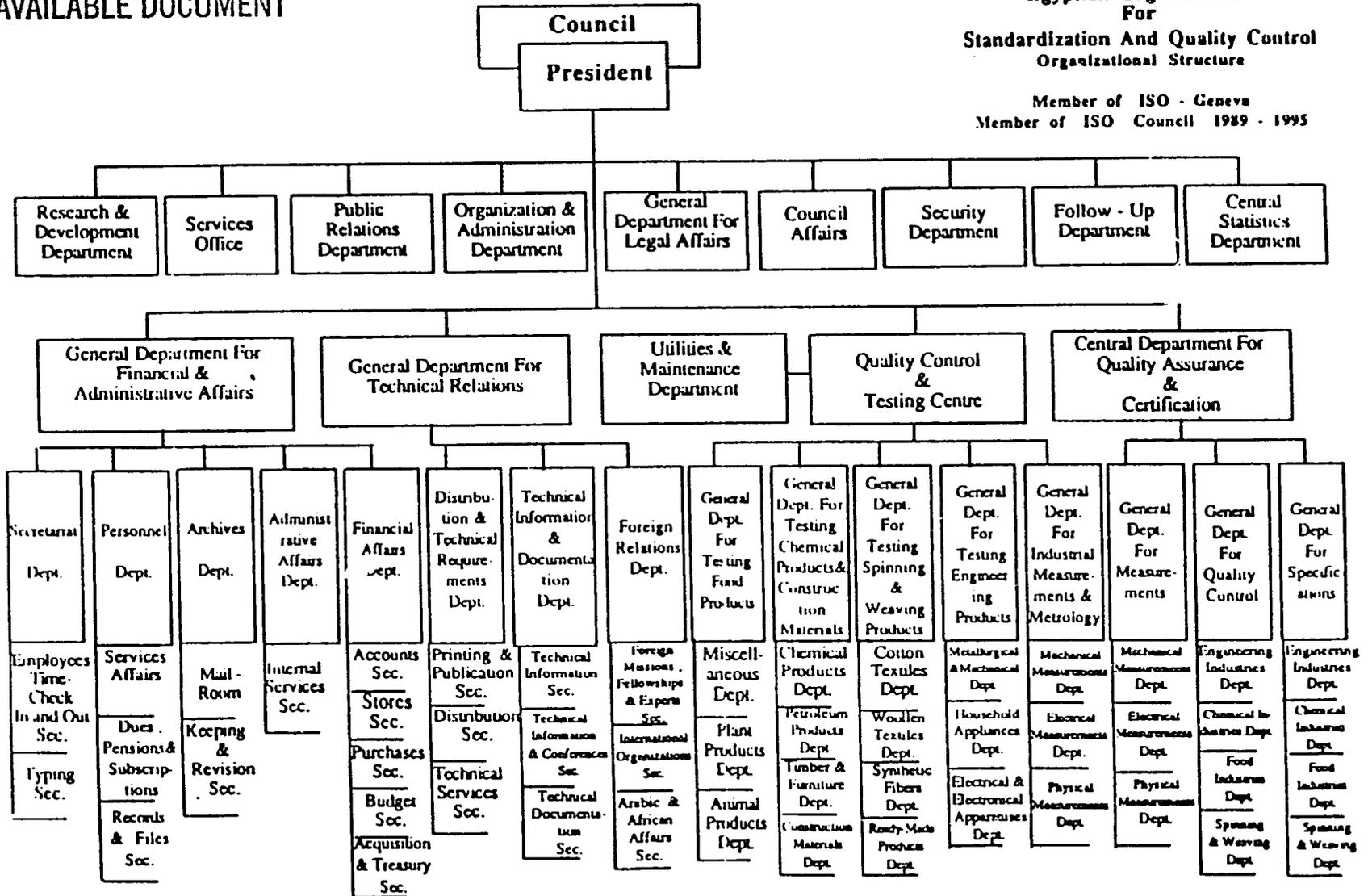
**EGYPTIAN ORGANIZATION FOR STANDARDS AND QUALITY CONTROL
Organizational Structure**

Figure D-1. Organizational Structure of Egyptian Organization for Standards and Control

BEST AVAILABLE DOCUMENT

Egyptian Organization
For
Standardization And Quality Control
Organizational Structure

