BUSINESS CLIMATE DEVELOPMENT STRATEGY

Phase 1 Policy Assessment

EGYPT

DIMENSION I-4

Trade Policy and Facilitation

July 2010

Partner: European Commission

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Boxes

LIST OF ACRONYMS

CA	Customs Authority
EBED	Egyptian Bank for Exports Development
ECAPQ	Egyptian Central Administration of Plant Quarantine
ECS	Egyptian Commercial Service
ECs	Export Councils
EDF	Export Development Fund
EEPC	Egyptian Export Promotion Center
EEP-TBT	Egyptian Enquiry Point for TBT Agreement
EGAC	Egyptian Accreditation Council
EITP	Egyptian International Trade Point
EJB	Egyptian Junior Business Association
ENCC	Egyptian National Competitiveness Council
EOS	Egyptian Organisation for Standardisation and Quality
EP/NNA	Enquiry Point/ National Notification Authority
Expolink	Egyptian Exporters Association
FedCoC	Federation of Egyptian Chambers of Commerce
FEI	Federation of Egyptian Industries
FTC	Foreign Trade Council
FTS	Foreign Trade Sector
FTTC	Foreign Trade Training Centre
GOEIC	General Organisation for Export and Import Control
GOIEF	General Organisation for International Exhibition and Fairs
GOVS	General Organisation for Veterinary Services
ICA	Industrial Control Authority
IDA	Industrial Development Authority
IDSC	Information and Decision Support Center
ILAC	International Laboratory Accreditation Cooperation
IMC	Industrial Modernisation Center
IPPC	International Plant Protection Convention
MCC	Modern Custom Centres
MCIT	Ministry of Communication and Information Technology
MOALR	Ministry of Agriculture and Land Reclamation
MOE	Ministry of Environment
MOF	Ministry of Finance
MOH	Ministry of Health
MOHESR	Ministry of Higher Education and Scientific Research
MOI	Ministry of Investment
MOT	Ministry of Transportation
MTI	Ministry of Trade and Industry
NCM	Notification Coordination Mechanism
NCN	High National Committee for Negotiations
NFPFTF	National Focal Point For Trade Facilitation

NLAB	Egyptian National Laboratories Accreditation Bureau
TAS	Trade Agreements Sector
TDW	Trade Data Warehouse
TPAU	The Trade Policy Analysis Unit

EXECUTIVE SUMMARY

Trade policy plays an important role in attracting more and better quality investment. It affects both domestic and foreign businesses, facilitating their integration into global supply chains, and helping boost productivity and rates of return. It is therefore critical to a country's business climate. An open and effective trade policy in itself is important, but even more so are its impact on the business climate and its ability to attract more investments. Four main areas of Egypt's trade policy were assessed:

- trade policy formulation and evaluation,
- trade liberalisation and trade openness,
- non-tariff barriers,
- pro-active trade policy.

Trade has played a significant role in Egypt's economic development. Exports of goods and services have been a motor for economic growth, and export-led growth was a key factor in the economic recovery which took place between 2004 and 2008. The results of the assessment indicate that Egypt has achieved substantive reforms in almost all areas of trade policy affecting its business climate. However, to bring it up to the next level of excellence, Egypt must tackle some remaining challenges, particularly in areas such as sanitary and phytosanitary measures, export promotion, public-private consultation, and monitoring and evaluation.

Achievements in Trade Policy and Facilitation

Foreign trade has increased relative to GDP as tariffs have been lowered

Egypt has considerably liberalised its economy and opened it up to foreign trade. It has expanded its network of regional and bilateral trade agreements and protocols with its main trading partners, the EU and the US. Foreign trade (exports and imports) has increased from just over 30% of GDP in 2003-4 to 56.9% in 2008-9. The signing of regional trade agreements has led to rising trade with neighbouring Arab countries in the last decade. Indeed, in 2008-9, Arab countries represented an 11.4% share of Egypt's total trade, up from 8.9% in 2003-4 and 5.3% in 2000-1.

Egypt is implementing its WTO commitments and has been a leading negotiator in the Doha Round. It has cut custom duties as well as a multitude of different charges and levies and numerous tariff schedules. It has reduced its tariff rates on several imported items, including capital goods, which brought down the average weighted tariff rate from 21% in 1997 to 5.5% in 2009, with an average tariff rate of 5% on capital goods.

Top-level political commitment drives co-ordination with regard to trade policies

Political commitment at the highest level has supported and strengthened institutional co-ordination mechanisms. Ministerial committees, like the Ministerial Economic Policies Committee, have been formed to co-ordinate trade policy formulation, while others co-ordinate implementation by area of trade, *e.g.* the Sanitary and Phytosanitary Sub-Committee.

Establishing a more formal private-public consultation has prompted valuable reform input from the business community

Public-private consultations have been further formalised with channels put in place to receive private-sector feedback. They include the Export Councils and the Business Advisory Committee (BAC). Public-private consultation has led to many important private sector contributions in areas like the Egyptian Regulatory Reform Activity (ERRADA) and in recent amendments to tariff rates.

