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Egypt: New ways of foreign trade

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Association agreements of this kind may contribute positively to economic development and industrialisation of the associate countries. Through using the preferential tariff, the East African states may succeed in gaining a stronger foothold in the European Common Market. Expanding markets for their goods in Europe would facilitate their own industrialisation and this would also help to reduce the deficit side of their balances of payments. It is only not at all certain how strong this influence might be. On the one hand, import duties and excise imposts on industrial products and on raw materials have always been low in the industrialised countries, and on the other hand, it has been agreed that the interests of the farming communities in the EEC must not be adversely affected by the new imports. This means that some import restrictions in this part of the market will probably persist. For the European Economic Community, the association will hardly bring new advantages economically, as important manufactures which the EEC countries export will continue to carry protective duties in Africa. Broadly speaking, for the whole economy, imported raw materials will even become more expensive through the association, as the EEC has given up the idea of levying an optimal duty on them. On the whole, the new arrangement will hardly constitute a major contribution of the EEC to development aid. ogm.

India

Concern About Clearing Problems

It becomes progressively more evident that barter and clearing agreements, especially when they have been made with economically more powerful partners, may carry disadvantages for the weaker partner the like of which cannot grow from exchanges of goods and services via the internationally free markets. We need not quote more than one example here: the barter trade between the Soviet Union and India. Not long ago, the Soviet government placed orders in India for railway carriages worth Rupees 600 million and steel products for R. 350 million. In exchange for these supplies, the Soviets offered transport planes, but the Indians refused to accept them, since they operate less economically than American or French types. The Soviets, on the other hand, refuse to deliver the products which the Indians would prefer, because they have ample opportunity to sell them on more favourable barter terms elsewhere.

Another big problem is repayment of the Soviet aid granted to India in the past. In 1967, the Soviets extended assistance to India valued at no less than Rupees 420 million, and if armaments and military aid are included, India's indebtedness totals at least R. 1,000 million. True, the Soviets are prepared to buy more from India but only on condition that they themselves may more extensively determine the choice of what Soviet deliveries should consist of. One of India's crucial objects is to dissuade the Soviets from pressing upon the Indians large volumes of investment goods which, moreover, are often of a kind that is completely useless to India.

In view of increasing difficulties caused by clearing and barter trade, it would be wise for the Western countries to show a spirit of understanding and helpfulness—for example, by facilitating the search for import partners by exporters, which would go a long way to circumventing such worries entirely. In Vienna, a new Information Office for Foreign Trade Deals ("Evidenzbüro für Außenhandelsgeschäfte") has been opened, which intends to tackle such difficulties. This example ought to be emulated by other nations. rd.

Egypt

New Ways of Foreign Trade

The summer war of 1967 has plunged the balance of payments of the United Arab Republic (UAR) into a deeper deficit than ever. For this reason, the UAR restricts its imports almost exclusively to supplies coming from countries that have made barter and clearing agreements with it. Of all the imports estimated to flow into Egypt during the fiscal year of 1967/68 no less than about 60 per cent (of a total of E £ 180 million) will come from the clearing countries of the Communist bloc. In order to defend their market shares, Western exporters, too, have been compelled to conclude barter deals. However, all barter entails additional risks, since barter exports of the UAR that are offered consist only of goods that have never formed part of Egypt's traditional trade, e.g. petroleum products, refrigerators, leather goods, whose quality is generally too low for finding ready markets in the West.

As a consequence, many foreign manufacturers of consumption goods have started to entrust Egyptian firms, to whom they supply raw and auxiliary materials and technical aid and knowhow, with manufacturing orders under sub-contract. The government of the UAR is welcoming such agreements, as they help along the industrialisation of Egypt and push up employment. In order to evade difficulties about remittances of royalties and fees, Egypt has introduced a kind of "drawback system": this permits the payment of royalties on production licences and the importation of the materials to be processed only on condition that the Egyptian licencee can show that he has earned the required foreign currency through exporting finished goods. Such agreements have their peculiar value—not only because the foreign partner can use them to maintain his position in the Egyptian market but also because it is easier to find sales outlets in other Middle Eastern markets in this way than through direct contacts. One interesting case in point was the order placed with an Egyptian licencee of a West German automotive concern by Kuweit for supplying 300 motor buses. Foreign companies must scrutinise the given situation carefully before issuing a licence, in order to avoid the risk of being paid only in local currency whose uses, even within the UAR, are closely circumscribed and severely limited wi.