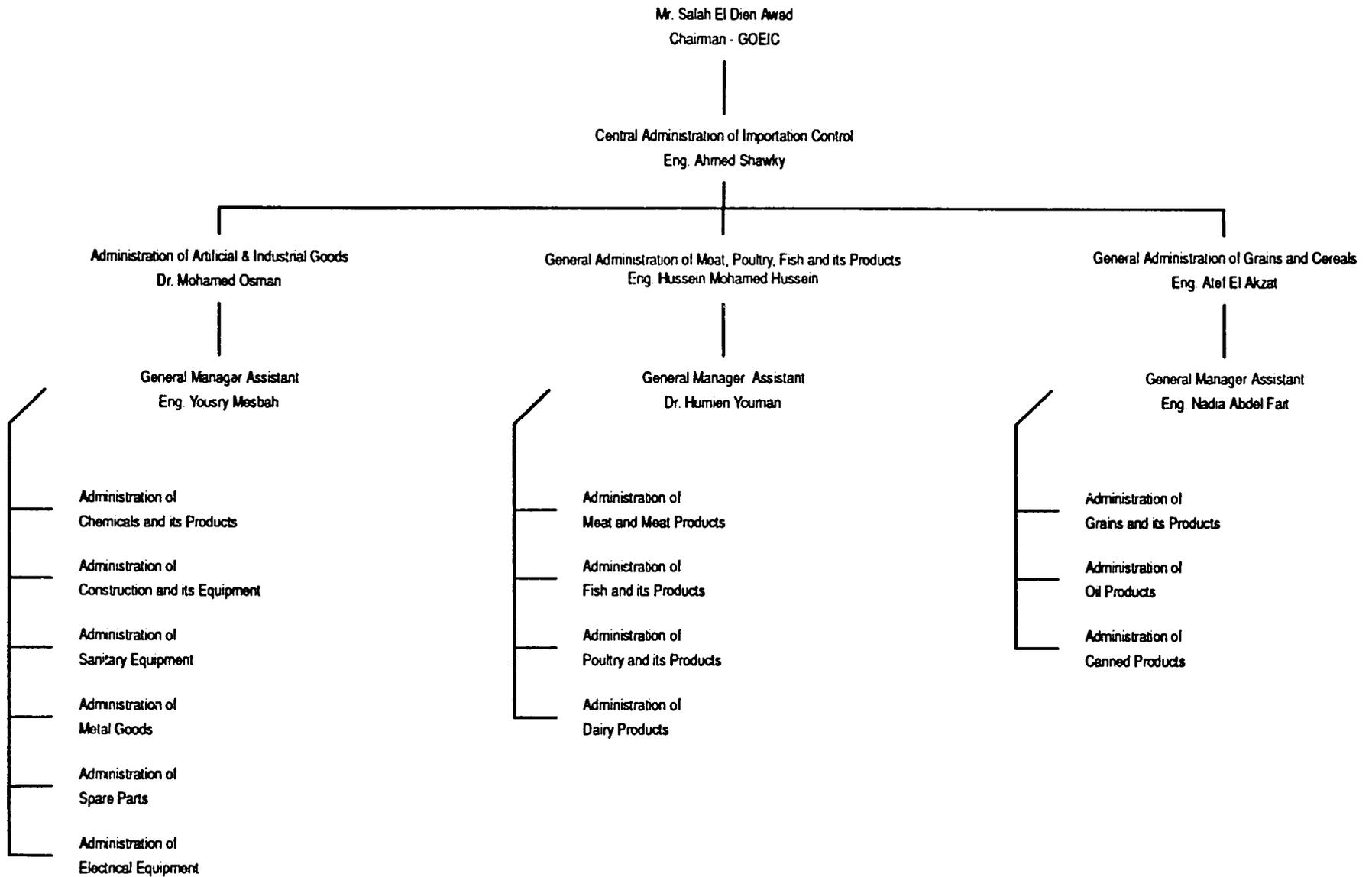
Member of ISO - Geneva
Member of ISO Council 1989 - 1995



Appendix E

GENERAL ORGANIZATION FOR IMPORT AND EXPORT CONTROL
Organizational Structure
(Imports)

Figure E-1. General Organization for Import and Export Control (GOEIC) Import Control



