EGYPTIAN TRADE REFORMS – SEPTEMBER 2004

8 November 2004

This publication was produced for review by the United States Agency for International Development. It was prepared by Timothy Buehrer

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ASSISTANCE FOR TRADE REFORM

CONTRACT NUMBER: PCE-100-98-00016-00, TASK ORDER 827

NATHAN ASSOCIATS

USAID/EGYPT POLICY AND PRIVATE SECTOR OFFICE

8 NOVEMBER 2004

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Egyptian Trade Reforms – September 2004

In September of this year the President of Egypt issued a decree amending the laws regulating imports and exports. This decree substantially reduced tariff and other charges on imported goods while eliminating the last remaining export taxes. As such, it was a first step by the new cabinet to further open the Egyptian economy and to embrace tighter integration with the world economy. The Government's description of its actions is set out in the Ministry of Finance press release of September 8, 2004, which is Attachment A to this memorandum.

We have analyzed the contents of the reforms and find that they do significantly reduce the tariffs and other charges on imported and exported goods and should support the Government's efforts to increase the competitiveness of the Egyptian economy. More specifically, our analysis indicates that:

- Using 2003 import values as weights, under the new decree ***the weighted average tariff fell from 13.4% to 8.9%***.[1] The unweighted tariff rate fell from 26.5% to 20.3%, or from 19.8% to 12.4% if one excludes cars alcohol and poultry. (See Tables 1 and 2)
- ***The number of tariff rate categories fell from 27 in the old code to 12*** in the new code. If one eliminates vehicle and alcohol tariffs from the comparison, the number of rate categories fell from 19 to 7 (See Table 4)
- ***All tariff surcharges have been eliminated***
- The number of ***tariff lines fell from 6924 to 5728***
- This reduction in tariff lines reflected the elimination of most of the instances where the tariff on a commodity varied depending on its use. (e.g., inudstrial vs. consumer)
- The ***last remaining export taxes were eliminated*** by Presidential decree. These covered raw hides, scrap metal, and antiques (over 100 years old).

We have held informal discussions with some importers and have ***verified that the new tariff rates are being applied and that the tariff surcharges have been eliminated***.

- As an example, one importer stated that his cost of imported specialized paper has fallen from LE 7000 per ton to LE 6000 per ton due to the tariff reductions.
- An importer of sawn wood stated that he imported wood shortly before and shortly after the tariff rate changes and the net border charges fell from 17.4% to 11.5% due to the change in tariff rates.
- Similar information was received from companies importing for a packaging company, two furniture companies, two agriculture goods importers, a textile company, and a pharmaceutical company.
- The head of the Import and Customs Committee at the Egyptian Businessmen's Association has confirmed that the reduced customs tariffs are

[1] This calculation only covers items with ad valorem (percentage) rates. Items like tobacco with specific tariffs are not included. Including those items would raise the weighted average tariff under both the new and old tariff rates by similar amounts because they were unchanged in the September package.

in effect as did a member of the customs committee at the Egyptian Federation of Industries and the Executive Director of AmCham, which also has a customs committee that monitors these issues.

  - Contact was also made with the chairman of the General Association of Chambers of Commerce and two commodity councils and all indicated that they were not aware of any complaints by their members regarding the application of the new tarrifs.

Furthermore, the new customs rates, including the subsequent changes in December 2004, have been published by the government printing office (we purchased a copy of the book and brochure) and are listed on the Customs Administration public web site. Finally, news reports have indicated that prices for imported and locally produced cars have fallen since the implementation of the new tariff rates.

In addition, there are other matters of note raised by the new tariff code:

- Concerning changes in ***tariff rates by category***:
  - Tariffs on nearly all broad categories of goods fell. Of particular note for consumers are the reductions in poultry tariffs (from 80% to 32%) and on mid-sized cars (from 55% to 40% or 100% to 40% depending on engine size.)
  - However, tariffs on some goods rose. For example, tariffs rose on cereals (rates generally rose from 1% to become 2%), edible fats and oils (the same issue), sugars and toys. (See Table 3.) The increases in food item tariffs reflected the choice of the government to adopt 2% as the lowest rate rather than 1%. This effectively rolled the surcharge into the base tariff rate.[2]
  - The bulk of the benefits in terms of reduced costs to the economy will come from reductions in fuel, machinery, vehicle, wood and chemical tariffs. (See Table 2.) The fuel and vehicle reductions may directly benefit consumers but the machinery, wood and chemical tariff reductions primarily benefit industry, though the benefits may flow through to consumers in the form of lower prices.
  - The tariff reductions were generally largest for raw materials and intermediate goods and smaller for final products. This will, in some instances, result in increased effective rates of protection for final goods industries. Thus consumers may benefit from lower prices for the goods that they purchase but distortions in the final goods industry may have gotten larger and incentives to increase exports of final goods may have actually been reduced. However it is clear that producers of primary goods and intermediate products will now have to be far more competitive to retain local market share and are being encouraged to export.
- Concerning changes in ***tariff revenues***:
  - The bulk of the revenue loss in fuels is from the importation of butane in containers for sale. (Approximately $70 million of the $94 million total for fuels)

[2] The old tariff rate categories included rates of 10, 20, and 30 percent. These categories are replaced in the new tariff code by rates of 12, 22, and 32 percent, effectively rolling the surcharge into the tariff rate for any item that was not subject to a significant tariff reduction.

- Tariff revenue losses should be around LE 2 billion.[3]
- This tariff revenue loss will be offset somewhat by an adjustment that has been made in the exchange rate used to calculate the LE value of imported goods. In the past, an artificially low value in LE for the US dollar resulted in lower tariff revenues. With the implementation of the new decree, the market exchange rate will be used, raising revenues in LE.

- Concerning changes in ***tariff structure***:
  - Much of the reduction in the number of tariff lines was the result of the elimination of distinctions in the old tariff code that related to multiple uses for similar goods (like retail sale vs. intermediate use) or, in the case of clothes whether the goods were for children or adults.
  - Some lines were added to create special low tariff rates for inputs into the textile and telecommunications industries. (Some lines were split so, for instance, bearings for textile machines have a lower rate than bearings for other machines.) The bulk of these changes seem to be for communications equipment as required to implement Egypt's obligations under the Information Technology Agreement but we have not systematically analyzed this issue.
  - The new tariff code ***provides ad valorem tariff rates for all parts to be used in vehicle and other assembly***. This effectively eliminates the provisions of Article 6 of the tariff code that provided tariff reductions to industries that used local components. ***This eliminates a potential violation of the WTO TRIMs agreement.***

- Concerning changes in ***Egypt's competitiveness***:
  - In comparison to the 116 other countries for which the World Bank reports weighted average tariff rates in its Development Indictors for 2003, ***Egypt improved from being in the third of countries with the highest tariffs to being right in the middle.*** (See Table 5.) Before, the Egypt's average tariff rate was similar to those in Zambia, Romania, Jordon, and Venezuela. Now it is similar to Argentina, Bolivia, Mauritania and Senegal.

Finally, the Government is currently working on a further minor tariff adjustment to address concerns raised by industry with respect to the new tariff codes. It will primarily be designed to ensure that any instances where the tariffs on intermediate goods may be higher than those of final goods are eliminated. Furthermore, the Minister of Finance has indicated that further tariff reductions will follow in 2005. It is believed that this reduction, if it occurs, will focus more on tariff reductions for final goods.

[3] Our calculation uses the new and old tariff rates to calculate implied tariff revenues for 2003 based on the old and new tariff rates. Notably, this calculation yields total tariff revenues for 2003 using the old tariff rates that are significantly lower than the tariff revenues reported in the Government's fiscal accounts. If one instead calculates the reduction in tariff revenues by applying the percentage reduction in the weighted average tariff rate to the total tariff revenues reported in the fiscal accounts, one obtains a higher figure that is in line with that used by the government in meetings with the press (on the order of LE 3 billion.)

Table 1.

Summary Comparison of the New and Old Tariff Codes

	Old Tariffs	New Tariffs
Number of tariff lines	6924	5728
Unweighted Tariff Rate (all Commodities)	26.5%	20.3%
Unweighted Tariff Rate (excluding cars, alcohol and poultry)	19.8%	12.4%
Weighted Average Tariff Rate (2003 USD value weights)	13.4%	8.9%
Number of Different Tariff Rates	27	12

These figures do not reflect the impact of the elimination of the import surcharge.

Table 2.

