

## **WIDE ECHOES OF DECREES REDUCING CUSTOMS DUTIES ON IMPORTS**

### **DECREES ASSERT GOVERNMENT CONCERN FOR PRODUCERS & ALLEVIATION OF BURDENS OFF MANUFACTURERS**

Yesterday, all maritime-, air- and land ports have started implementing the decrees, adopted by President Mubarak, to reduce customs tariffs.

The decrees are applicable for 46 customs items, covering production commodities and requirements. Items have been reviewed with industrialists, businessmen and investors.

Reduced customs tariffs are to be applied, retrospectively, on shipments already in ports but not yet cleared, which are to benefit from these new privileges.

((Al Akhbar)) polled opinions of industrialists, investors and businessmen, concerning the new decrees and their impact on reviving the Egyptian economy, where they asserted that customs reductions have achieved great objectives in alleviating burdens off producers and have confirmed the state concern for industry.

The door is now wide open for achieving Egypt's national objective within the coming phase through raising production, magnifying exportation and confirming the ability of Egyptian products to compete internationally.

According to businessmen, the new decrees establish equilibrium between Egypt's commitment to GATT and the protection of our national industry against non equivalent competitiveness within this phase.

Industrialists assert that the state, in relinquishing part of its share of customs duties, will help achieve greater gains, where production will increase, factories will be established, job opportunities will be provided and exportation will be magnified.

As for tradesmen, they expect a great revival within local markets, particularly the gold market, in spite of the reduction of customs duties on imported gold work.

The inflow of gold work will act as an incentive for Egyptian manufacturers to retrieve their glory and become creative vis-à-vis competitiveness.

In spite of this vast welcome for decrees reducing customs tariffs, yet economists assert that there are further procedures under study, which are to be announced soon, all emphasizing the government concern for development and giving the chance to the private sector to study its role in the coming phase.

**INDUSTRIALIST, BUSINESSMEN & TRADESMEN TO ((AL AKHBAR)):**

**DECREES ARE A SERIOUS MESSAGE TO PRODUCERS TO  
ACHIEVE EGYPT'S NATIONAL OBJECTIVES**

**CUSTOMS REDUCTIONS SEEK EQUILIBRIUM BETWEEN EGYPT'S  
COMMITMENTS AND PROTECTION OF LOCAL INDUSTRY**

Industrialists, businessmen and tradesmen all welcomed the reduction of customs duties, emphasizing that the socio-economic stability, achieved by Dr. Ganzouri's Cabinet, is the major incentive for developing the economic activity and preparing Egypt for international competitiveness within the phase of trade liberation.

To them, these recent decrees are a serious message to every manufacturer and tradesman to exert his utmost vis-à-vis expected confrontations upon the implementation of GATT.

However, they highlighted certain observations that are to be taken into consideration by decision-makers, in order that such decisions would be fruitful and capable of improving and developing production and investment climate in Egypt.

((Al Akhbar)) has observed echoes of these decrees, by polling opinions of businessmen and industrialists, as follows:

## **EGYPTIAN COMMITMENT**

- Chairman of Egyptian Businessmen Association Said al-Taweel states that decrees reducing customs tariffs confirm Egypt's respect for international commitments and its keenness to apply GATT by 2001, in line with its objectives and policy launched towards global economy.

According to al-Taweel, such reduction should extend to requirements for ready-made clothes and printing paper. This would raise investment in these two vital fields that engage thousands of workers.

It would also lead to developing Egyptian production and rehabilitating producers to confront the expected competitiveness upon opening the market. Reducing customs duties on paper from 30% to 25% would ultimately lead to developing the industry of packaging and wrapping, allowing producers to export their production to international markets, in a proper way.

## **IMPORTANT REQUEST**

- Secretary General of Egyptian Businessmen Association Eng. Taher al-Sherif states that each procedure adopted by the state to reduce production cost, particularly for raw materials and intermediary commodities, is a step towards raising competitiveness of Egyptian production, locally and internationally. However, there remains an important request for businessmen and most industrialists. It is still under study and they hope a decree would be issued thereupon. It concerns the abolishment or reduction of customs on capital and investment commodities that suffer 20 – 30% customs, in addition to 10% sales tax,

as well as many other additional charges. All this hinders and even chases away investment. Eng. Taher al-Sherif calls for neither imposing additional charges, nor raising sales tax on items enjoying customs reduction, in order to bring forth the aspired positive results.

### COMPUTER INDUSTRY

- As for reducing customs on computers down to 5%, instead of 30%, Member of American Chamber of Commerce Eng. Naguib Sawiris asserts that this decision is a positive step that will curb the phenomenon of programme piracy and illegitimate copying and selling of programmes. This decision will activate the ((software)) industry in Egypt, where investments in this field at the moment are barely \$ 20 million.

Naguib Sawiris suggests reducing customs on computer units ((hardware)), as well, which would be the full solution for enhancing computer industry in Egypt.

### ADDITIONAL REQUEST

- Member of American Chamber of Commerce and Honorary Consul of ?? in Egypt Eng. Ashraf al-Attal calls for reducing customs on components and raw materials for foodstuff production, within the coming phase, given the importance of this industry for Egyptian producers, and what it represents as a large percentage of Egyptian exports. Reduction here would solve the problem of many producers and would respond to the request of Egyptian business associations.

## **STABILITY COMES FIRST**

### **Industrialists have their opinions, as well:**

- Member of Chamber of Engineering Industries at the Federation of Industries Dr. Nader Riad asserts that the coming period should witness high quality and low prices, in order that Egypt would obtain its chances of raising exportation. If the state is helping industrialists by alleviating burdens off their shoulders, it is the industrialists' duty to pay heed to their industries and study the circumstances of competitiveness, exactly as if they were in a real battle that had to be won.