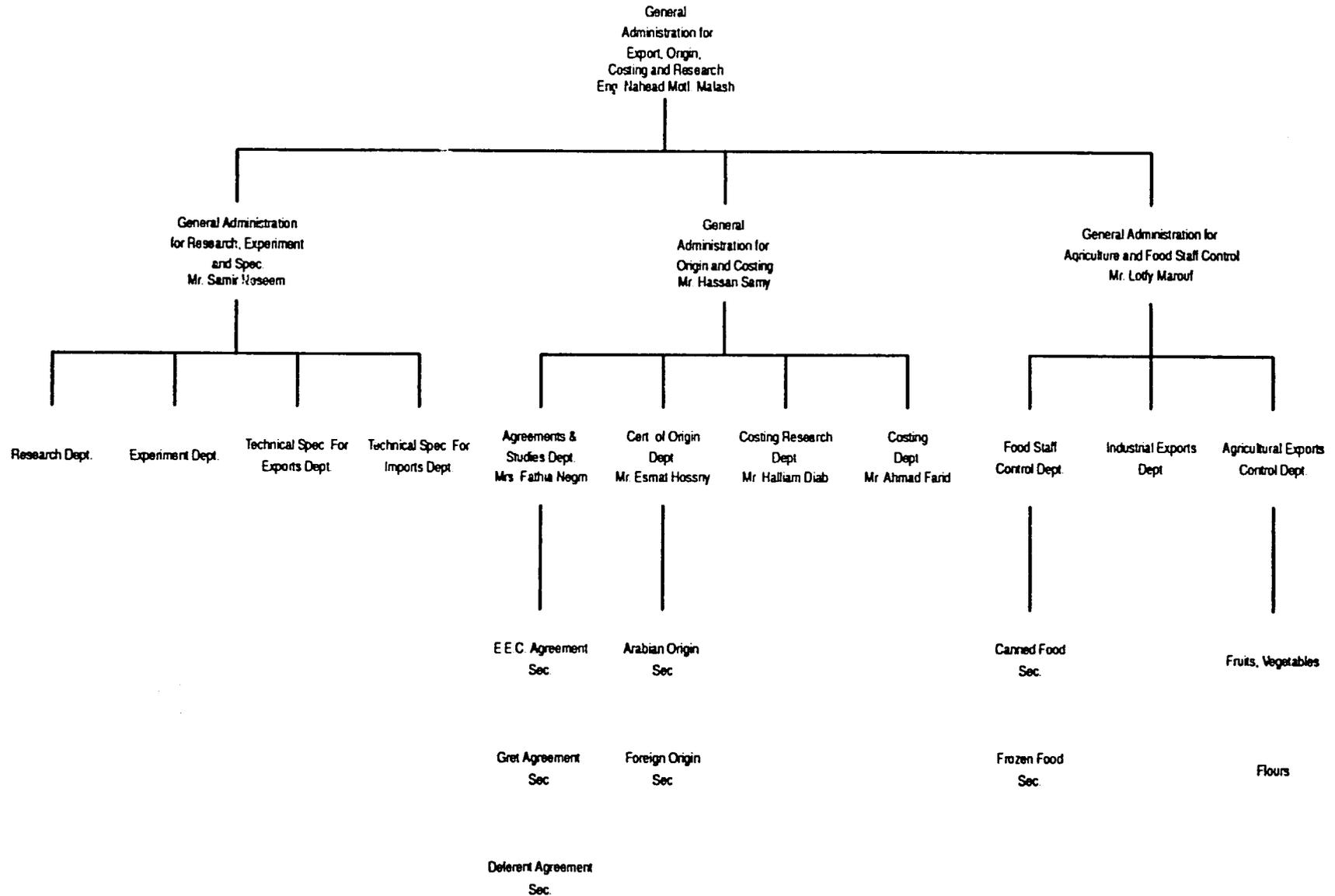
ORGANIZATION CHART—IMPORT CONTROL

1. Mr. Salah El Dien Awad, Chairman, GOEIC
2. Eng. Ahmed Shawky
3. Dr. Mohamed Osman
4. Eng. Yousry Mesbah
5. Eng. Hussein Mohamed Hussein
6. Dr. Humien Youman
7. Eng. Atef El Akzat
8. Eng. Nadia Abdel Fait

Appendix F

GENERAL ORGANIZATION FOR IMPORT AND EXPORT CONTROL
Organizational Structure
(Exports)

Figure F-1. General Organization for Import and Export Control (GOEIC) Export Control



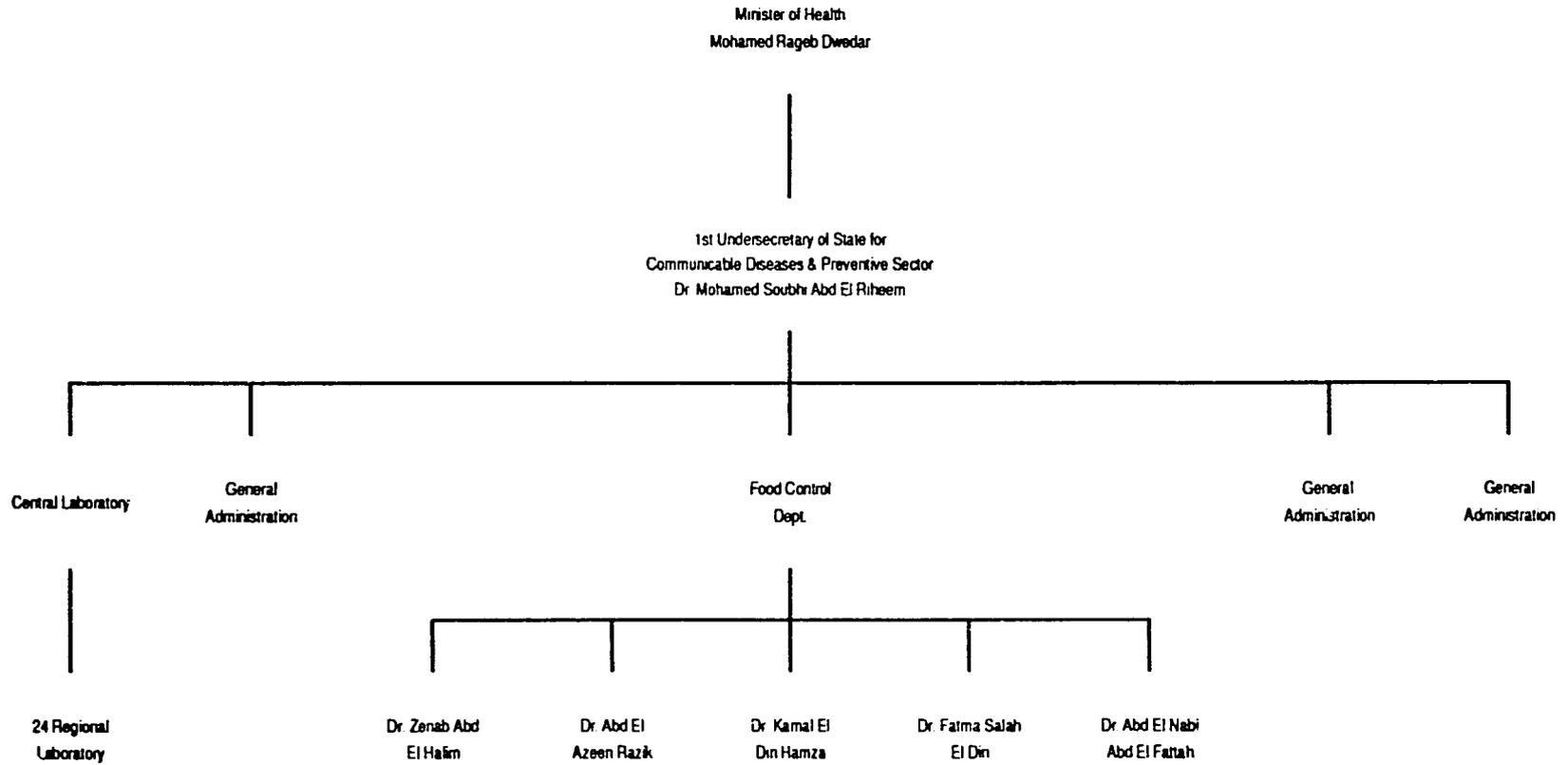
ORGANIZATION CHART—EXPORT CONTROL

- 1 Eng. Nahead Motl. Malash
- 2 Mr. Samir Neseem
- 3 Mr. Hassan Samy
- 4 Mr. Lotfy Marouf