Tariff Changes By Product Category

(Change in revenues in millions of USD)

Chapter	Average Tariff Old	Average Tariff New	Change in Avg Tariff	Change in Revenues*	Line Counts Total	Line Counts Increase	Line Counts Decrease	Line Counts No Change
Foods								
Raw Agriculture Products	4.0%	3.2%	-20.9%	($16.06)	440	8.6%	65.9%	25.5%
Processed Agricultural Products	7.6%	6.9%	-8.1%	($3.71)	229	21.8%	55.0%	23.1%
Textiles, Garments and Footwear								
Textiles and Fibers	9.7%	6.2%	-36.2%	($8.94)	494	4.3%	5.5%	90.3%
Clothing	30.4%	22.0%	-27.8%	($0.46)	197	12.2%	56.3%	31.5%
Leather Goods	42.2%	30.8%	-27.0%	($0.86)	45	8.9%	88.9%	2.2%
Shoes	37.6%	31.9%	-15.2%	($0.85)	28	14.3%	85.7%	0.0%
Miscellaneous								
Furniture	36.1%	28.8%	-20.1%	($1.87)	36	0.0%	47.2%	52.8%
Toys	9.9%	11.1%	12.3%	$0.35	42	42.9%	9.5%	47.6%
Miscellaneous	31.6%	23.5%	-25.7%	($0.92)	44	34.1%	61.4%	4.5%
Vehicles	27.6%	18.2%	-33.9%	($28.04)	184	18.5%	56.0%	25.5%
Fuels	22.7%	5.5%	-75.8%	($94.39)	42	19.0%	54.8%	26.2%
Industrial Goods								
Chemicals	28.0%	23.5%	-16.2%	($38.08)	739	15.8%	81.5%	2.7%
Plastic and Rubber	16.1%	10.3%	-35.9%	($21.84)	178	17.4%	60.7%	21.9%
Glass and Ceramics	30.4%	21.8%	-28.2%	($6.27)	118	10.2%	80.5%	9.3%
Metals and Metal Products	12.9%	10.6%	-18.3%	($17.27)	476	21.4%	69.3%	9.2%
Minerals and Ores	4.0%	2.3%	-42.8%	($1.77)	95	4.2%	94.7%	1.1%
Paper and Wood	13.3%	7.7%	-42.6%	($39.77)	188	12.2%	70.7%	17.0%
Machinery	12.3%	7.2%	-41.8%	($77.47)	1045	10.8%	54.4%	34.8%
Grand Total	13.4%	8.9%	-33.3%	($358.20)	4620	13.4%	58.8%	27.8%

The average tariffs are based on 2003 USD import value weights. Only tariff lines that could be matched between the new and old tariff code are included. The change in revenue is calculated by multiplying 2003 imports by the absolute change in the tariff rate. The total line count is the number of tariff lines included in the indicated category, the line count percentages represent the portion of the total lines that rose, fell or were unchanged.

Table 3.

Tariff Changes By HS Chapter (Ordered Sequentially)

