



**TRADE POLICY REVIEW**

REPORT BY

EGYPT

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Egypt is attached.

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## 1 EXECUTIVE SUMMARY

1.1. Egypt is firmly committed to the WTO and the multilateral trading system, to its rules frameworks and to its objectives, including those objectives that recognize that international economic relations in general—and specifically, *international trade*—are intended to raise standards of living and increase employment, as is enshrined in the *Marrakesh Agreement Establishing the World Trade Organization (WTO)*.

1.2. The primary economic policy objective by 2030 is to raise Egypt's real per capita Gross National Income (GNI) classification from the *lower-middle-income economy* grouping to the *higher-middle-income economy* grouping. This objective is unlikely to be realized without Egypt's deep and further engagement in international trade.

1.3. Rapid macroeconomic development in Egypt since 2005 was briefly interrupted by a rare transitory shock of popular socio-political transformation between 2011 and 2013, temporarily impeding the pace of economic growth. Since 2014, however, the economy has accelerated and exceeded the expectations of key observers, including the International Monetary Fund (IMF).

1.4. Aggressive economic reforms, including slashing subsidies, floating the national currency and massive national investment in infrastructure have all resulted in stimulating the economy. This has strengthened Egypt's capacity to serve as a major hub for the manufacture and export of medium-technology goods and to serve as a major location for the development and delivery of value-added services in a range of sectors.

1.5. Investment, entrepreneurship, industrial and trade policies are all structured to cohesively interact to produce a very welcoming business environment in Egypt, a market of over 100 million people, where consumer spending has increased by around 500% since 2005.

1.6. Egypt's near-term trade policy objectives seek to ensure that exports contribute to 25% of the annual GDP growth rate, that exports increase year-on-year by at least 10% and that the balance-of-trade deficit is reduced to 4% of GDP by 2030.

1.7. Tariffs constituted around 1% of Egypt's total revenues in 2016, reflecting one measure of Egypt's openness to international trade. Egypt's trade defense policy is to only access defense instruments as a last resort; indeed, Egypt has not filed any complaints within the WTO nor been a respondent on any dispute since 2011.

1.8. Egypt has notified 6 bilateral and regional arrangements since membership in 1995. National policy looks favourably upon bilateral and regional arrangements when they yield a net positive impact on world trade.

1.9. Other major developments since 2005 include a strengthening of the trade facilitation framework, the establishment of a system of Economic Courts, a Competition Authority and a National Food Safety Authority.

1.10. Egypt views the way forward for international trade and the WTO to currently be premised upon ensuring that Members do not reverse the cumulative gains made since 1995, regardless of the domestic pressures of neo-protectionism that some Members face.

## 2 EGYPT AND THE MULTILATERAL TRADING SYSTEM

2.1. With well over 160 Members and 22 Observers, the World Trade Organization (WTO) is the sole forum with a truly global mandate for organizing the modern multilateral trade system and its rules frameworks. Indeed, it is based on a worldwide system that Egypt has been a participant and member of since nearly three decades before the WTO's establishment in 1995 at the end of the Uruguay Round. Egypt's world trade story is much deeper and older than that, however.

2.2. The history of Egypt is all too synonymous with the vivid imagery of its well-known contributions to human civilization in a wide range of disciplines, but the true story of Egypt's history—of what made its contributions possible, is one of commerce: it is a story of world trade. From agriculture to finely-worked metals, from medical innovations to incense and oils, Ancient

Egyptians traded for millennia with their contemporaries throughout the Mediterranean, including Asia, Africa and Europe. World trade is not just a critical aspect of what made Egypt's past so glorious, it is a fundamental cornerstone of the sustainability of its future economic development.

2.3. In that context, Egypt is firmly committed to the WTO system, to its rules frameworks and to its objectives, including those objectives that recognize that international economic relations in general—and specifically, international trade—*“should be conducted with a view to raising standards of living, ensuring full employment ... and to enhance the means for doing so in a manner consistent with ... respective needs and concerns at different levels of economic development”*.<sup>1</sup>

2.4. As such, the spirit of Egypt's approach to the multilateral trading system is a comprehension that trade, like any dynamic relationship, is a constructive, forward-looking process. Its long-term success is premised upon the predictability of expectations by all parties to a transaction, the reliability of rules frameworks when expectations appear not to be met, and most of all, the development dividend that accrues from international trade—a dividend that, taken cumulatively, must necessarily transcend beyond the private parties most immediately engaged in the transaction itself, so as to resonate in the public domain.

2.5. Towards this end, and to introduce what is presented in this document, the Government of Egypt's (GoE's) National Economic Vision reflects these shared beliefs that are interconnected to the multilateral trade system. At its core, they are wholly aligned with the WTO Members' common vision that *raising standards of living and maximizing employment* are necessary goals, among many others. As a prelude to the GoE's trade policy framework, six areas of economic policy are highlighted in this document within the macroeconomic policy context, including investment policy, entrepreneurship policy, industrial policy, fiscal and monetary policy, among others. Next, the GoE's Trade Policy Framework is presented in greater depth, including national trade policy objectives, tariff policy, trade facilitation policy and policies on regional arrangements. Following this, a separate, specific section outlining trade-specific developments by the GoE since 2005 precedes a final section, which presents the GoE's vision on the way forward for the WTO and the multilateral trading system at a critical juncture in time.