Appendix G

**MINISTRY OF HEALTH,
UNDERSECRETARIAT FOR COMMUNICABLE DISEASES
Organizational Structure**

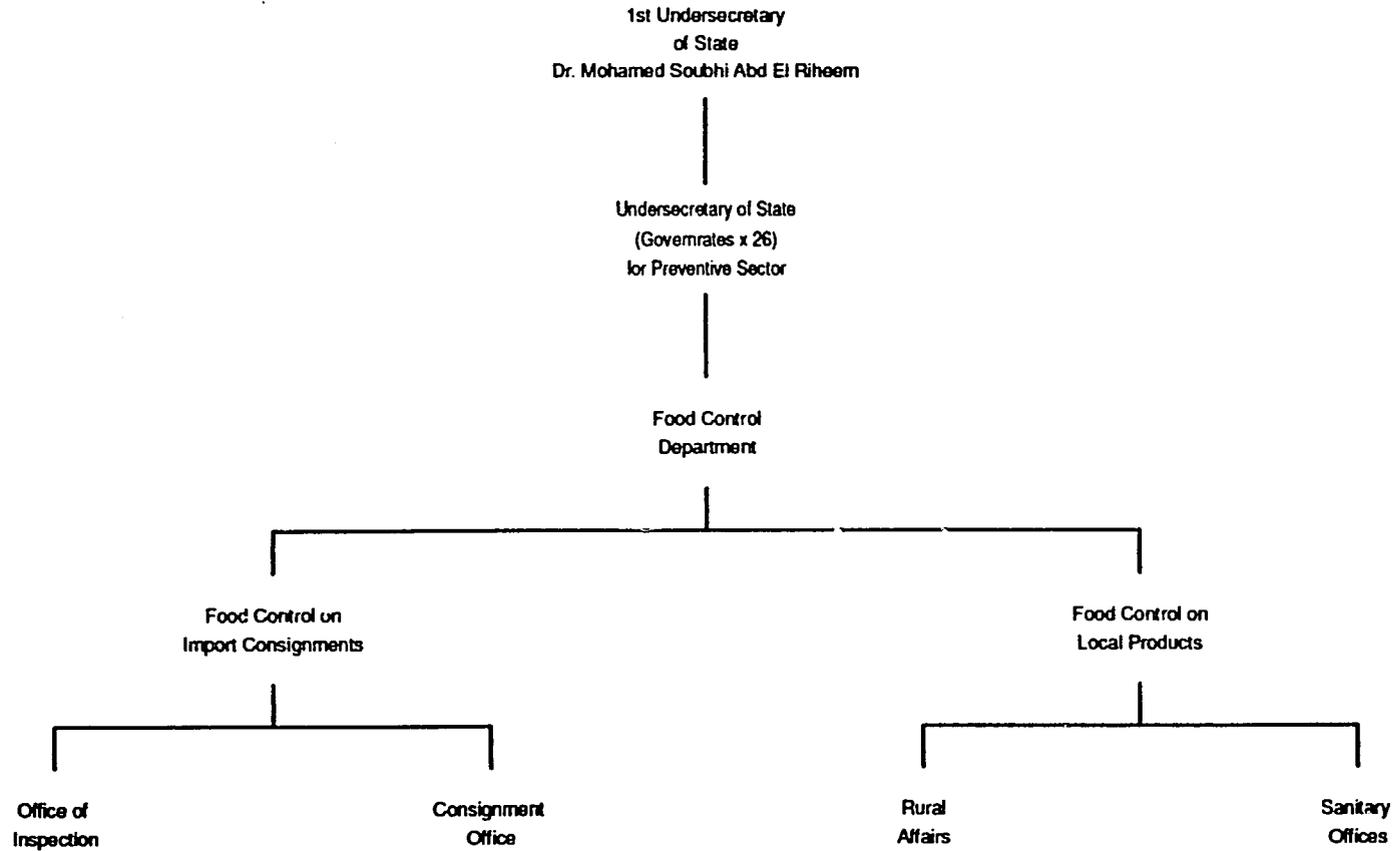
Figure G-1. Ministry of Health, Undersecretariat for Communicable Diseases, Central Administration



CENTRAL ADMINISTRATION

1. Mohamed Rageb Dwedat, Minister of Health
2. Dr. Mohamed Soubhi Abd El Riheem, First Undersecretary of State for Communicable Diseases and Preventive Sector
3. Central Laboratory—24 Regional Laboratories
4. Food Control Department:
 - Dr. Zenab Abd El Halim
 - Dr. Abd El Azeen Razik
 - Dr. Kamal El Din Hamza
 - Dr. Fatma Salah El Din
 - Dr. Abd El Nabi Abd El Fattah

Figure G-2. Ministry of Health, Undersecretariat for Communicable Diseases, Regional Administration