Finally, a Trade Policy Analysis Unit (TPAU) has been established within the Ministry of Trade and Industry's Trade Agreements Sector (TAS). Its purpose is to evaluate the costs and benefits of bilateral, regional, and multilateral trade agreements and to monitor trade flows.

Cited by the World Bank as a "top reformer" in improving customs procedures

According to the World Bank's annual "Doing Business" reports, Egypt has streamlined paperwork and procedures for processing of goods in customs. Egypt has also brought most of its domestic quality standards into compliance with international requirements.

Egypt has made significant progress in reducing administrative and other non-tariff barriers to trade, although most of these have been specifically linked to customs procedures. As a result, it has consistently been nominated a "top reformer" in the World Bank's annual *Doing Business* reports. Egypt is currently rolling out its TradeNet electronic trade document system to connect all agencies to a single electronic point of transaction.

The institutional and legislative framework for adopting technical standards has improved significantly. The national body in charge of technical standards, namely the Egyptian Organisation for Quality (EOS), has played a major role in raising exporters' and importers' awareness of commitments under the Technical Barriers to Trade Agreement. The EOS ran an ambitious harmonisation programme that has brought current Egyptian standards into line with international standards. The number of conformity assessment bodies increased dramatically from around three before 2003 to 273 in 2009.

Phytosanitary measures have strongly improved

Egypt has also come a long way in the area of Sanitary and Phytosanitary (SPS) measures. It has developed a framework based on the WTO SPS Agreement to which it is a signatory, while two ministerial decrees have established mechanisms to co-ordinate the work of all the bodies involved in SPS measures.

An export promotion agency is in place, while a wide range of programmes addresses critical aspects of export promotion

Export promotion is one of Egypt's primary concerns and a critical component in its trade strategy. Egypt has set up a national export promotion agency, the Egyptian Export Promotion Center, and increased the number of export promotion programmes, which provide services for exporters ranging from marketing to funding. Examples of such programmes are those run by the Industrial Modernisation Center (IMC), Egyptian Commercial Services, the Egyptian Exporters Association (ExpoLink), and the Export Development Bank of Egypt (EDB).

Challenges in Trade Policy and Facilitation

Public-private consultation needs to have a broader reach

Although Egypt boasts many successful examples of a public-private consultation process, it still lacks a system with a broader sweep that would embrace academia, think tanks, private sector groups, and other members of civil society. The aim would be to ensure that smaller business interests also have a voice in dialogues with the government. Moreover, not all consultations take place on a regular basis, and some are more formalised than others.

Monitoring and evaluation remain weak

Monitoring trade agreements and policies is a highly complex issue and requires sophisticated econometric models, highly technically skilled staff, and substantial institutional capacity. Even though there is a dedicated agency within MOTI, the Trade Agreements Sector (TAS) which, along with its affiliated units, monitors and evaluates trade policy in Egypt and its micro- and macro-economic impacts, there is not enough available capacity to undertake such a huge task. Moreover, the government is more focused on monitoring trends than on evaluating such policy impacts as those on employment and growth and on different sectors. In general, there is no existing arrangement for systematically monitoring and evaluating the effects of trade policy in all sectors before or after policy has been introduced.

Sanitary and phytosanitary measures are still weak

In the field of SPS there are many new developments. Even though the government has drawn up and put in place an institutional framework and processes, they have not yet delivered effective implementation and compliance with international standards. The main problem is the insufficient technical capacity of the secretariat of the SPS Sub-Committee. In addition, SPS-related international standards have not yet been fully transposed into domestic regulations.

There are too many export promotion players

Despite the government's efforts to put in place export promotion agencies and programmes, the institutional set-up remains fragmented. In addition to the Egyptian Export Promotion Center (EEPC), the main governmental export promotion agency, numerous other players offer services which overlap or duplicate each other. The EEPC does not have the capacity to co-ordinate the multiple export promotion players or to ensure that programmes match the overall export promotion strategy. Moreover, there has recently been a demand for training programmes on standardisation and SPS measures that remains unmet.

Recommendations in Trade Policy and Facilitation

The recommendations below may help the Egyptian government to bring its trade policy up to the next level of excellence.

The government should consult the private sector more widely and more regularly to better target its efforts in the area of trade policy

In order to include all stakeholders in the public-private consultation process, the government should consider bolstering the existing export councils with a broader advisory body that brings together business groups, exporters' associations, trade experts, civil society representatives, trade unions, financial institutions, and a greater number of SMEs. The government should also consider consulting private sector organisations such as the Business Advisory Committee (BAC) on a more regular basis. Such dialogue would encourage a steadier flow of prompt feedback rather than merely in response to regulatory

questions. One model that MOTI could consider – and which does all of the above – is the Trade Civil Society Dialogue created by the European Commission. MOTI could further enhance the effectiveness of public-private consultation on trade policy by sharing more information about how to access the different mechanisms in place. It should also make the outcomes of consultation more easily available, which would increase the transparency of the consultation process.