### 3 NATIONAL ECONOMIC VISION

#### 3.1 National Development and Economic Growth Goals

3.1. The GoE's near-term national development and economic growth goals are enshrined in its 2030 Sustainable Development Strategy (2030 SDS).<sup>2</sup> The 2030 SDS is an integrated, holistic approach towards Egypt's near-term sustainable development. At the macro-level, the strategy is constructed around three key dimensions: (1) economic, (2) social and (3) environmental. While ambitious, the 2030 SDS has been carefully crafted to ensure the feasibility of an accelerated near-term development plan while reflecting the evolution of national socio-political and economic priorities since Egypt's most recent Trade Policy Review in 2005 and, more particularly, since 2011.

3.2. **The economic dimension of the 2030 SDS provides a clear vision and focus on a singular over-arching economic target by 2030: to raise Egypt's real per capita Gross National Income (GNI) classification from the lower-middle-income economy grouping to the higher-middle-income economy grouping.**<sup>3</sup> This objective reflects the GoE's current implementation of raising standards of living in Egypt, exactly as is also enshrined by WTO Members in the preamble of the Marrakesh Agreement Establishing the WTO.

3.3. The ambitiousness of this real per capita GNI target by 2030 is supported by the robustness of the GoE's unwavering political will. This political will is, in turn, reflected in a progressive policy mix that includes, among many other items, very large-scale national infrastructure projects across all of the major geographic regions of Egypt, an aggressively favourable posture towards the attraction of Foreign Direct Investment (FDI) and the considerable enhancement of a

<sup>1</sup> Preamble of the Marrakesh Agreement Establishing the World Trade Organization, 1994.

<sup>2</sup> In the original Arabic documentation, the '2030 SDS' is sometimes also alternatively referred to as 'Vision 2030' or as 'SDS Egypt 2030'.

<sup>3</sup> Classifications based on the World Bank's *Atlas* method.

regulatory and business environment favourable to stimulate and sustain three drivers of rapid economic development and employment, while maintaining an environmentally sustainable economic model: (a) high-skilled knowledge-based innovation, (b) entrepreneurship and (c) the high-value-added manufacturing of goods with projected long-term growth in export demand and global consumption.

3.4. Other specific targets of the national economic vision intended by 2030 include reducing public debt to 50% of GDP, to reduce the national budget deficit to no more than 5% of GDP, targeting at least a 7% average rate of economic growth, to reduce unemployment to no more than 5% of the workforce and to lower overall energy intensity by 2030 in Egypt by at least 14%.

3.5. Finally, with regards to the national economic vision, a proactive performance monitoring system with a high frequency of periodic reporting at the highest levels of government is intended to ensure that the vision is realized. The spirit of national expectations arising from socioeconomic developments in Egypt since 2011 is embedded within the mechanics of how the vision will be achieved, with a focus on using indicators that help make certain that genuine economic inclusiveness occurs tangibly, in line with the social justice objective of the 2030 SDS. This approach will help ensure that a higher real per capita GNI is more adequately distributed among the many—precisely so that it does not concentrate the net increase in income differentials among just a few.

## 3.2 Macroeconomic Overview

3.6. Egypt's macroeconomic development since 2005 is best understood as a continuous upward trajectory of relatively fast-paced economic growth, driven by progressive economic policies and phased reforms, but briefly interrupted by a rare transitory shock of popular socio-political transformation that temporarily impeded economic activity (reflecting the period 2011-2013). The latter period marked, in 2013, the end of an era of asymmetric distributions of the gains from economic growth and the start of a new era and approach, as is evidenced by the social justice formula embedded within the 2030 SDS.

3.7. Viewed in this manner, Egypt's macroeconomic development during undisturbed periods (reflecting the vast majority of time) since 2005 has averaged a real Gross Domestic Product (GDP) growth rate of over 5.6% through 2016<sup>4</sup>, placing it among the top 10 fastest-growing large-population economies worldwide<sup>5</sup> over the period 2005-2016. Egypt also exceeded the International Monetary Fund's (IMF's) 2016/2017 GDP growth estimate by 20%.<sup>6</sup> The GoE outlook for the period 2020-2024 is an average real GDP growth rate in the 5%-6% range.

3.8. Relatively diversified, the main components of Egypt's productive GDP are services, manufacturing and agriculture, which respectively accounted for 55.3%, 17.1% and 11.9% of GDP in 2015/2016.<sup>7</sup> Within the services sector, *retail distribution* (including *food and beverages establishments*) as well as *real estate services* have led growth by a substantial margin, underlining the phenomenal five-fold increase in the total financial value of consumer spending in Egypt since 2005. This is driven (in part) by the growth in Egypt's population by over 30% since 2005<sup>8</sup> and the gradual (but consistent) increase in the purchasing power of its growing middle class over the same time period, creating one of the largest consumer markets in the Middle East North Africa (MENA) region.

3.9. Most key economic indicators suggest that the more challenging impacts of Egypt's recent socio-political transformation phase between 2011 and 2013 are over, although there remains a lag in unemployment which peaked at 12.8% in 2015, revealing a weakening in the job markets

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<sup>4</sup> Excluding the brief period of economic shock during 2011-2013.

<sup>5</sup> Economies with a population greater than 75 million persons since 2005.