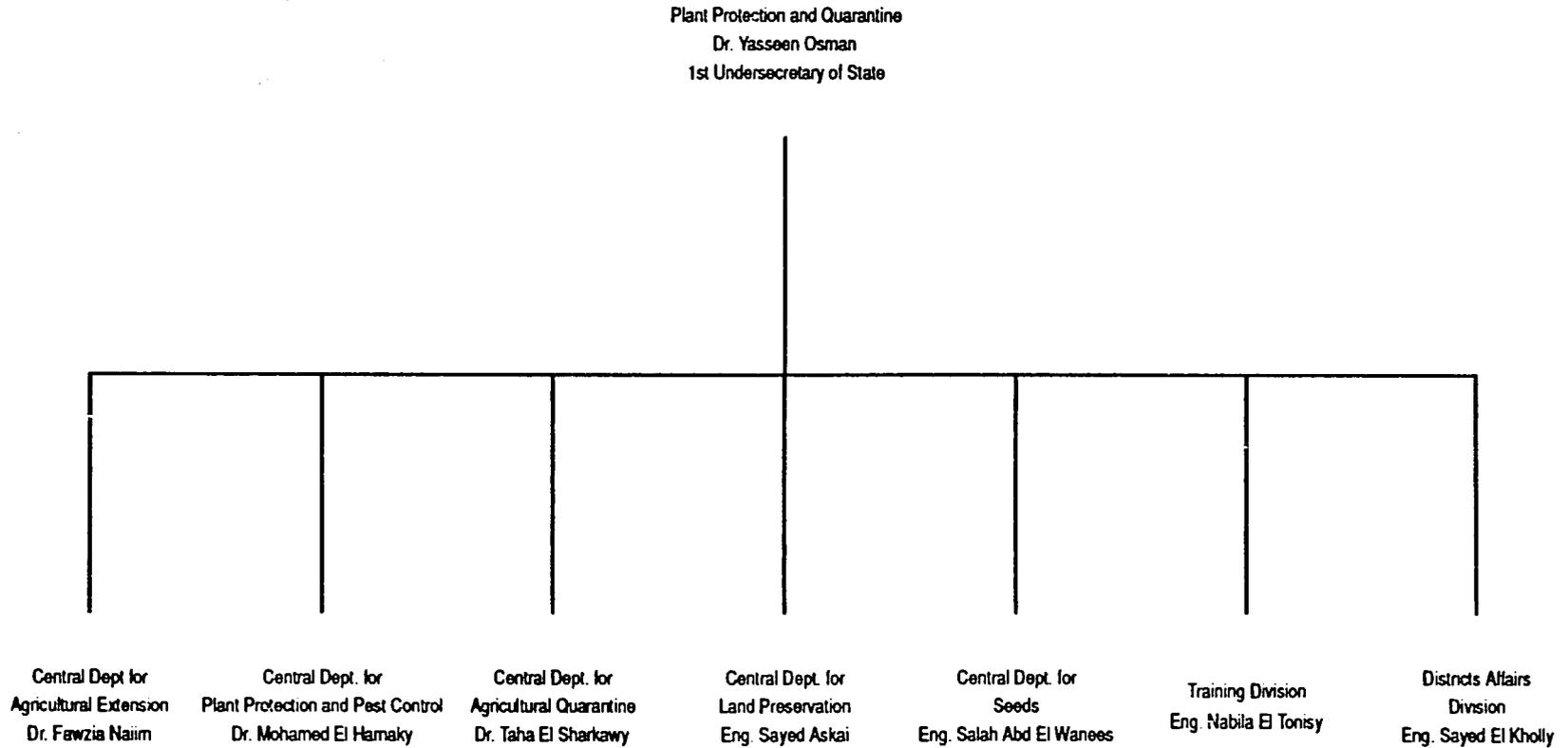
REGIONAL ADMINISTRATION

1. Dr. Mohamed Soubhi Abd El Riheem
2. Undersecretary of State (Governorates x 26) for Preventive Sector
3. Food Control Department
4. Food control on Import Consignments
5. Food Control on Local Products
6. Office of Inspection
7. Consignment Office
8. Rural Affairs
9. Sanitary Offices

Appendix H

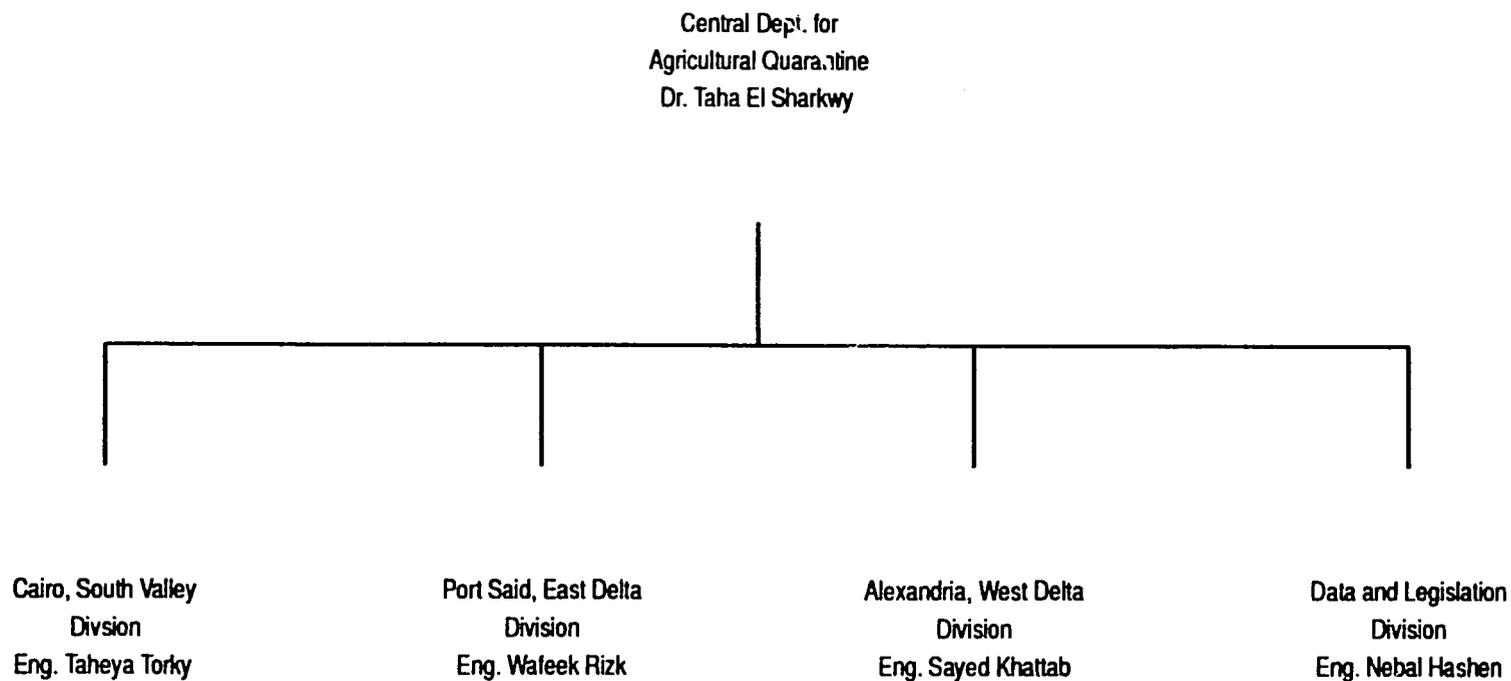
**MINISTRY OF AGRICULTURE,
PLANT PROTECTION AND QUARANTINE
Organizational Structure**