More resources are needed for regular evaluation and monitoring

If MOTI is to be able to fully evaluate the potential and actual economic, social and environmental effects of different trade policies, it needs to further develop and strengthen staffing levels and expertise (analytical and econometric) in the Trade Agreements Sector and the Trade Policy Assessment Unit (TPAU). Monitoring and evaluation should incorporate systematic *ex post* and *ex ante* analysis of trade policy and agreements in all sectors of the economy. Furthermore, results should be disclosed in discussions with civil society representatives, which would contribute to the wide stakeholder dialogue advocated in the recommendation above. In fact, monitoring and evaluation results should also be publicly communicated to all stakeholders by posting them all on a single website for ease of access.

The government should phase out tariff escalation

In order to stay in line with bound custom duty rates and increase the competitiveness of Egyptian industry, the government should reduce all escalated tariffs on finished and semi-finished goods.

Greater institutional capacity and effective co-ordination is needed in SPS measures

To comply more fully with its domestic obligations under the WTO SPS Agreement, the government should strengthen the institutional capacity of the SPS Sub-Committee's Technical Secretariat and improve co-ordination between the two ministerial SPS sub-committees. The government should also use the export promotion agency to step up targeted training and awareness programmes for industries affected by SPS measures.

The central export promotion agency requires more resources, and a one-stop export promotion shop should be created

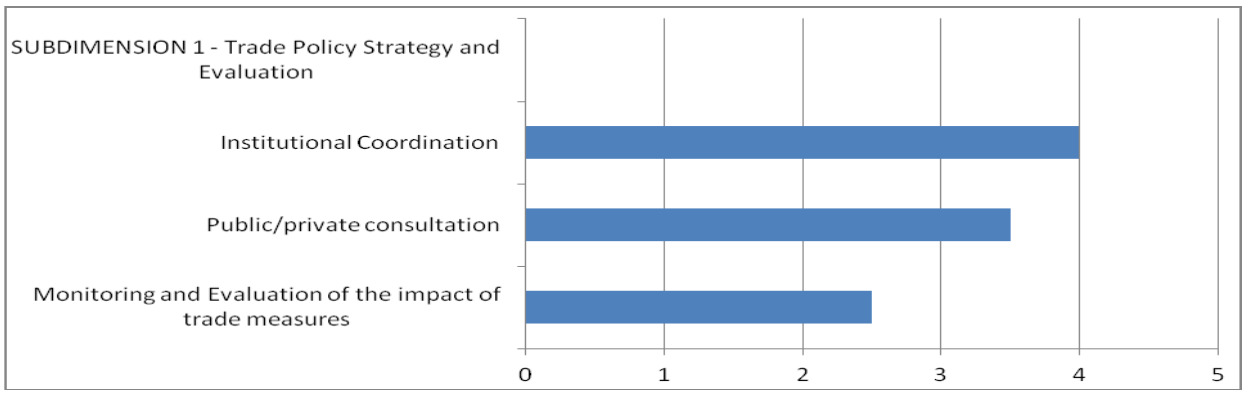
To make its trade policy more pro-active, the government needs to empower the EEPC and provide it with the resources it needs to meet its mandate and co-ordinate export promotion programmes. Moreover, it should fund it sufficiently to ensure the sustainability of its programmes. Even if the EEPC does not implement export promotion programmes, it should co-ordinate them to avoid duplication and make sure some programmes offer what others do not. It should also act as a one-stop shop with the capacity to offer the full range of export promotion services and programmes. And it should ensure that export promotion programmes are in line with the export promotion strategy and able to meet its objectives.

The government should set up a help desk to improve the overall flow of information

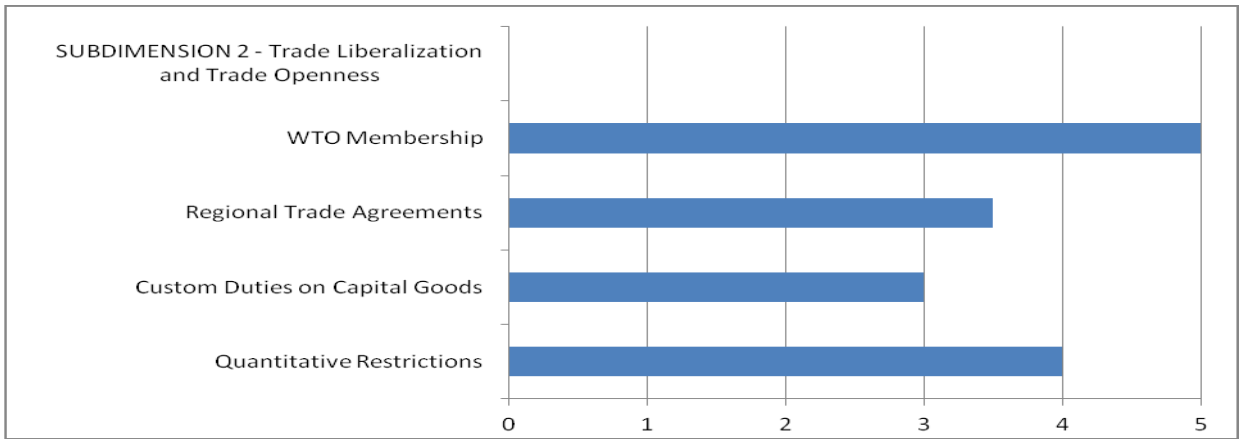
As a general recommendation for improving the flow of information about all areas of trade policy to the wider public and across government, MOTI should put in place a help desk. It would provide facts and figures on questions like regional and bilateral trade agreements and preferences, standards, technical regulations and conformity assessment, and export promotion programmes.