	Chapter	Weighted Average Tariff Old	Weighted Average Tariff New	Change in Avg Tariff	Change in Revenues*	Line Counts Total	Line Counts Increase	Line Counts Decrease	Line Counts No Change
1	Live Animals	5.2%	5.0%	-3.3%	($0.06)	16	0%	50%	50%
2	Meat	5.1%	5.0%	-0.3%	($0.03)	51	0%	61%	39%
3	Fish	5.3%	5.0%	-4.0%	($0.13)	86	6%	35%	59%
4	Dairy	10.3%	6.9%	-33.5%	($1.83)	32	22%	59%	19%
5	Animal Products	18.1%	2.0%	-89.0%	($0.44)	17	0%	100%	0%
6	Trees and Plants	14.9%	5.9%	-60.4%	($0.09)	12	0%	100%	0%
7	Vegetables	2.6%	2.1%	-17.7%	($0.75)	54	24%	74%	2%
8	Fruit	36.8%	29.3%	-20.2%	($2.21)	50	0%	88%	12%
9	Coffee, Tea and Spices	25.5%	5.2%	-79.7%	($16.91)	33	9%	73%	18%
10	Cereals	1.0%	2.0%	96.9%	$11.46	16	25%	31%	44%
11	Milled Cereals	11.0%	5.4%	-51.2%	($0.82)	28	0%	86%	14%
12	Oil seeds	6.2%	2.0%	-67.7%	($3.88)	30	20%	70%	10%
13	Saps and Extracts	10.4%	2.3%	-77.4%	($0.28)	10	0%	100%	0%
14	Other Vegetable Materials	10.6%	2.0%	-81.2%	($0.10)	5	0%	100%	0%
15	Edible Fats and Oils	1.8%	2.7%	49.7%	$1.34	47	26%	43%	32%
16	Prepared Meat and Fish	12.7%	7.1%	-43.9%	($1.76)	27	22%	78%	0%
17	Sugars	9.3%	9.8%	5.1%	$0.37	23	13%	70%	17%
18	Cocoa	36.6%	28.4%	-22.5%	($0.81)	10	0%	100%	0%
19	Prepared Cereal Products	10.3%	8.3%	-19.0%	($0.17)	19	11%	89%	0%
20	Prepared Vegetables and Fruit	34.9%	30.8%	-11.6%	($0.21)	37	41%	59%	0%
21	Misc. Prepared Foods	23.4%	17.8%	-23.9%	($0.90)	19	58%	32%	11%
22	Beverages, Incl. Alcohol	729.3%	722.6%	-0.9%	($0.04)	23	0%	35%	65%
23	Food waste	5.6%	5.1%	-8.7%	($1.53)	23	4%	22%	74%
24	Tobacco								
25	Minerals	10.6%	4.3%	-59.4%	($0.82)	65	6%	94%	0%
26	Ores	3.0%	2.0%	-34.4%	($0.95)	30	0%	97%	3%
27	Fuels	22.7%	5.5%	-75.8%	($94.39)	42	19%	55%	26%
28	Inorganic Chemicals	11.2%	2.5%	-77.9%	($9.38)	169	0%	100%	0%

	Chapter	Weighted Average Tariff Old	New	Change in Avg Tariff	Revenues*	Line Counts Total	Increase	Decrease	No Change
29	Organic Chemicals	7.7%	1.9%	-75.4%	($13.72)	279	0%	100%	0%
30	Pharmaceutical Products	5.3%	3.6%	-33.0%	($4.81)	31	39%	61%	0%
31	Fertilizers	6.8%	2.0%	-70.5%	($1.61)	26	0%	100%	0%
32	Tanning Chemicals	22.6%	14.5%	-35.8%	($3.11)	26	31%	65%	4%
33	Perfumes and Essential Oils	527.6%	519.7%	-1.5%	($2.41)	61	33%	66%	2%
34	Soaps and Waxes	19.0%	11.9%	-37.5%	($2.08)	22	50%	41%	9%
35	Starches and Enzymes	16.3%	11.2%	-31.2%	($0.47)	13	31%	38%	31%
36	Explosives	30.1%	31.1%	3.2%	$0.04	6	33%	67%	0%
37	Photographic Goods	24.1%	23.5%	-2.4%	($0.16)	49	88%	12%	0%
38	Misc. Chemicals	10.9%	10.2%	-6.8%	($0.37)	57	30%	49%	21%
39	Plastics	11.0%	9.3%	-14.9%	($4.54)	141	18%	57%	24%
40	Rubber	30.5%	13.1%	-56.9%	($17.31)	37	14%	73%	14%
41	Raw Leather	29.5%	2.0%	-93.2%	($0.01)	6	0%	100%	0%
42	Leather Goods	42.3%	31.2%	-26.4%	($0.83)	26	15%	81%	4%
43	Skins	38.2%	13.4%	-64.9%	($0.03)	13	0%	100%	0%
44	Wood and Wood Prod.	12.4%	6.2%	-50.0%	($29.64)	58	9%	84%	7%
45	Cork	19.1%	10.7%	-44.1%	($0.06)	7	0%	100%	0%
46	Reeds and Baskets	35.9%	32.0%	-10.8%	($0.02)	5	60%	40%	0%
47	Pulp	5.0%	2.1%	-57.7%	($0.29)	20	0%	25%	75%
48	Paper	16.5%	11.8%	-28.3%	($8.65)	79	18%	81%	1%
49	Books, Newspapers and Magazines	11.8%	6.9%	-41.4%	($1.11)	19	5%	32%	63%
50	Silk Textile	3.0%	3.0%	0.0%	$0.00	10	0%	0%	100%
51	Wool Textiles	3.5%	3.5%	0.0%	$0.00	32	0%	0%	100%
52	Cotton Textiles	5.7%	5.7%	0.0%	$0.00	131	0%	0%	100%
53	Other Natural Textiles	12.0%	9.8%	-18.3%	($0.11)	25	0%	8%	92%
54	Synthetic Filaments	12.4%	5.5%	-55.5%	($8.73)	68	1%	10%	88%
55	Synthetic Fibres	3.4%	3.4%	-0.1%	($0.00)	114	0%	2%	98%
56	Yarns	13.7%	14.8%	8.3%	$0.08	28	46%	0%	54%
57	Carpets	40.0%	40.0%	0.0%	$0.00	23	0%	0%	100%
58	Special Woven Fabrics	22.0%	19.0%	-13.5%	($0.01)	37	11%	16%	73%
59	Industrial Textiles	17.5%	16.1%	-8.1%	($0.17)	22	14%	45%	41%
60	Knitted Fabrics	22.0%	22.0%	0.0%	$0.00	4	0%	0%	100%