<sup>6</sup> International Monetary Fund (IMF), 27 September, 2017.

<sup>7</sup> Central Bank of Egypt (CBE), 2017.

<sup>8</sup> In 2017, Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS) published figures showing that globally, Egypt's population surpassed 100 million in 2017, with just under 95 million residing (geographically) within Egypt's territorial boundaries.

since unemployment stood at 11.2% in 2005.<sup>9</sup> On the other hand, this has contributed to wages remaining relatively competitive in global terms through 2017, particularly for semi-skilled labour.

3.10. At the sectoral level, tourism remains among the slowest of the key sectors to recover from the socio-political transformation phase of 2011-2013. Both *per capita* spending by visitors as well as the number of visitors declined sharply, from peaks in 2010 of \$938 spent per visitor by around 14.5 million visitors, to 2015 figures of \$742 spent per visitor by around 9.3 million visitors. The decline in *per capita* spending can be attributed to a range of factors, however, including more competitive pricing models in the hospitality sector (relative to previous periods). When new investments that are being made in both the history tourism and seaside resort tourism sub-sectors are taken into consideration (especially for the new National Museum within proximity of the Pyramids of Giza and an adjacent airport, among others), overall tourism remains a projected strong growth sector over the coming decade.

### 3.3 Investment Policy

3.11. The GoE's overall, long-term national investment policy looks beyond the 2030 SDS and is multi-dimensional; it is aimed at creating a competitive environment that, in the long-term, can attract and incubate the research, design, development, production and delivery of goods and services that will drive the global economy in 2050 and beyond.

3.12. As such, it is sequenced along a trajectory that includes factors such as balanced geographical coverage (to both strengthen underdeveloped areas as well as to reflect the legacy clustering of specific labour skill-sets in certain geographic areas), investment in infrastructure that yields positive economic network effects (based on sensitivity analyses for optimal economic returns), investment in the development of industrial capacity in sectors with downstream diversification and knowledge dissemination effects and, finally, investment in educational opportunities indexed to disciplines and sub-disciplines which are likely to contribute to technological and process-based disruptive advances in consumer behaviour and business models beyond 2030.

**3.13. The GoE's near-term national investment policy revolves around stimulating infrastructure and productive investment** as the primary instruments of driving macro-economic growth and employment creation through 2030.

3.14. Within the context of the near-term 2030 SDS, therefore, Egypt has taken a very robust approach to investment, both in terms of public and private investment. Government spending on very large-scale national infrastructure projects has been a hallmark of Egypt's economic revitalization since 2014. In parallel, the encouragement of private investment (and public-private partnerships) by both domestic and international parties, in agriculture, construction, energy infrastructure, transport and logistics (including the Suez Canal expansion project, roads and railways, airports and seaports) and oil and gas has been advanced as part of the 2030 SDS.

3.15. Complementing this effort, and to further accelerate the practical aspects of stimulating investment (sourced both domestically and internationally), a series of regulatory packages have been put into force between 2015 and 2017<sup>10</sup>, including a new Investment Law<sup>11</sup> that replaced previous legislation.<sup>12</sup> The new law guarantees reciprocal national treatment, consolidates several procedural elements involved in the application process for various licenses, including using e-systems, further empowers key institutions to provide the full panoply of required services in a single location supported by Investors' Service Centers (ISCs) and within pre-defined time limits for several processes, institutionalizes and strengthens dispute resolution systems and considerably improves the facilitation of temporary residency documentation for non-Egyptians attached to entities licensed under the new investment legislation.

3.16. Shortly after implementation of some elements of the 2030 SDS' investment strategy, and even before new legislation was passed and entered into force, Egypt received US\$8.1 billion in

<sup>9</sup> CBE.

<sup>10</sup> These include elements of Presidential Decree 17 of 2015.

<sup>11</sup> Law 72 of 2017 (the Investment Law) and its Executive Regulations, as administered by the Ministry of Investment and International Cooperation (MIIC).

<sup>12</sup> Law 8 of 1997.

Foreign Direct Investment (FDI) during 2016, a 17.1% increase on the prior year, making it the second-ranked recipient of FDI in 2016 in Africa.<sup>13</sup>

### 3.4 Entrepreneurship Policy

3.17. Following on from the over-arching aspects of the national investment policy, **Egypt's National Entrepreneurship Policy seeks to provide mechanisms and modalities to encourage and capture global and local private investment**, including investment that has not yet been capitalized, is not necessarily capital-intensive or may not be easily categorized using traditional business models. The primary function of Egypt's entrepreneurship policy, therefore, is to encourage all scales of value-adding business operations while preventing market failures from foreclosing innovation opportunities, employment-creation opportunities, the formalization of new or existing micro or small-scale economic activity or the expansion and scaling-up of existing small and medium-sized enterprises.

3.18. To implement this policy, different key institutions within the GoE have each put in place complementary programs to build a nested framework of supporting interventions for entrepreneurship, Micro, Small and Medium Enterprises (MSMEs) and larger-scale or traditional industrial operations.

3.19. At the horizontal level, the GoE established the MSME Development Agency as a quasi-governmental body, with a mandate to lead national MSME policymaking, to provide low-cost technical support, including capacity-building, sectoral guidance, financial assistance and access to soft credit, including to facilitate access to more comprehensive business development services available in the private sector through more lenient payment terms. For larger-scale or traditional industrial operations, the Industrial Development Authority (IDA) provides specialized support services and a single clearinghouse for all industry-related licensing procedures. All of these services through the MSME Development Agency and the IDA are accessible to firms legally established in Egypt irrespective of the national origin of shareholders or controlling interest.