Scores by Subdimension: Egypt

Subdimension 1:



Subdimension 2:



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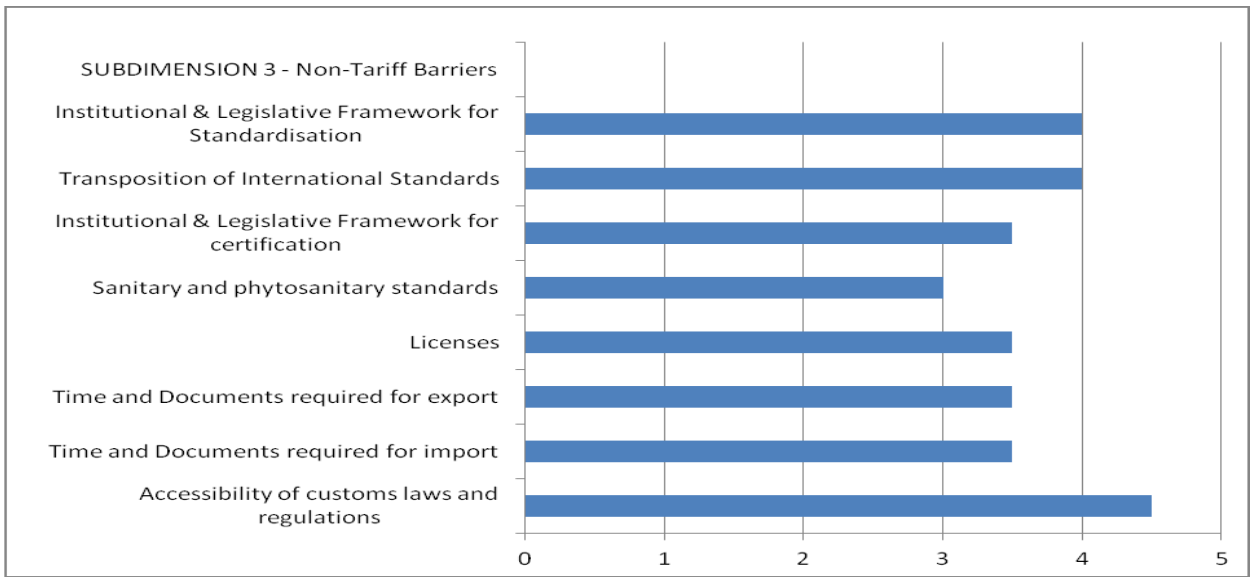

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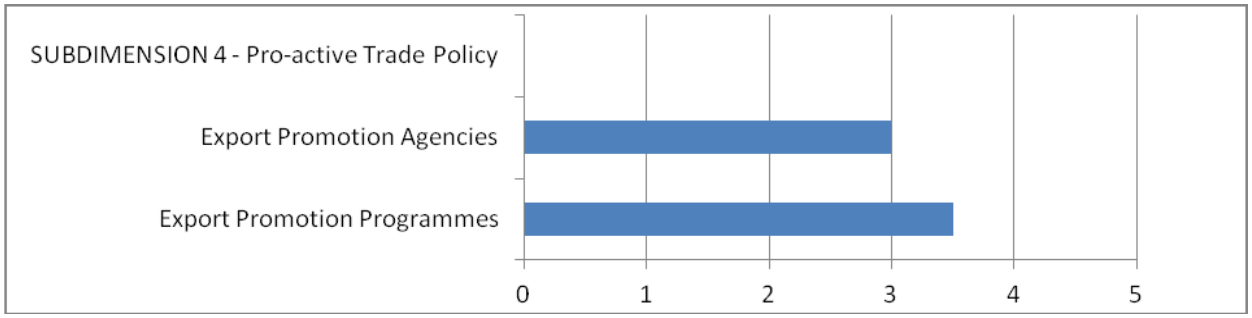


