EGYPT

Government changes page 15

Customs duties are slashed

Customs duties on a wide range of goods were reduced by President Sadat on 10 May in an effort to lower prices and stem the rising cost of living. The maximum duty payable has been reduced from 300 per cent to 150 per cent for all goods except carpets. Excise duties on alcohol and cosmetics are unchanged.

The most significant cuts are on food. The 10 per cent subsidy tax is removed from most items including agricultural equipment, animal feed, milk and all machines and materials needed for industrial production vital to the economy. The subsidy tax is maintained for all other goods and normal customs duties are paid as well.

Total duty now payable on raw materials and capital goods varies from 2-5 per cent. The government hopes to keep the prices of these commodities down by invoking Decree 119, which limits the profits of importing agents. Tax cuts on food are wide-ranging. Sugar and animal feed imports are now tax exempt while the total tax liability on butter is reduced from 50 to 30 per cent and on flour, maize and beans from 40 to 20 per cent. Agricultural machinery imports are now duty-exempt.

Duties have been cut on a wide range of consumer durables and household goods. Those on most household electrical goods have been reduced to a maximum 150 per cent. Duties on luxury goods such as colour televisions and video cassettes are also reduced. Duty on tableware and china is reduced from 210 to 100 per cent while duty on wood comes down from 25 to 8 per cent and on furniture to 100 per cent. Duty on small cars is reduced to 85 per cent but that on imported taxis is raised from 20 to 25 per cent.

The cuts in customs tariffs appear to go well beyond the rationalisation envisaged by the Finance Ministry in the new customs and excise law. On the point of being published for the past two months, this was expected to encourage the import of raw materials, capital goods and intermediate goods at the expense of finished goods. The ministry says it is thinking of increasing the sales tax on certain items to 10 per cent instead of the 5 per cent flat rate originally envisaged.

Although the ministry has said the new duties will not harm local industry, lowering import tariffs on finished goods must affect the public sector and newly established private industry.

Customs revenues, which were expected to bring in £E 967 million ($1,400 million) this year, will also be affected, with a resulting adverse effect on the budget. The government is already having difficulty agreeing with the International Monetary Fund a new SDR 500 million-550 million ($618.8 million-680.7 million) credit because of its reluctance to implement fiscal and budgetary reforms it was already committed to (MEED 18:4:80).

Nile water scheme may go ahead

The government expects bidding consortia to provide finance, with government-to-government soft loan backing, for a $300 million-400 million water pipeline project planned to link the Nile with Suez and the Canal Zone.

The Ministry of Irrigation & Sudanese Affairs says more than one offer has been made to finance all the local and hard currency costs, at 3 per cent interest over 30 years. The government is apparently not looking for aid from the World Bank or international agencies.

Tenders will not be prepared until agreement has been reached on financing, although it is hoped to have a shortlist of bidders by autumn and a contract award by the end of the year. Prequalification bids close at the end of June.

Plans include building a twin pipeline, two metres in diameter, from a point between Maadi and Helwan, south of Cairo, eastward to Suez. The pipeline, which will be 200-300 kilometres long, is planned to provide 500,000 cubic metres of water a day for irrigation in Sinai and 300,000 cubic metres a day for domestic users, manufacturers, oil industries and shipping in the Suez area.

Consumers using supplies from the pipeline will be charged commercial water rates. This is a reversal of the government's previous policy of supplying water free. The aim is to curb waste and to raise revenue to pay for the pipeline. It is estimated that, on this basis, the cost could be retrieved in about 15 years.

The UK Export Credits Guarantee Department (ECGD) has agreed in principle to provide up to $25 million in medium-term backing for one of the three UK companies – *Tarmac, Taylor Woodrow* and *Laing* – which have so far put in a preliminary offer. Tarmac is arranging a consortium with West European partners and *Arab Contractors (Osman Ahmad Osman)* to tender for the scheme. The government hopes the pipeline can be completed in three years.

US plans bigger embassy

The US State Department plans to build a new embassy compound including a multi-storey tower block to house its increasing number of staff, now totalling 415 Americans and 315 other employees.

Plans drawn up by *Metcalf & Associates* of Washington are for a 19-floor building. This would make the US embassy the tallest in Cairo, overshadowing other diplomatic buildings such as the British embassy in the Garden City quarter. Demolition work is to start in July to make way for the block, which is expected to be completed in 1983.

Critics of the plan say the proposed building will be too prominent on the Cairo skyline and may provoke anti-US feeling. The embassy is expected to take on more US staff to administer the military aid programmes designed to modernise the Egyptian armed forces. US ambassador Alfred Atherton is reported to feel that the pressure on office space is such that there is little alternative to a multi-storey building.

IN BRIEF

- France's *Credit Lyonnais* is operating in Cairo as an investment and merchant bank. It can provide a complete package of banking services in foreign currencies, the bank says. These include loans business, documentary service and transfers, deposits in major currencies, letters of guarantee, and management and co-management of bond issues.
- Bilateral co-operation agreements in agriculture, trade, aviation and health were signed in Cairo on 9 May by Israeli Defence Minister Ezer Weizmann and Defence & War Production Minister General Kamaleddin Hasan Ali.
- Alexandria's Nouzha airport has been handed over to the Civil Aviation Authority by the military authorities. New Valley airport is to be handed over to civilian control soon.
- France's Secretary of State for Agriculture Jacques Fouchier arrived in Cairo on 7 May. During his seven-day visit, he was to discuss increased agricultural co-operation with his Egyptian counterpart, Mahmoud Mohammad Daoud.
- Norway's Commerce & Shipping Minister Rolf Steen attended the opening on 12 May of a seminar on bilateral co-operation in maritime transport. The three-day seminar was held in Alexandria. Steen was also expected to have talks about the possibility of Norway building vessels for the Egyptian merchant navy.
- The French pharmaceuticals company *Roussel Aclaf* has held a seminar and exhibition in Cairo. The company has links with the *Memphis Pharmaceutical Company,* which maintains a research centre concerned with medicinal herb extracts and which also manufactures some Roussel Aclaf products under licence.
- *Standard Oil Company (Indiana)* executive vice-president Frank C Osment says Egypt is the company's "largest source of proprietary crude oil." The US firm's subsidiary *Amoco Oil Company* produces 127,000 barrels a day in a joint venture with the *Egyptian General Petroleum Corporation* (MEED 4:4:80).
- Small and medium-size agricultural industries are to get a $45 million credit from the International Development Association (IDA), the World Bank's soft-loan affiliate, it was announced on 8 May. Foreign exchange will be made available to *Development Industrial Bank, Principal Bank for Development & Agricultural Credit* and *Banque Misr* to develop these industries and to strengthen the banks'