Figure H-1. Ministry of Agriculture, Plant, Protection and Quarantine



- | | |
|--|--|
| 1. Plant Protection and Quarantine | Dr. Yasseen Osman, First Undersecretary of State |
| 2. Central Dept. for Agricultural Extension | Dr. Fawzia Naiim |
| 3. Central Dept. for Plant Protection and Pest Control | Dr. Mohamed El Hamaky |
| 4. Central Dept. for Agricultural Quarantine | Dr. Taha El Sharkawy |
| 5. Central Dept. for Land Preservation | Eng. Sayed Askai |
| 6. Central Dept. for Seeds | Eng. Salah Abd El Wanees |
| 7. Training Division | Eng. Nabila El Tonisy |
| 8. Districts Affairs Division | Eng. Sayed El Kholly |

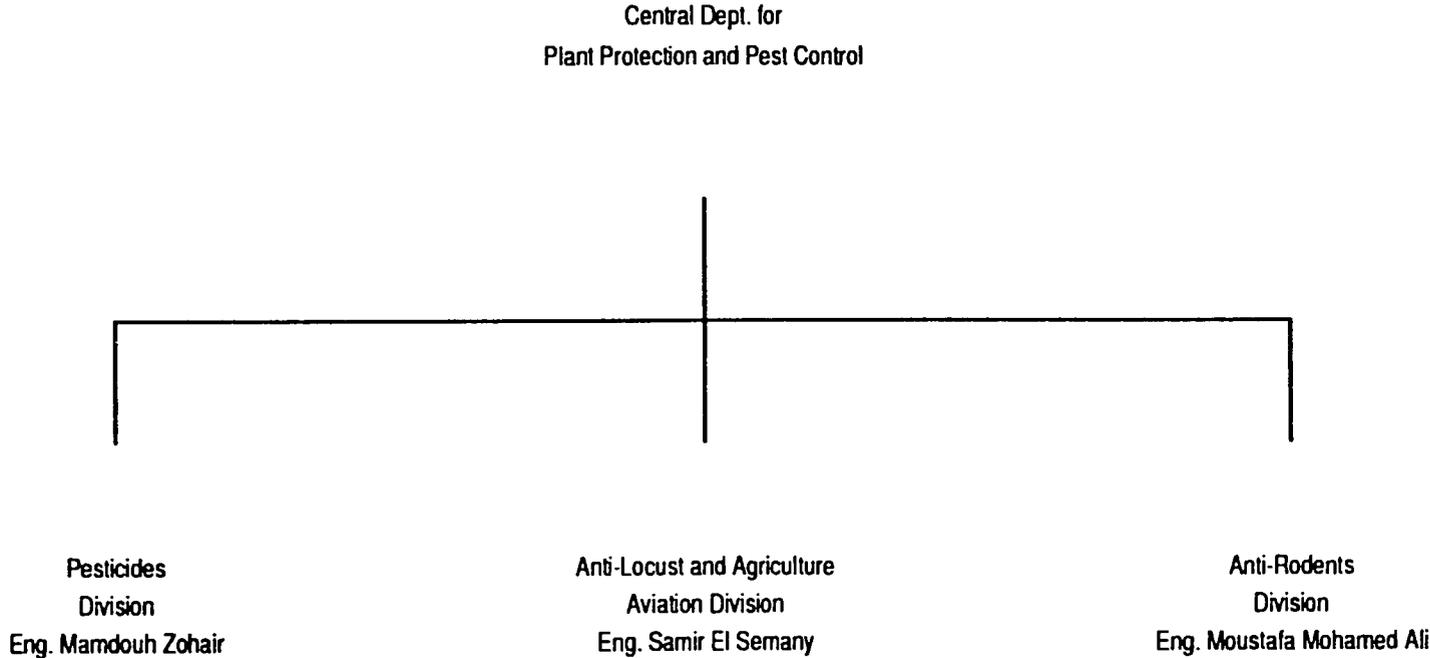
Figure H-2. Ministry of Agriculture, Central Dept. for Agricultural Quarantine



1. **Central Dept. for Agricultural Quarantine**
2. **Cairo, South Valley Division**
3. **Port Said, East Delta Division**
4. **Alexandria, West Delta Division**
5. **Data and Legislation Division**

Dr. Taha El Sharkwy
Eng. Taheya Torky
Eng. Wafeek Rizk
Eng. Sayed Khattab
Eng. Nebal Hashen

Figure H-3. Ministry of Agriculture, Central Dept. for , Plant Protection and Pest Control