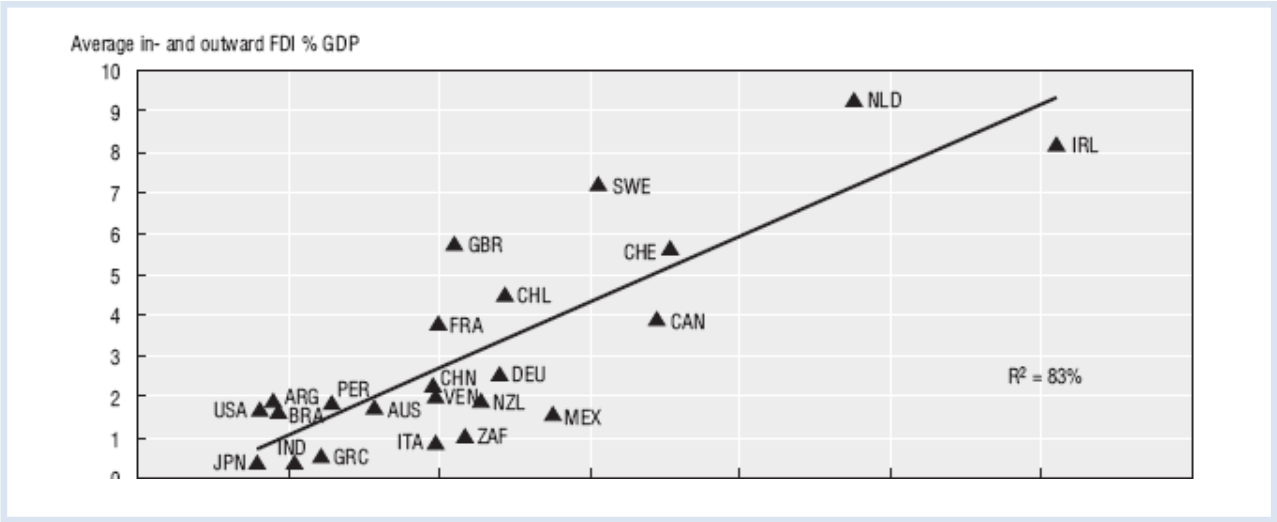
INTRODUCTION

Trade policy plays an important role in attracting more and better quality investment by expanding opportunities for economies of scale, facilitating integration into global supply chains, and boosting productivity and rates of return on investment. An effective free-trade policy encourages more domestic and foreign direct investment. No firm or company can operate in complete isolation from global markets, where globalisation has made integration into global supply chains a pre-requisite for survival.

Domestic firms' ability to compete in international markets increases with trade policies that allow easy access to competitively priced imports and to export markets through effective customs procedures, preferential tariff rates, and the removal of non-tariff barriers. And for a foreign company,[i] the decision to locate in a particular country is very much affected by the host country's trade policy, which includes tariff levels for imports, efficient, transparent customs procedures, and trade agreements negotiated with other countries. A company's ability to access and expand its product markets and to access global supply chains at low costs directly impacts revenues and cost structure, which in turn determines its viability and profits (OECD, 2006).

Empirical evidence from OECD countries indeed shows that there is a positive correlation between FDI inflows and openness to foreign trade (see Figure 1). However, correlation is not causality. Whether or not FDI promotes trade openness has never been confirmed and many studies produce different results.

Figure 1. The correlation between FDI and trade in OECD Countries



Source: OECD Policy Framework for Investment, 2006

The MENA region has been characterised by low inflows of FDI, limited trade integration and – particularly during the 1990s – some of the world's most restrictive trade practices (Hoekman and Sekkat, 2009). Several studies have pointed out the importance of trade liberalisation in attracting more FDI to the region. One shows that FDI flows to MENA could have been 13% higher during the 1990s if the region had undertaken a level of trade and exchange rate liberalisation equivalent to those of East Asia. FDI could have reached 42% for countries such as Algeria, Syria, and Egypt, which liberalised trade very little in the 1990s (Sekkat and Varoudakis, 2004).

Another study considered 18 MENA countries over the period 1980-2001. It analysed FDI drivers with a particular emphasis on the role of market potential in influencing investment decisions. The results suggested that FDI in the MENA region was mainly market-oriented and not resource-seeking – in other words it sought capital and labour input in the host country. The results also suggested that firms investing in the MENA region were driven chiefly by regional market size – *i.e.* they exported to neighbouring MENA countries, taking the MENA region as one market (Hisarciklilar *et al*., 2006). The inference is that trade policy plays an important role in attracting FDI to the region, and that trade liberalisation and openness are important driving factors.