	Chapter	Weighted Average Tariff Old	New	Change in Avg Tariff	Revenues*	Line Counts Total	Increase	Decrease	No Change
61	Knitted Clothing	20.5%	22.5%	9.5%	$0.01	36	11%	6%	83%
62	Non-knitted Clothing	38.0%	37.6%	-1.0%	($0.00)	28	0%	25%	75%
63	Other Clothing	33.0%	29.9%	-9.2%	($0.03)	60	5%	95%	0%
64	Shoes	37.6%	31.9%	-15.2%	($0.85)	28	14%	86%	0%
65	Hats	39.4%	32.0%	-18.9%	($0.06)	12	25%	75%	0%
66	Umbrellas and Other Personal Items	40.0%	32.0%	-20.0%	($0.03)	6	0%	100%	0%
67	Products of Feathers	40.0%	13.1%	-67.4%	($0.35)	8	0%	100%	0%
68	Articles of Stone	27.9%	16.6%	-40.5%	($1.57)	35	6%	91%	3%
69	Ceramics	30.5%	24.6%	-19.4%	($1.31)	30	0%	77%	23%
70	Glass and Glassware	31.3%	22.1%	-29.3%	($3.38)	53	19%	75%	6%
71	Jewelry and Precious Metals	14.6%	14.5%	-0.6%	($0.00)	47	30%	47%	23%
72	Iron and Steel	4.5%	2.5%	-44.1%	($7.48)	154	14%	69%	18%
73	Articles of Iron and Steel	26.4%	24.5%	-7.2%	($4.03)	115	28%	69%	3%
74	Copper and Copper Products	7.9%	4.2%	-46.6%	($2.28)	31	6%	81%	13%
75	Nickel and Nickel Products	6.8%	3.2%	-52.9%	($0.07)	19	21%	79%	0%
76	Aluminum and Aluminum Products	27.1%	20.5%	-24.2%	($1.48)	43	16%	84%	0%
78	Lead and Lead Products	6.6%	2.9%	-55.2%	($0.18)	10	0%	100%	0%
79	Zinc and Zinc Products	6.0%	2.7%	-55.2%	($0.38)	10	10%	90%	0%
80	Tin and Tin Products	15.6%	6.4%	-59.1%	($0.13)	7	0%	100%	0%
81	Other Metals	7.9%	9.0%	14.5%	$0.01	26	65%	4%	31%
82	Metal Tools and Cutlery	15.3%	11.2%	-26.5%	($0.70)	39	28%	69%	3%
83	Miscellaneous Metal Articles	28.1%	25.8%	-8.4%	($0.54)	22	32%	68%	0%
84	Machinery	11.4%	7.3%	-36.0%	($36.44)	530	4%	53%	43%
85	Electrical Machinery	15.8%	7.1%	-55.3%	($37.83)	293	7%	71%	22%
86	Railway Equipment	6.7%	7.4%	10.1%	$0.11	24	33%	13%	54%
87	Vehicles	28.7%	18.8%	-34.5%	($28.14)	129	20%	68%	12%
88	Aircraft	5.0%	5.0%	0.0%	$0.00	14	0%	0%	100%
89	Boats	8.2%	4.1%	-50.2%	($0.01)	17	0%	71%	29%
90	Measuring and Optical Equipment	6.7%	4.4%	-35.2%	($3.60)	128	7%	43%	50%
91	Clocks	20.3%	21.8%	7.6%	$0.39	55	65%	22%	13%
92	Musical Instruments	30.0%	31.1%	3.5%	$0.01	22	68%	32%	0%
93	Arms and Ammunition	30.0%	31.8%	6.1%	$0.00	17	53%	35%	12%