3.20. The Central Bank of Egypt (CBE) has also allocated a facility of LE 200 billion between 2016 and 2021 for onward lending to banks licensed in Egypt with a two-tier structure of soft credit terms accessible only to MSMEs to support entrepreneurship and MSME economic activity. Incentives are also in place to encourage banks to allocate up to 20% of their lending portfolio to entrepreneurship and MSMEs.<sup>14</sup>

3.21. The Ministry of Trade and Industry (MTI) has also put in place special rules aimed at facilitating the access of MSMEs to simplified industrial licensing processes through the IDA that are tailored for smaller operations, while the Ministry of Investment and International Cooperation (MIIC) provides support for MSME incorporation services at multiple regional outreach centers throughout Egypt. All national institutions are required to provide special assistance to facilitate support for entrepreneurship and MSME assistance sought by women, youth and the physically-challenged.

### 3.5 Industrial Policy

3.22. The GoE's long-term Industrial Policy seeks to pull Egypt further downstream along the curve of value-added manufacturing at an accelerated pace.

3.23. Within the context of the 2030 SDS, **near-term industrial policy seeks to (1) make Egypt a leading industrial economy in the MENA region and the primary export base for medium-technology industrial goods by 2025, (2) to foster an environment of innovation that can facilitate industrial research and development, (3) to leverage energy efficiency within production processes as an instrument to enhance national competitiveness and**

<sup>13</sup> United Nations Conference on Trade and Development (UNCTAD) World Investment Report, 2017.

<sup>14</sup> CBE, 2017. Lending rate tiers are determined by the average annual turnover of applicant firms, with more favourable terms available to smaller establishments. Loan tenors are medium-term, ranging between 5 and 7 years.



**(4) to more rapidly acquire greater technical know-how and engage a higher proportion of semi-skilled labour in the industrial sector.**<sup>15</sup>

3.24. To translate this near-term policy into measurable objectives, the MTI has put in place a series of five-year *Trade and Industrial Development Strategies*, with the current cycle (2016-2020) focused on five key objectives by 2020: (1) *Industrial Development*—to increase the annual industrial growth rate to 8% and the contribution of industrial activity to GDP to 21%, (2) *Export Development and Competitiveness*—to raise the annual rate of export growth to 10%, (3) *MSME Development*—to increase the contribution of MSMEs and the private sector to GDP by 10%, (4) *Technical and Vocational Labour Development and Integration*—to stimulate the creation of at least 3 million new job opportunities with a living wage and (5) *Business Climate Continuous Improvement*—to further improve the regulatory environment for business while advancing institutional development.<sup>16</sup>

3.25. In line with the 2030 SDS, the GoE's near-term industrial vision maintains a heavy focus on green initiatives and environmental sustainability. This includes a shift towards eco-friendly industrial parks, growth of the Green Economy and a gradual regulatory move towards the application of more protective environmental standards and rules within the context of energy efficiency, manufacturing processes and the efficient functionality of industrial goods.

3.26. Through the IDA, the MTI has very aggressively consolidated systems and streamlined the procedures for industrial license issuances, reducing the entire process from stretching over 600 days in 2005 to under 7 days in 2017 for over 80% of applications, with no application requiring more than 30 days to process in all cases. The pace of allocating industrial real estate for manufacturing purposes has also been rapidly accelerated since 2005, alongside the deployment of an Industrial Map system which facilitates investor's comprehension of the GoE's priority geographical zones under its spatial industrial policy, where investment and industrial incentives are more enhanced so as to ensure a more inclusive economy in regions where greater investment is needed.

3.27. Early results<sup>17</sup> of these policies have resulted in the industrial sector capturing the majority of investment capital during 2016/2017, the industrial production growth rate peaking at 33% during 2017 (a global high) and a 17% improvement in the balance of trade between 2015 and 2017.

### 3.6 Energy Policy

**3.28. In line with overall national economic policy under the 2030 SDS, Egypt is in the process of comprehensively reforming the energy sector (including petroleum, gas and electricity), with a view towards increasing energy security by improving efficiency, improving the overall economic model and substantially increasing the share of renewables in the energy mix. The strategy also aims to reduce greenhouse gas emissions generated by the sector by 10% and energy intensity by 14%, both by 2030.** The objective is to ensure an uninterrupted, cost-efficient and environmentally-conscious supply of energy products to both businesses and households with a net energy surplus.

3.29. Already, the elimination of a range of energy subsidies has served to launch the modernization of the economic model and unlock investment opportunities, while new investment in infrastructure (particularly in natural gas, electricity and nuclear) and regulatory reforms to stimulate investment in the renewable energy sub-sector have served to implement the policy, including through the establishment of the Egypt's *National Renewable Energy Authority (NREA)*.<sup>18</sup> Sustainable and environmentally-friendly technologies and approaches are an integral aspect of the policy.

3.30. A new regulatory framework for electricity which further opens-up the power generation and distribution markets has been in place since 2016; it allows contracts with durations of up to 25

<sup>15</sup> MTI, 2016.