Since 2004, Egypt has conducted economy-wide policy reforms with trade policy at the forefront. Over the past five years, its network of regional and bilateral trade agreements has expanded while it has reduced its tariffs and administrative barriers. As a result, Egypt's total merchandise trade increased from 36.5% of GDP in 2003-4 to 55.4% in 2007-8 (see Figure 2) In 2009 the Ministry of Trade and Industry (MOTI) announced an export promotion strategy for the period 2010-13. It aims to double the volume and value of Egyptian exports and increase the number of exporting firms by negotiating new trade agreements and accessing new markets and sectors. The strategy places great emphasis on co-ordinating the work of government agencies with trade portfolios and involving the private sector in order to synchronise policies, funding, training programmes, and standards. The ambition is to bring trade policy to a new standard of excellence and further integrate it into the global economy. To realise its goals, Egypt must tackle some remaining challenges in areas such as sanitary and phytosanitary measures; export promotion; tariffs, public-private consultation, and monitoring and evaluating trade policy. It would not necessarily have to undertake major policy reforms but, rather, fine-tune existing policies.

Background: Evolution of Trade Flows in Egypt

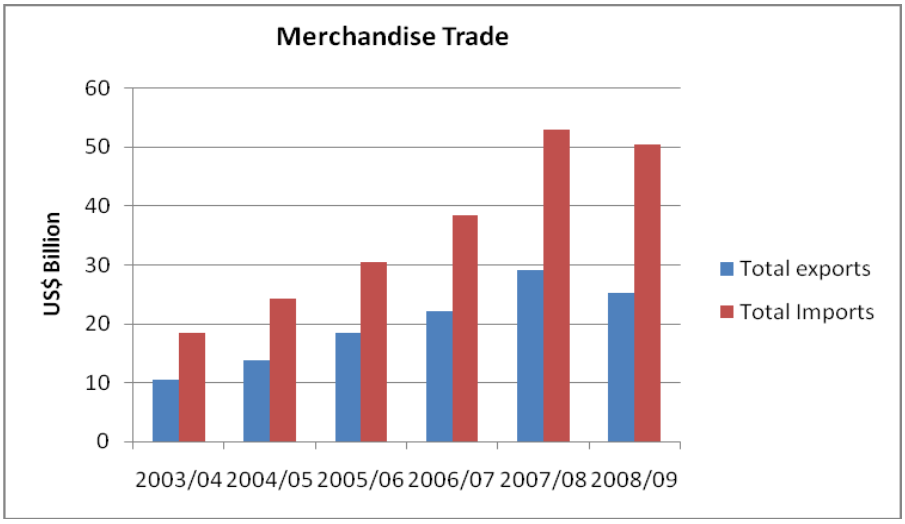
Following a low point in 2003-4, Egypt's economy has gradually reopened to international trade with, as Figure 2 below shows, merchandise trade reaching 55.4% of GDP in 2007-8.

Figure 2. Egypt's merchandise trading as a percentage of GDP

Source: Author's calculations based on data provided by Ministry of Trade and Industry and the Central Bank of Egypt, 2009. (N.B. Figures for 2008-9 figures cover the first three quarters of that year).

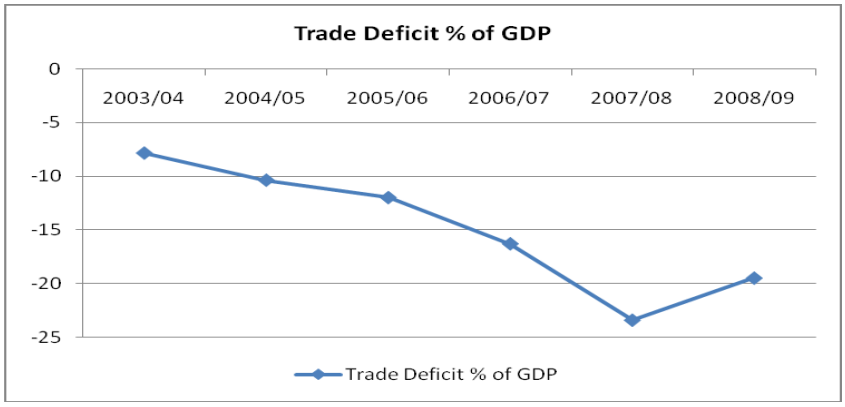
Although Egypt's total merchandise exports increased during the period 2003-9, its merchandise trade account showed a deficit owing, in part, to its high dependency on imported wheat and other foodstuffs. In addition, Egypt runs a large deficit on trade in capital equipment and vehicles, where capital goods account for a significant portion of merchandise imports – 22.5% of total imports in 2007-8 (see Figures 3 and 4).

Figure 3. Egypt's merchandise trade figures in 2003-9



Source: Author's calculations based on data provided by Ministry of Trade and Industry and the Central Bank of Egypt, 2009. (N.B. Figures for 2008-9 figures cover the first three quarters of that year).