Chapter		Weighted Average Tariff		Change in		Line Counts			
		Old	New	Avg Tariff	Revenues*	Total	Increase	Decrease	No Change
94	Furniture	36.1%	28.8%	-20.1%	($1.87)	36	0%	47%	53%
95	Toys	9.9%	11.1%	12.3%	$0.35	42	43%	10%	48%
96	Miscellaneous Manufactured Goods	31.6%	23.5%	-25.8%	($0.92)	36	25%	72%	3%
97	Art and Antiques	30.0%	32.0%	6.7%	$0.00	7	86%	14%	0%
99	Reserved								

* Revenues gains and (losses) in millions of US dollars.

Table 4.

Comparison of Overall Number of Tariff Rate Categories

Pre-September 2004 Tariff Rates

Tariff Rate	Number of Lines	Comment
0	200	Including Exempt
1	48	
2	58	
3	86	
5	1260	
8	9	
10	1400	
12	167	
15	139	
20	625	
22	293	
23	6	
25	7	
30	1206	
33	29	
35	55	
40	1186	
43	58	
50	8	Cars
55	15	Cars
80	14	Poultry
100	4	Cars
135	22	Cars
600	1	Alcohol
1200	1	Alcohol
1800	2	Alcohol
3000	13	Alcohol
Specific	12	Tobacco
Total	6924	

New Tariff Rates

Tariff Rate	Number of Lines	Comment
0	291	Including Exempt
2	1259	
5	1416	
12	1184	
22	546	
32	633	
40	365	
135	6	Cars
600	1	Alcohol
1200	1	Alcohol
1800	2	Alcohol
3000	13	Alcohol
Specific	11	Tobacco
Total	5728	

Table 5. World Weighted Average Tariff Rates

(World Bank Development Indicators 2003, Country Rates for Various Years)

		Weighed Avg. Tariff Rate
1	Solomon Islands	34.6
2	India	28.2
3	Tunisia	26.3
4	Morocco	25.4
5	Mauritius	24.5
6	Libya	21.3
7	Bangladesh	21
8	Dominican Republic	20.3
9	Nigeria	20
10	Maldives	19.6
11	Nepal	16.8
12	Congo, Rep	16.1
13	Central African Republic	16
14	Zimbabwe	15.6
15	Kenya	15.5
16	Mexico	15.4
17	Bhutan	15.3
18	Papua New Guinea	15.3
19	Gabon	15.2
20	Vitnam	15.1
21	Algeria	15
22	Pakistan	14.7
23	Tanzania	14.5
24	China	14.3
25	Guinea-Bissau	14.3
26	Lao PDR	14.2
27	Benin	14
28	Macedonia	13.8
29	Mozambique	13.8
30	Equatorial Guinea	13.7
31	Romania	13.7
32	Jordon	13.5
33	Venezuela, RB	13.5
	~~Egypt, Arab Rep.~~	**~~13.4~~**
34	Niger	13.2
35	Cameroon	13.1
36	Zambia	13.1
37	Peru	12.9
38	Chad	12.7
39	Paraquay	12.6
40	Togo	12.6
41	Lebanon	12
42	Albania	11.8
43	Ecuador	11.3
44	Brazil	11.1
45	Colombia	11
46	Ethiopia	11
47	Bulgaria	10.9
48	Saudi Arabia	10.5
49	Jamaica	10.3
50	Burkina Faso	10.1
51	Georgia	9.9
52	Guyana	9.9
53	Slovenia	9.9
54	Croatia	9.8
55	Malta	9.8
56	Ghana	9.7
57	Thailand	9.7
58	Belarus	9.6
59	Côte d'hivoire	9.6
60	Mali	9.4
61	Argentina	9.2
62	Bolivia	9
63	Mauritania	9
64	**Egypt, Arab Rep.**	**8.9**
65	Senegal	8.5
66	Russian Federation	8.4
67	Cuba	8.2
68	Malawi	8.2
69	Rwanda	8.1
70	Chile	8
71	Honduras	7.5
72	Poland	7.3
73	Sri Lanka	7.2
74	Panama	7.1
75	Uganda	6.9
76	Bosnia and Herzegovina	6.6
77	Uruguay	6.6
78	El Salvador	6.4
79	Finland	6.3
80	Korea, Rep.	6
81	Czech Republic	5.8
82	Malaysia	5.8
83	Ghuatemania	5.6
84	Indonesia	5.4
85	Turkey	5.4
86	Madagascar	5.3
87	Ukraine	5.3
88	South Africa	5
89	Trinidad and Tobago	4.6
90	Hungary	4.5
91	Oman	4.5
92	Sudan	4.4
93	Costa Rica	4.3
94	Uzbekistan	4.2
95	Israel	4
96	Philippines	4
97	Australia	3.9
98	Taiwan, China	3.5
99	Iceland	3.4
100	Iran, Islamic Rep.	3.1
101	Nicaragua	3
102	European Union	2.6
103	Lativa	2.6
104	Moldova	2.6
105	Armenia	2.5
106	Lithuania	2.4
107	New Zealand	2.4
108	Japan	2.1
109	United States	1.8
110	Norway	1.6
111	Canada	0.9
112	Estonia	0.4
113	Hong Kong, China	0
114	Kyrgyz Republic	0
115	Singapore	0
116	Switzerland	0
117	Turkmenistan	0