**Dr. Nader Riad** adds that he considers reduction of customs duties a message from the government to each and every serious producer in Egypt, who should set to work at full vent.

This is not all that the government has offered to our industry. There is first the political and social stability, as well as the investment climate, which enhances industrialists.

## **STATE SPONSORSHIP**

- According to Ezzat Ghazi, Counsellor to Egyptian Federation of Industries, reduction of customs duties is the greatest evidence that the state is sponsoring industry and seeking to create the appropriate climate for it, in order to achieve Egypt's national objectives.

To him, for the state to relinquish its share of customs duties, this is by no means a loss. On the contrary, it is a sound utilization of proper financial policies, as this would ultimately lead to encouraging manufacturers to import production requirements, which, in turn, would lead to further production, more factories, new job opportunities and higher exportation. All these are gains of a strategic type.

### **GETTING READY FOR THE BATTLE**

Ezzat Ghazi enthusiastically harps on an important principle. Preparing the Egyptian industry to face the free trade phase should be exactly the same as if we were preparing an army for a battle. In this field, the battle should not be defensive, but offensive, in order to protect gains achieved by Egypt after its economic reform and to allow Egypt to occupy its proper place among advanced countries.

### **COMPETITIVE PRIVILEGE**

- According to Hussein Metaw'e, Director General of Federation of Industries, we are at a time where the ((relative privilege)) has disappeared. He asserts that the government has taken the decision of reducing customs tariff at the right time, in order to complete a significant part of the chain of industrial development, namely alleviating burdens encumbering our industry. The relative privilege that Egypt enjoys because of its central geographical position among three continents will be of little consequence, once GATT enters into force. What could help is

the competitive privilege that depends on competitive prices – not suitable prices – and high quality.

Hussein Metaw'e makes further emphasis on an important principle by which manufacturers are to abide, which is to benefit from the ((margin)) that they will achieve, upon reduction of customs tariffs on production requirements, in being more creative industrially.

Hussein Metaw'e refers to the importance of distinguishing between reduction of customs tariffs on intermediary commodities and on end products, where he calls for prompt reduction of charges on production requirements but slower reduction on end products, in order to provide maximum protection for local production.

### **CLOTHES INDUSTRY**

On their behalf, tradesmen express their stances.

- Head of Readymade Clothes Section at the Chamber of Commerce in Cairo Mohamed Abdel Hamid Rayan states that reduction of customs on requirements of readymade clothes from 30% to 25% will help solve problems of some of the one thousand textile factories in Egypt, which are suffering from high production costs.

He asserts that these reductions will give a strong boost to textile factories to develop and improve the quality of their production.

This would create strong competitiveness, especially after lifting the embargo on importing clothes, in line with the GATT, in the coming phase.



## **POULTRY PRODUCTION**

- Secretary of Poultry Producers Association Board Fund Sayed Hassan asserts that raising customs on poultry and birds from 50% to 80% is a wise decision, in protection of our local industry. Such an increase will not affect the final selling prices for consumers, where poultry consumption amounts to nearly 20,000 tons, annually. Local production covers this consumption, together with a surplus for exportation. Hence, the decision is appropriate, especially that it does not include the hind part of chickens, which is rarely sought abroad and is very cheap, a matter that could have affected our local industry.

## **GOLD WORK**

Head of Bureau of Stamps & Measures Mahmoud Mansour states that reduction of customs on gold work and precious metals from 35% to 20% would have a positive impact on the gold market in Egypt and would help increase the import of gold work that was rarely imported because of the high customs duties, in addition to the 10% sales tax, as well as other service charges.

According to him, these amendments are liable to revive the Egyptian gold market, especially after increasing the quantities of imported Italian gold work that is highly sought in Egypt. This would urge Egyptian manufacturers and producers to improve the quality of local gold work.

## **STUDYING REDUCTION & ABOLISHMENT OF SALES TAX ON COMMODITIES OF SOCIAL DIMENSION**

((Al Akhbar)) was informed that the Ministry of Finance was currently studying a draft law to amend the Sales Tax Law, in order to reduce the sales tax on certain vital commodities. The draft law falls within the framework of the inclination of the government to alleviate burdens off citizens.

The list of commodities to enjoy reduction of sales tax is expected to include commodities of a social dimension, such as pharmaceuticals and “fino” bread, from 5% to 0. This would serve the wide base of citizens and patients.

The list also is to contain reduction of sales tax on computer software, from 30% to 5%, as well as on computer units, from 10% to 5%.

This comes in contribution to administrative development of governmental establishments and agencies, as well as the private sector. The proposed list also includes reduction of sales tax on warehousing and refrigeration services of foodstuffs, such as meat and fish, from 10% to 0.

Furthermore, sales tax on veterinary pharmaceuticals is to fall from 10% to 0, in protection of livestock and poultry.

## **CUSTOMS TARIFF APPLICABLE IN PORT SAID & SUEZ .. TODAY**

As of today, Customs at Port Said and Suez are to start implementing the new tariff. Head of Central Administration of Port Said Customs Authority Said al-Arousy stated that the Administration has not yet received the executive statute of the presidential decree with customs reduction.

As for Director General of Suez Customs Authority Fathi al-Adawi, he stated that the decree was to enter into force as of today, upon the receipt of the executive statute. Field coverage of ((Al Akhbar)) at both customs outlets revealed that importers had stopped all clearance procedures, in expectation of the arrival of the decree.

However, things proceeded normally for commodities not included in the decree. Tradesmen heartily welcomed the decree at the two outlets, asserting that reduction of customs duties on production requirements is beneficial to producers, tradesmen and consumers.