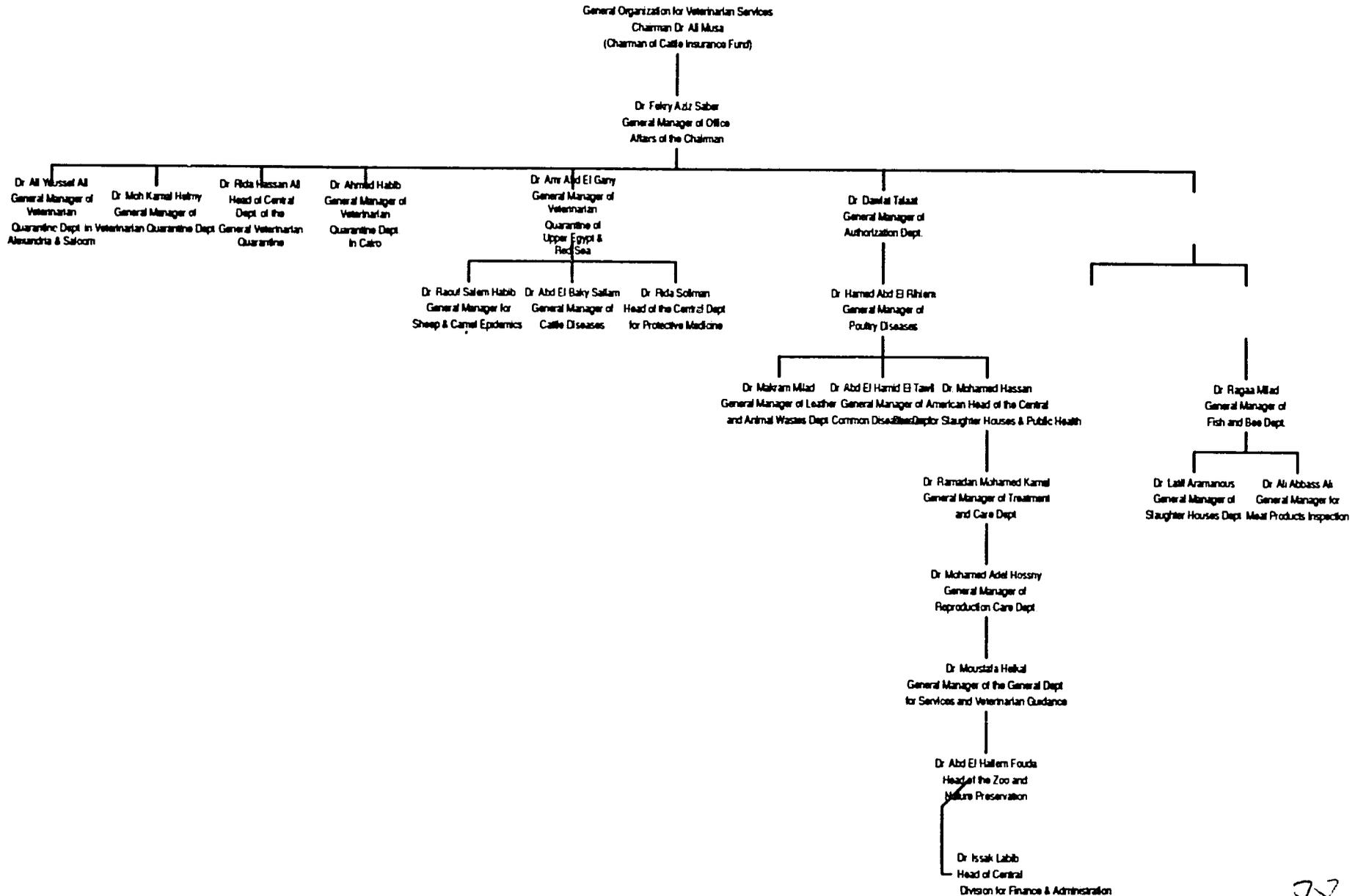


- | | |
|--|---------------------------|
| 1. Central Dept. for Plant Protection and Pest Control | Dr. Mohamad El Hamaky |
| 2. Pesticides Division | Eng. Mamdoub Zohair |
| 3. Anti-Locust and Agriculture Aviation Division | Eng. Samir El Semany |
| 4. Anti-Rodents Division | Eng. Moustafa Mohamed Ali |

Appendix I

**MINISTRY OF AGRICULTURE,
VETERINARY SERVICES
Organizational Structure**

Figure I-1. Ministry of Agriculture, Veterinary Services



Appendix J

**EGYPTIAN STANDARD 1522, 1991
(Frozen Meat)**

ALL RIGHTS RESERVED TO THE EGYPTIAN ORGANISATION
FOR STANDARDISATION AND QUALITY CONTROL

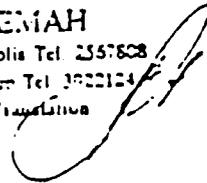
DATE OF APPROVAL: 20/11/1991

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

14611 Sherif St., Helwan Tel. 2557808

37 Elmer El-Nehi St., Cairo Tel. 3922124

Authorship & Translation



BEST AVAILABLE DOCUMENT

ARAB REPUBLIC OF EGYPT

ES 1522 - 1991

PE 0

EGYPTIAN STANDARD SPECIFICATIONS

1522 - 1991

FROZEN MEAT

EGYPTIAN ORGANISATION FOR STANDARDISATION AND QUALITY CONTROL

Authority of Translation
Scientific Bureau
FOUAD NEMAH

1471 Sherif St., Helwan Tel. 2467373
37 Kasr El Nil St., Giza Tel. 365274

BEST AVAILABLE DOCUMENT

./..2

3/1/1 they should come from regions having proved to be free from epidemics and radiations.

3/1/2 it should be established that they have not absolutely been treated with hormones.

3/1/3 it should be established that they have not been treated with antibiotics either through nutrition or treatment at least during the last month before slaughtering.

3/1/4 it should be established through veterinary examination before and after slaughtering that they are free from the joint and infectious diseases, their stages or secretions.

3/1/5 they should be slaughtered according to the Islamic Legislation with full-bleeding.

3/2 Frozen meat with bones should fulfill the following conditions:

3/2/1 they should be provided by animals fulfilling the conditions indicated in item 3/1.

3/2/2 the processing operation should be made directly after slaughtering and processing means removal of the outer layer, of the viscera, the head and extremities and then the cleaning operation shall be effected with clean running water.

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

BEST AVAILABLE DOCUMENT

./..3

- 3/2/3 Meat shall be in the form of large pieces not less than one quarter of large animal or complete small animal like sheep and goat.
- 3/2/4 Meat should be maintaining the pleural membrane and lymphatic glands without removal of any part which may obstruct its re-examination to be sure that it is safe and free from diseases, and to determine its age and kind.
- 3/2/5 The primary cooling operation shall be made at a temperature exceeding not 4°C and for a period of not less than 24 hours after which the freezing operation shall start directly.
- 3/2/6 The freezing operation shall be effected at a maximum temperature of -40°C and shall continue until temperature of the internal tissues attains -18°C .
- 3/2/7 Storing shall be effected at a maximum temperature of -18°C and the period of suitability for consumption shall not exceed 9 months for the cown, camel and buffalo meat and 6 months for the sheep and goat meat, as from date of slaughtering, and in case of small packs whose weight does not exceed 2 kgs their storing period shall not exceed 3 months at a maximum temperature of -18°C .