Figure 4. Egypt's trade deficit as a percentage of GDP



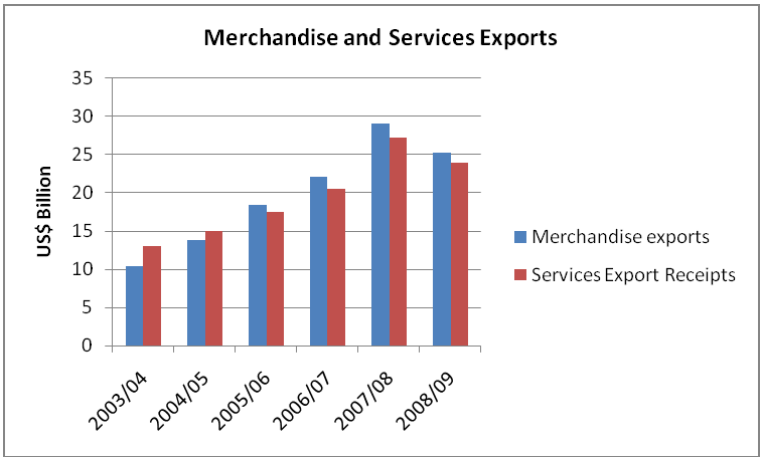
Source: MOTI-Central Bank of Egypt, 2009

Petroleum and natural gas output accounted for over 50% of Egypt's total merchandise exports in 2007-8, reaching 35.3% in the first three quarters of 2008-9. Next came manufactured goods at 44% and raw materials at 3.8% in 2007-8. Since 2004, Egypt has diversified its exports by increasing the share of non-petroleum products.

Intermediate goods accounted for 45.3% of imports in 2007-8. The most important sub-categories were machinery, transport equipment, and chemicals. Capital goods represented a significant portion – 22.5% – of merchandise imports. Agricultural goods made up about 30% of merchandise imports, with maize and wheat being the largest agricultural imports.[ii]

Despite its trade account deficit, Egypt maintained an overall current-account surplus until mid-2008 thanks to invisible (non-merchandise) revenues such as tourism and Suez Canal receipts. However, as both tourism and Suez Canal traffic have been adversely affected by the global economic downturn, Egypt's current account and overall balance of payments have fallen into deficit. By the end of June 2009, its balance of payments had reached a record deficit of USD 3.4 billion (see Figure 5).

Figure 5. Egypt's merchandise and service exports

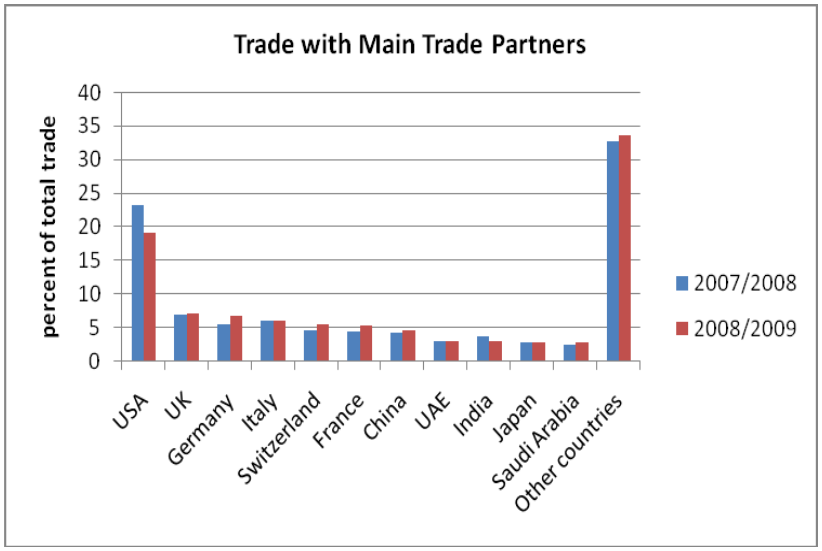


Source: MOTI-Central Bank of Egypt, 2009

Egypt's main trading partners in 2007-8 and 2008-9 (July to March) were the United States, EU countries (UK, Germany, Italy and France), China, the UAE, India, Japan and Saudi Arabia (see Figure

4.6). Countries that have moved up Egypt's list of trading partners since 2003 are the UK, China, UAE, Saudi Arabia, France, Germany, India and Japan.

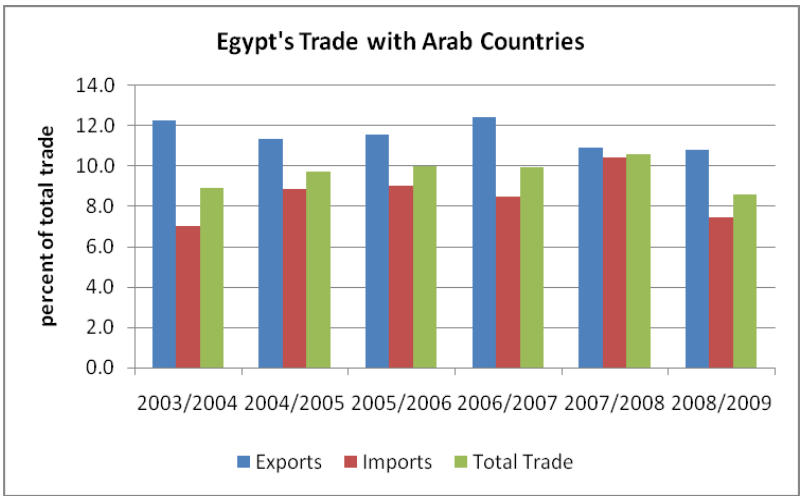
Figure 6. Egypt's main trading partners



Source: MOTI- Central Bank of Egypt, 2009.