<sup>16</sup> Ibid.

<sup>17</sup> As of 2017.

<sup>18</sup> In 2014, Egypt also restructured the Ministry of Electricity and Energy into the Ministry of Electricity and Renewable Energy (MERE).



years for special *feed-in tariffs with both the private sector and public-private partnerships*.<sup>19</sup> This has stimulated the launch of substantial investment in the renewable energy sector.

3.31. Similarly, the new regulatory framework for the natural gas sub-sector serves to establish a rules framework for the sub-sector to both ensure uninterrupted supplies as well as to strengthen consumer protection. It has also enhanced the investment climate by creating a more transparent marketplace, regulating the competition elements of gas networks that are also essential facilities and improving safety.<sup>20</sup>

### 3.7 Fiscal and Monetary Policy

3.32. Overall, **the GoE's fiscal policy in the current period seeks to dramatically reduce the budget deficit**. This is being achieved by reducing expenditures on non-productive activities, while simultaneously enhancing the value of the tax base through the stimulation of productive investment (to expand the tax base) and improved tax collection systems (particularly the full implementation of the Value-Added Tax [VAT] system). **The GoE's monetary policy in the current period is primarily focused on inflation-targeting**, having shifted away from currency support after the floatation of the currency in 2016 allows the exchange rate mechanism to function in a capacity that better shields the domestic economy from exogenous shocks.

3.33. The fiscal policy's key modalities of expenditure reduction involve a shift to a more focused social safety net model that uses targeted transfer payments and downstream support to reach underprivileged citizens (within the welfare context) at the user-level, rather than less-focused upstream subsidies that less-efficiently reached a wider base than the intended target.

3.34. In terms of monetary policy, the major liberalization of the national currency (the Egyptian Pound [EGP] or Livre Egyptienne [L.E.]) in 2016 with regards to foreign exchange rates has been tentatively challenging for consumers, with an expected spike in real inflation throughout 2017, but price stability is forecast during 2018 with an expected substantial decline in inflationary pressures as monetary policy has tightened. This has had the secondary effect of increasing the competitiveness of Egyptian exports of both goods and services as well as of inward investment opportunities; although this is only one dimension of overall competitiveness. Finally, near-term monetary policy aims to bring inflation below 10% before the end of 2018.<sup>21</sup>

3.35. Several international financial institutions, including the International Monetary Fund (IMF) have praised Egypt's national economic program and endorsed the fiscal and monetary policy dimensions of the program in 2016. In parallel, the IMF completed in November, 2017, a positive 2017 Article IV Consultation Process and Second Review Mission to Egypt relevant to the Extended Fund Facility currently in place.<sup>22</sup>

## 4 TRADE POLICY FRAMEWORK

### 4.1 Trade Policy Objectives

4.1. Egypt's overall long-term trade policy is to further integrate deeply into the multilateral trade system as an indispensable hub for the innovation, manufacture and export of high-technology value-added goods, as well as a regional leader for the development, provision and distribution of highly-skill-based services across all four modes of delivery.

4.2. Within the context of the 2030 SDS, Egypt's near-term trade policy objectives seek to ensure that exports contribute to 25% of the annual GDP growth rate, that exports increase year-on-year by at least 10% and that the balance-of-trade deficit is reduced to 4% of GDP by 2030.

4.3. To support export growth, the GoE has established (under the auspices of the MTI) a new national trade promotion organization, the Export Development Agency (EDA). In addition to the traditional functions of a trade promotion organization, the EDA will also be directly involved in

<sup>19</sup> Law 87 of 2015 is a part of the new regulatory framework.

<sup>20</sup> Law 148 of 2017.

<sup>21</sup> CBE, 2017.

<sup>22</sup> IMF, 2017.

working with the private sector to identify target areas for regulatory reform, including streamlining import and export procedures as well as establishing modalities to ensure a higher level of private sector know-how, with regards to market information, technical requirements and conformity assessment.

## 4.2 Tariff Policy

4.4. The GoE's long-term tariff policy is to establish an environment where tariffs do not create obstacles to consumer choice. In that context, in 2017, tariffs reflected around 1% of fiscal revenues and will, over the long-run, likely gradually decline further in terms of fiscal importance.<sup>23</sup>

## 4.3 Trade Facilitation

4.5. Egypt's trade policy reflects a commitment to the continuous improvement of trade facilitation processes, including through the use of new technologies as they become available.

4.6. This commitment to improve trade facilitation was most recently reflected in its ratification of the WTO Trade Facilitation Agreement (TFA) earlier in 2017. The TFA has been transposed into national law.<sup>24</sup>

4.7. A new WTO Enquiry Point has been established in support of the newer WTO arrangements that include the TFA. The GoE has also activated a Single Administrative Document (SAD) system for import and export processes in this context.<sup>25</sup> The introduction of the SAD system was carried out in 2017 to continue improving trade facilitation processes, with a special emphasis on digital modalities to reduce costs and time for all parties to a transaction. This is a preliminary step towards the eventual implementation of an electronic single-window system.

4.8. Extensive capacity-building efforts and investments in strengthening the Risk Management systems at Egypt's border conformity assessment body<sup>26</sup> between 2005 and 2016 have resulted in dramatic improvements to processing times for several border clearance processes. Similar capacity-building and investment efforts at the Egyptian Customs Authority between 2006 and 2012 have also resulted in considerably faster processing times.