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

BEST AVAILABLE DOCUMENT

93

./..4

- 3/2/8 Parts of meat intended for direct consumption: fat not exceed 7%.
Parts of meat intended for processing: fat should exceed 20%.
- 3/2/9 Parts of meat intended for processing only, like: breast meat (BRISKET), abdominal meat (FLANK) in which fat exceed 7%: the period of suitability for consumption shall not exceed 6 months from date of slaughtering. Storing temperature shall not exceed -18°C .
- 3/2/10 In case of shipping or transport the means of transport shall be equipped with cold-stores whose temperature shall not exceed -18°C .
- 3/2/11 The bags in which frozen meat is packed should not contain any frozen or unfrozen fluid separate (drainage).
- 3/2/12 In case of using frozen meat for the production of processed products in any form the period of suitability of the processed product for consumption may not exceed the balance of the period of suitability of the raw frozen meat for consumption.
- 3/3 Frozen boneless meat:
It should fulfill all the preceding conditions to exclusion of item 3/2/3 and 3/2/4.

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

4- SPECIFICATIONS

- 4/1 Frozen meat should have a normal appearance and should be free from frost bites (freeze burns) and the frost bites intend to mean the change of colour of the surface of meat turning to dark brown due to the loss of humidity of the tissues by reason of being exposed to oxidation of meat dyes.
- 4/2 Frozen meat should have acceptable natural properties and should be free from any foreign odor.
- 4/3 Surface of the meat should be free from any viscous matter or any sign of spoilage or deterioration.
- 4/4 Free from pathological micro-organisms and parasites of various stages and secretions harming the consumer's health.
- 4/5 The rate of fluid separate (drip) should not exceed - after defrost - 1% in weight and the fluid separate intends to mean the contents of the animal cell due to the destruction of its walls during the defrost operation
- 4/6 The volatile nitrogenous compounds should not exceed 20 mg/100 gm of the sample estimated as nitrogen.
- 4/7 The pH value of frozen meat ranges between 5.6 - 6.2
- 4/8 The rate of thiobarbituric acid shall not exceed 0.9 mg manold head/ 1 kg

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

BEST AVAILABLE DOCUMENT

./..6

- 4/9 the total bacterial count shall not exceed one million cells/gm.
- 4/10 Meat should be free from Salmonella bacteria /25 g
- 4/11 Free from Shigella bacteria / 25 gm sample
- 4/12 Free from fungal growths.

5- PACKING AND WRAPPING

- 5/1 Frozen meat with bones:
Each part should be wrapped inside a suitable tight closed cover safe to the consumer's health and prevent the meat pollution or occurrence of any undesirable changes during transport or storage.
- 5/2 Frozen boneless meat:
The parts shall be packed inside humidity-proof tinned carton packs of homogenous weight and size. Pieces of meat may be packed inside polyethylene bags suitable for the packing of foodstuffs before being put inside the cases and each carton case shall be tightly closed with iron straps.
- 5/3 Packs shall bear the following data in Arabic language and any other foreign language.
- 5/3/1 Manufacturer's name, address and trade mark.

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

BEST AVAILABLE DOCUMENT

./.7

- 5/3/2 Kind of meat.
- 5/3/3 Date of slaughtering and expiry date (Day, Month, Year)
- 5/3/4 Weight when packed.
- 5/3/5 The expression "Slaughtered according to the Islamic Legislation" shall be recorded on the carton cases and packs.

6- METHODS OF EXAMINATION AND TESTS

The methods of examination and tests shall be in accordance with the Egyptian standard specifications concerning the methods of examination and tests issued by the organisation in this connection.

7- TECHNICAL TERMINOLOGY

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

14/51 Sherif St., Helwan Tel. 2557803
37/11 EL HELWAN, Cairo Tel. 2222124

BEST AVAILABLE DOCUMENT

Eight pages

1/8

From Eamon O'Leary
23 August 1993
Further my FAX of 16 August and phone call of today
translation of complete text Standard Specification
Regards EUT

Egyptian Standard Specification ES 1522-1991
Date of Approval: 20 11/1991 FROZEN MEAT

INTRODUCTION

The present specifications abrogate and substitute for Egyptian Standard Specifications 1522 of 1986.

1- FIELD

The present standard specifications include the general conditions and specifications concerning frozen meat, method examination and testing thereof.

2- DEFINITION

Frozen meat is the result of preservation of meat of h
cow, buffalo, sheep, goat and camel animals by one of the s
freezing methods, following slaughtering, processing and cl
thereof and removing impurities;
consisting of either A- frozen meat with bones
or B- boneless frozen meat.

3- GENERAL CONDITIONS

3/1 Animals - source of meat - should fulfill the fol
conditions:

BEST AVAILABLE DOCUMENT

Authorship & Translation
Scientific Bureau
FOUAD NEMAH

Frozen Meat
Drip
Thawing
Freeze Burn

اللحوم المجمدة
السائل المتصلب
ذوبان الثلج
حروق التجميد

— 0 —

References

المراجع

- 1- Marvin L. Speck (1976)
Compendium of methods for the microbiological examination of foods.
- 2- ICMSF (1978)
International commission on Microbiological
Specifications for foods "Micro-organisms in foods" ed2.
- 3- LAURIE . R. (19)
meat science second ed
- 4- GRACY. J. F;(1986)
Meat Hygien. Bailliere Tincall.
Eight ed England

BEST AVAILABLE DOCUMENT