8 November 2004

Attachment A

Press Release of the Ministry of Finance
Arab Republic of Egypt

September 8, 2004

Arab Republic of Egypt
Ministry of Finance
Office of the Minister

Press Release

September 8, 2004

Main Features of the New Tariff Reductions

Egypt's new economic policies aim to achieve two fundamental goals: First, to protect Egyptian consumers and ensure that they consume high quality and efficiently priced products; and second, to enhance Egypt's competitiveness in the global market.

Within this context, the government rationalized some 27 tariff brackets previously in practice to only six. The reduction in tariffs makes use of one of several fiscal policy tools that help accomplish both economic and social goals. The reduction in tariffs will help reinvigorate the business environment, making it more receptive to foreign investment, and will give the needed push to growth and job opportunities. All these benefits will only serve to contain inflation and increase exports, both of which will not only open countless opportunities for foreign investment, but will also support the domestic industry.

Thus the Ministry of Finance, in coordination with the Ministries of Trade and Industry, and Investment, decided to implement far reaching and comprehensive streamlining of tariff brackets, with a view to simplify procedures and remove administrative controls. These bold reforms are well-timed and will give economic growth the needed thrust.

The main elements of the tariff changes are:

I. Streamlining of Customs Procedures:

1. The reduction of the weighted average tariff rate from 14.6 percent to 9 percent.
2. The reduction of tariff brackets from a total of 27 to 6 as follows: 2 percent, 5 percent, 12 percent, 22 percent, 32 percent and 40 percent. The view is to simplify the tariff structure and ensure transparency, in order to reduce disputes that arise from the discretionary determination of the relevant tariff rates by Customs.
3. Elimination of most national tariff lines and exemptions. At par with international standards, a total of 6,000 tariff lines now exist as opposed to 8,000 under the previous system.

Table 1: Weighted Averages Before and After Tariff Reductions

	Weighted Average	
	Before Reduction	After Reduction
TOTAL IMPORTS	14.60	9.10
Industrial supplies not elsewhere specified, primary	11.80	1.80
Parts and accessories for capital goods	17.30	7.70
Food and beverages, primary, mainly for industry	2.80	2.10
Food and beverages, primary, mainly for household consumption	19.20	8.50
Fuels and lubricants, primary	1.40	0.27
Capital goods (except transport equipment)	12.11	7.4
Parts and accessories for transport equipment	29.50	11.70
Industrial supplies not elsewhere specified, processed	15.80	8.70
Fuels and lubricants, processed motor spirit	10.30	7.50
Fuels and lubricants, processed motor spirit (not elsewhere specified)	9.70	5.60
Food, and beverages, processed, mainly for industry	4.30	3.50
Consumer goods not elsewhere specified, non-durable	15.50	13.80
Food and beverages, processed, mainly for household consumption	20.40	8.60
Consumer goods not elsewhere specified, semi-durable	32.60	26.40
Consumer goods not elsewhere specified, durable	34.80	30.60
Goods not elsewhere specified	23.50	21.70
Passenger motor cars	84.60	63.10
Transport equipment and parts and accessories thereof, other	39.00	28.00