4.9. Furthermore, the GoE reduced the number of documents required for import and export procedures in 2015.<sup>27</sup> An additional streamlining process was implemented in 2016.<sup>28</sup>

4.10. *The World Bank's 2017 Doing Business Indicators* (for Trading Across Borders) captured the initial impact of these cumulative trade facilitation improvements, where the number of documents required to implement an import transaction into Egypt was reduced from 11 documents in 2016 to 6 documents in 2017. Similarly, the number of documents required to execute an export transaction declined from 9 documents in 2016 to 5 documents in 2017.

4.11. In line with Egypt's policy of continuous improvement in trade facilitation, the GoE is currently preparing to finalize new rules before 2019 that would reduce the number of documents required to carry out import or export transactions to be not more than 3 in total.

## 4.4 Trade Defense Policy

4.12. 3.4.1 Egypt maintains a policy of evaluating trade defense contexts in full compliance with the relevant frameworks within the WTO's covered agreements. Trade defense processes are considered by Egypt as a costly modality of addressing unfair trade practices or other instances where sovereign economic rights are compromised. As a matter of policy, therefore, the use of trade defense processes and instruments is only considered as a last resort, after all other options

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<sup>23</sup> Ministry of Finance, 2017.

<sup>24</sup> Presidential Decree 149 of 2017.

<sup>25</sup> Ministry of Finance Decree 40 of 2017.

<sup>26</sup> The General Organization for Export and Import Control (GOEIC).

<sup>27</sup> Ministry of Finance Decree 256 of 2015.

<sup>28</sup> Prime Ministerial Decree 545 of 2016.

are exhausted between relevant parties, and only in full compliance with the relevant WTO rules frameworks.

4.13. With regards to the WTO Dispute Settlement Body (DSB), Egypt has participated in eleven (11) WTO disputes since 1995 as a third party, and has neither filed any complaints nor been a respondent to any dispute since 2011.

4.14. As is customary, Egypt has continuously notified the WTO on a timely basis wherever required, on matters involving Trade Defense.

#### **4.5 Regional and Bilateral Arrangements**

4.15. Egypt maintains a policy of proactive engagement in both regional and bilateral dialogues on special trade arrangements, both for existing and notified arrangements, as well as potential new arrangements. In each case, the GoE's policy is to examine the net economic impact from its participation in such arrangements before initiating deeper discussions, with an impact analysis carried out not just for direct Egyptian interests, but also for the interests of other existing trade partners, in terms of how any new arrangement might impact the dynamics of their existing trade relationships with Egypt. Foremost in the GoE's analytical approach is legal compliance with relevant WTO rules on such arrangements<sup>29</sup>, in addition to an assessment of if there will be an overall net increase in global trade that accrues from the new arrangement.

4.16. Currently, Egypt is playing a leading role in both the *Tri-Partite* and *Continental Free Trade Area (CFTA)* negotiations processes in Africa, as well as deepening the *Common Market for Eastern and Southern Africa (COMESA)* arrangement. Efforts towards African economic integration remain a very high political and economic long-term priority for Egypt. Similarly, Egypt remains active in deepening the *Greater Arab Free Trade Area (GAFTA)*, and to conduct exploratory dialogues with both the *European Union (EU)* and the *European Free Trade Area (EFTA)* on further strengthening trade relations within the context of regional arrangements.

4.17. In parallel, Egypt is exploring new trade dialogues with trade partners in Asia, while working to start utilizing the arrangements reached with the *Mercado Común del Sur (Mercosur)* by helping to promote business-to-business (B2B) trade relationships on both sides of the arrangement once it enters into force.

4.18. Egypt continues to maintain a bilateral trade arrangement with Turkey.

4.19. Egypt has notified the WTO of six (6) regional and bilateral arrangements in this context.

## **5 TRADE POLICY DEVELOPMENTS SINCE 2005**

### **5.1 Standards, Technical Regulations and Conformity Assessment**

5.1. Since 2005, Egypt has continued to play an active role on the multilateral stage with regards to the alignment of its overall approach to a national quality infrastructure system in a manner consistent with key international arrangements.

5.2. In the period since 2005, the Egyptian Accreditation Council (EGAC) has become a full member of the *International Laboratory Accreditation Cooperation (ILAC)* and the *International Accreditation Forum (IAF)*.<sup>30</sup>

### **5.2 Sanitary and Phytosanitary (SPS) Matters**

5.3. Egypt's policy on SPS matters since 2005 has not changed since the launch of the WTO. The policy has been to invest in the alignment and harmonization of its SPS rules, requirements and methodologies with prevailing international standards, guidelines and recommendations. Primarily, these are developed or agreed within the *Codex Alimentarius Commission* regarding matters of

<sup>29</sup> Such as Article XXIV GATT (1947) and Article V GATS.

<sup>30</sup> EGAC has also been a longstanding member of both *Arab Accreditation (ARAC)* and *African Accreditation Cooperation (AFRAC)*.

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food safety, the *International Office of Epizootics* regarding matters of animal health and the *International Plant Protection Convention*.

