

# European BACKGROUND INFORMATION Community

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BACKGROUND NOTE

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## COMMUNITY AND EGYPT INITIAL BROAD COOPERATION PACT

The cooperation agreement initialed by the European Economic Community and Egypt in Brussels October 15 means that the Community is shouldering the responsibility to help Egypt deal with her many problems, according to Claude Cheysson, EC Commissioner for development aid.

The agreement, similar to those signed with the Maghreb countries (Tunisia, Algeria, Morocco), provides for broad commercial technical, scientific, and industrial cooperation between the two parties over an indefinite period.

### Financial Protocol

According to the agreement's financial protocol, the Community will make available to Egypt 170 million units of account (UA)\* over a five-year period. Of this amount, UA 93 million will be disbursed as loans through the European Investment Bank, UA 14 million will go for loans on special terms, and UA 63 million will be earmarked for non-repayable grants. The bank loans will be made with interest rebates of up to 2 per cent which will come out of the grant slice of the aid allocation.

The agreement specifically provides for the possibility of Community co-financing of projects. In this connection, Egypt has expressed special interest in the possibility of triangular cooperation with Arab capital.

\*One UA was equivalent to \$1.10 on October 19.

### Trade Provisions

For trade in industrial products, the agreement gives Egypt a full exemption from the Community's customs duties and taxes with equivalent effect as of July 1, 1977. Before that date, the Community will reduce tariffs by 80 per cent on Egyptian exports.

Until December 31, 1979, the Community will set ceilings for certain Egyptian exports, such as refined petroleum products (450,000 metric tons), phosphate fertilizers (35,000 tons), and certain cotton threads and materials. When the ceiling is reached, the Community may reimpose duties. The ceilings will be calculated on the basis of current trade levels and will be expanded by 5 per cent a year.

For a wide range of agricultural products, the Community will give Egyptian exports preferential treatment, including tariff reductions ranging from 40-to-80 per cent during the Community's non-growing seasons.

The agreement does not provide for reciprocal concessions on Egypt's part, only that Egypt will give Community exports most-favored-nation treatment.

The Community's exports to Egypt amounted to UA 1.3 billion\* in 1975. Community imports from Egypt amounted to UA 300 million the same year.

Egyptian exports to the Community consist 76 per cent of industrial goods and 24 per cent of agricultural products. Crude oil is 51 per cent of Egypt's total exports to the Community.

### Entry into Force

The initialed agreement now goes to both parties for a final polishing. Egypt and the Community's member state legislatures must ratify the agreement.

\*The UA used to calculate trade averaged \$1.32 in 1975.