4. Elimination of all fees and administrative surcharges that ranged between 1-4 percent.
5. Elimination of all export taxes.
6. Establishment of unified tariffs brackets for industrial and non-industrial imports. This measure will streamline the discretionary determination of the tariff bracket that applies. It will also end the subsequent monitoring by the other regulatory agencies such as Industrial Control and the General Authority for Industrialization, the purpose of which was to monitor the compliance of the use of the imported goods with the purpose for which they were imported. Such controls often delayed productive activities until the relevant authorities had completed the necessary checks.

II. Elimination of Tariff Distortions

The new changes have instigated a far-reaching transformation of the overall tariff structure; similar imports previously subject to different tariff rates have been compressed under one bracket. The new system now complies with UN standards. More than 500 such distortions — mostly in raw materials and production inputs (chemicals in particular) — have thus been eliminated, which will help give the needed boost to domestic industry.

III. Momentum to Domestic Industry

Tariffs on raw materials semi-processed goods and final products go up gradually from 2 to 40 percent. This takes care of many distortions that had negatively affected the domestic industry. The industries that benefit from the new tariff reductions are the following:

1. Paper industry and printing inputs
2. Furniture and wood-housing industry
3. Health care paper products industry
4. Textiles and finished clothes industry
5. Medicinal and chemicals industry
6. Shoes, handbags and blankets industries
7. Fiber acrylic industry
8. Tourism industry
9. Foodstuffs and packaging industry
10. Marble, ceramics and chinaware industries
11. Electrical motors industry
12. Paint, coloring substances and dyeing industries
13. Information technology industry
14. Electrical distribution grids industries
15. Commercial transportation industry

IV. Upgrading Technology

All machines, equipment, spare parts and inputs to this industry are now exempt from tariff rates that ranged from 6 – 21 percent, in compliance with Egypt's commitment to the WTO Information Technology Agreement up to end 2006.

V. The Social Dimension

The new tariff reductions involve basic commodities whose prices will be reduced.

1. Basic commodities for low income groups:
    a. Meat and fish products

b. Dried milk products

c. Grain products

d. Rice

e. Tea

f. All inputs used for manufacture by feed industries (since their higher costs of production have impacted prices of livestock for the consumer)

g. Oil products

2. Heavy transportation: Tariff rates between 44 and 33 percent have declined to between 12 and 5 percent. This will serve to encourage domestic transportation as well as the domestic industry.

VI. Continued Commitment to International Agreements

In line with Egypt's commitments, some of the effected reductions have reached the minimum limit of Egypt's bound rates, due to be implemented in 2005. Other tariff reductions exceed Egypt's commitments with a view to encourage support domestic industry.

VII. Customs Reform

The customs reform program includes the following:

1. Establishing pre-arrival clearance through risk management and sample inspection.
2. Electronic handling of documents.
3. Streamlining of customs procedures and minimizing discretionary exemptions, import controls and the role of labs.
4. Capacity building of Customs staff through training.

VII. New Tariff Rates

Table 2: New Tariff Rates for Some Commodities

Sector	Item	Tariff rate (Before change)	Tariff rate (After-change)
Agriculture	Agricultural tractors	33% and 13%	5%
	Tractor spare parts and necessities	30% and 23% and 13%	2%
	Tractor tires	33%	5%
	Fertilizers	33% and 13% and 8%	2%
Transportation	Utility cars (up to 1600 cc)	104% and 44%	40%
	Components and spare parts	33% and 23%	12% and 5%
	Tires	37%	22%
Construction and Building	Cement	33% and 23%	2%
	Limestone	13%	2%
	Reinforced steel bars	8%	5%
	High durability ships for the high seas	8%	0%
Social Dimension	Fish (certain types)	33%	5%
	Grains	33%	5%
	Tea	33%	5%
	Sugar (raw)	5%	2%
	Wheelchair products for the disabled, and their parts	8%	0%
	Household, health tools and kitchenware	44%	12%
	Chemicals	8%	2%