5.4. Within that context, the GoE has worked extensively since 2005 to bring together all of the different national bodies involved in matters of food safety in particular, into a single agency. This has finally resulted in the statutory establishment in 2017 of Egypt's *National Food Safety Authority (NFSA)*, a body which is under transitional functionality in 2017 and which will be fully functional by 2019.<sup>31</sup>

5.5. In 2007, Egypt strengthened the transparency requirement for rapidly notifying all SPS and technical regulations both domestically and internationally.<sup>32</sup>

### 5.3 Trade and Agriculture

5.6. Agriculture, although slightly overtaken by manufacturing and services since 2005 in terms of its share of the GDP, remains a strategically critical pillar of the Egyptian economy<sup>33</sup> and a major employer.<sup>34</sup>

5.7. As such, agriculture is a major focus of policy attention in Egypt both before and after 2005. In 2009, the GoE launched its *Sustainable Agriculture Development Strategy 2030 (SADS 2030)*, which focuses on (a) the sustainable use of natural agricultural resources, (b) increasing land and water-use productivity, (c) increasing food security in strategic commodity groups, (d) strengthening agricultural products' competitiveness, (e) improving the climate for agricultural investment and (f) poverty alleviation in rural areas.

5.8. GoE support to agriculture is focused primarily on non-product-specific technical agricultural extension service support, including with irrigation and drainage management processes.

5.9. All 728 (100%) of Egypt's agriculture tariff lines are bound, with only 14 *ad valorem* tariff lines.

5.10. There are no tariff quotas or import restrictions applied on agricultural products, with the exception of WTO-compliant SPS requirements.

### 5.4 Trade and Competition

5.11. Since 2005, the nexus between 'trade' and 'competition' (regarding unfair trade practices) is coordinated between the Ministry of Trade and Industry and the Egyptian Competition Authority (ECA).<sup>35</sup>

### 5.5 Trade and Consumer Protection

5.12. Some types of unfair trade practices fall under the aegis of 'consumer protection', and in this context, there has also been a trade policy-related development since 2005 with the establishment of Egypt's Consumer Protection Agency (ECPA).<sup>36</sup>

### 5.6 Trade-Related Environmental Matters

5.13. Egypt continues to be an active and engaged participant in the preservation of the environment at the multilateral, regional and bilateral level, committed to international efforts to strengthen environmentally-sustainable policies in all areas, including those which are trade-related.

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<sup>31</sup> As established by Act of Parliament in Law 1 of 2017.

<sup>32</sup> As per Prime Ministerial Decree 2489 of 2007.

<sup>33</sup> 11.9% of GDP in 2015/2016.

<sup>34</sup> 2015 estimates for employment in this sector in Egypt are around 7 million persons.

<sup>35</sup> The ECA was established by Law 3 of 2005.

<sup>36</sup> As per Law 67 of 2006.

5.14. Since 2005, in the areas of climate change, Egypt has ratified and implemented the Kyoto Protocol and signed the *Paris Agreement*.<sup>37</sup>

5.15. With reference to nature conservation, since 2005, Egypt has ratified the *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization*.<sup>38</sup>

## 5.7 Trade-Related Aspects of Intellectual Property Rights

5.16. Since 2005, the GoE's enforcement and management of matters falling under the ambit of the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement is organized by an interlocking set of bodies that include the GoE IPR Contact Point, the Ministry of Trade and Industry, the Ministry of Interior, the Ministry of Finance (specifically, the Egyptian Customs Authority) and the Ministry of Communications and Information Technology's Information Technology Industry Development Agency (ITIDA). Together, these bodies coordinate the vigilant implementation of Egypt's relevant legal regimes that protect Intellectual Property Rights (IPRs), including software, media, counterfeit goods and other infringements of IPRs, including cybercrimes.<sup>39</sup> Egypt's IPR policy requires the GoE to continuously engage in relevant international dialogues.

5.17. Since 2005, the GoE has stepped-up efforts to train and inform the business community, particularly MSMEs, on the importance of respecting IPR rules and the legal consequences of a failure to do so.

5.18. Between 2011 and 2017, the GoE's IPR Contact Point processed over 2,200 complaints, with the overwhelming majority related to copyright infringement.

5.19. In 2008, Egypt established a system of specialized Economic Courts, which handle cases of a predominantly economic or commercial nature, including both civil and criminal matters related to Intellectual Property Rights (IPRs).<sup>40</sup>

5.20. In 2009, Egypt (which was one of the first 15 members of the *Madrid System for the International Registration of Marks*), acceded to and put into force the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks*.<sup>41</sup>

5.21. In 2015, the Council of the *International Union for the Protection of New Varieties of Plants (UPOV)* rendered a positive decision regarding Egypt's draft amendments to its IPR legislation, paving the way for Egypt to take the necessary steps to accede to the UPOV Convention.<sup>42</sup>

5.22. The Protocol Amending the TRIPS Agreement entered into force in Egypt in January, 2017.<sup>43</sup>

## 5.8 Developments in Services Sectors

5.23. Since 2005, there are no new developments related to Egypt's scheduled commitments under the *General Agreement on Trade in Services (GATS)* in the services sectors. Egypt has, however, submitted a revised conditional offer in the context of the Doha Development Agenda (DDA) framework. Highlights of salient developments with a trade-relevant dimension are identified in below only for sectors and sub-sectors for which there are substantial developments.

5.24. **Financial Services:** The share of foreign banks in Egypt (foreign-controlled and branches of foreign banks) has risen from 15.4% in 2005 to 27% in 2015.

<sup>37</sup> Egypt's Ministry of the Environment, 2017.

<sup>38</sup> Ibid.

<sup>39</sup> Law 82 of 2002 and its relevant Executive Regulations, all as amended.

<sup>40</sup> Ministry of Justice, 2010.

<sup>41</sup> World Intellectual Property Organization (WIPO), 2017.

<sup>42</sup> International Union for the Protection of New Varieties of Plants (UPOV), 27 March, 2015. The draft amendments were made to 'Book 4: Plant Variety Protection' of the Law 82 of 2002 (the IPR Law).

<sup>43</sup> Egypt had submitted its acceptance of the Protocol in 2008. Pursuant to paragraph 3 of Article X of the *Marrakesh Agreement Establishing the WTO*, two-thirds of the Members must accept the amendments before they may enter into force.

5.25. **Logistics:** Considerable investment has been made since 2005 to develop the Suez Canal Economic Zone (SCEZ), and in particular, for logistics, including port-related logistics, warehousing, distribution and an array of other services. Foreign investment into the SCEZ is considerable with regards to logistics, especially since 2015.

5.26. **Telecommunications:** Since 2005, Egypt has issued several licenses for both third (3G) and fourth (4G) generation network bandwidths to both domestic and foreign operators.

5.27. **Transport:** Since 2005, there has been extensive investment in and development of the road transport infrastructure, increasing the national network of paved roads by thousands of kilometres. This has paved the way for increasing trade, both with neighbouring countries as well as internally, to ports and airports, therefore strengthening the export model. A new regulatory framework governing road transport was promulgated in 2012.

## 6 EGYPT AND THE WAY FORWARD FOR THE WORLD TRADE ORGANIZATION (WTO)

6.1. Egypt takes this opportunity to re-affirm its commitment to the WTO and the importance of its role in safeguarding the multilateral trade system.

6.2. In that context, Egypt views current challenges to the multilateral trading system, particularly from the pendulum of trade policies that swing between neo-protectionism and trade liberalization, as one which should not be ignored by WTO Members.

6.3. A reasoned approach by WTO Members will allow for a meaningful stock-taking of the sources of national pressures that drive the popularity of such policies, against a serious assessment of the benefits of not reversing the gains already made in the multilateral trade system. It is important to collectively invest in the research and analysis necessary to distinguish between the illusion of potential gains from neo-protectionism and its costs, especially when such policies are driven by popular arguments rather than those of a robust empirical analysis.

6.4. On the other hand, for developing economies (and especially peer WTO Members in Africa), the importance of recognizing the developmental interests of these economies cannot be overstated. The continued reliance on extractive industries, rather than processing or value-added activities, can only be altered through greater meaningful market access to developed economies, while recognizing that a greater degree of protecting their domestic markets is a reality of the preconditions necessary for their long-term capacity to benefit from the current multilateral trade system.

6.5. While the dual challenge of balancing demands for *neo-protectionism* against *demands for greater market access* is perennial and nothing new, the manner in which these challenges are currently manifesting themselves, however, has not occurred since the 1930s—the ensuing effects of these global policy mismatches was not lost upon the original Contracting Parties to the *General Agreement on Tariffs and Trade (GATT)* in 1947. Egypt hopes that it will not be lost upon WTO Members today.

6.6. Egypt continues to be a pro-active participant in each WTO Ministerial since the organization's establishment, and has continuously looked favourably upon its ever-expanding Membership. In that regard, no territory that seeks to observe or accede to the WTO system should be denied the opportunity to engage in such a process, if the WTO is to be inclusive and as expansive as originally intended.

6.7. In its capacity as an individual WTO Member and a member of various groupings including the *African Group*, Egypt has also been actively engaged in the consultations and negotiations on a variety of matters, to ensure the adoption of the *Protocol of Amendment to the Trade Facilitation Agreement into Annex 1A of the WTO Agreement*, as well as the decision on Public Stockholding for Food Security purposes in 2014.

6.8. At the 10th WTO Ministerial Conference held in Nairobi, 2015, Egypt played (together with its trading partners) an important role towards ensuring that the needs of Net Food Importing Developing Countries (NFIDCs) and Least Developed Countries (LDCs) were adequately addressed in the adopted Ministerial Decisions on Agriculture.

6.9. Egypt strongly believes, however, that there is still much more to be done in addressing the needs and interests of NFIDCs in order to enhance their food security and agricultural productivity in line with the *Marrakesh Decision* in this regard.

6.10. Furthermore, enhancing special and differential treatment for developing countries, as per *Paragraph 44 of the Doha Ministerial Declaration* and allowing for the appropriate policy space for developing countries to pursue their long-term developmental objectives (on matters such as trade in services, trade facilitation and so forth) is vital to ensure their smooth integration into the world economy.

6.11. Looking ahead, Egypt remains committed to continue work with its trading partners towards a strengthened multilateral trading system that remains resilient to the changes of the global economy, while maintaining the special needs of developing and least developed members.

6.12. Egypt attaches great importance to successfully concluding the legacy of the agenda agreed in Doha, while strengthening the technical capacities of developing and least developed countries in new areas of dialogue before new negotiations, so as to reduce the risk that insufficient technical competences may impede the pace or degree of progress at the multilateral level.

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