It is interesting to note that regional trade with MENA countries has increased progressively since 1998. Between that year and 2007-8 its overall trade with MENA countries grew from 5.2% to 11% of total trade (see Figure 7).

Figure 7. Egypt's trade with its MENA neighbours



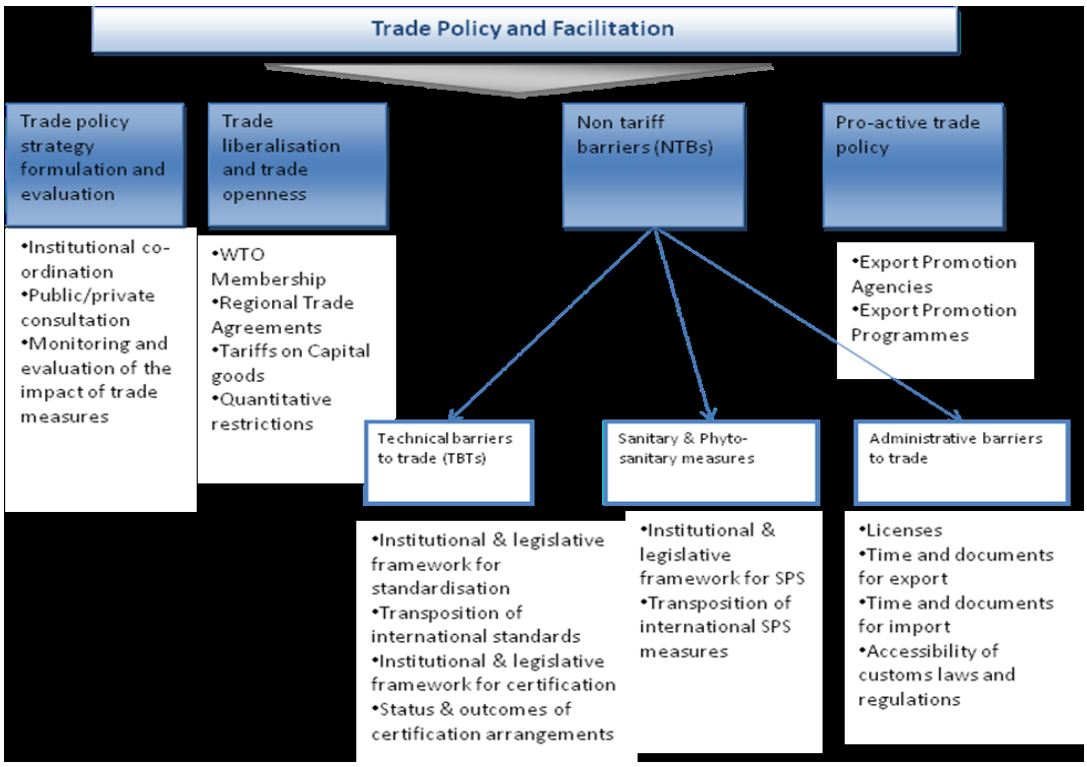
Source: MOTI-Central Bank of Egypt, 2009.

BCDS ASSESSMENT FRAMEWORK FOR TRADE POLICY AND FACILITATION

This chapter on Dimension I-4, "Trade Policy and Facilitation", focuses on the aspects of trade policy that have most affected domestic and foreign investment. It therefore concentrates on policies that impinge on exports and imports in the host country. They are typically what investors consider when choosing to invest in a particular country (OECD, 2006).

As Figure 8 illustrates, assessment of trade policy is broken down into four sub-dimensions: 1) trade policy strategy formulation and evaluation, 2) trade liberalisation and trade openness, 3) non-tariff barriers, and 4) pro-active trade policy.

Figure. 8 Trade Policy and Facilitation Assessment Framework



Sub-Dimension 4.1.: Trade Policy Strategy Formulation and Evaluation

In the last decade global trade policy has undergone sweeping change, caused mainly by the broadening coverage of multilateral trade negotiations within the WTO and the sometimes bitter confrontations with representatives of civil society and other stakeholders during trade summits. Critically, trade negotiations are concerned not only with tariff reductions and the lifting of quantitative restrictions. Increasingly, they encompass other policy issues, ranging from the environment to employment protection (Hocking, 2004). Trade policy has also come under mounting scrutiny from a range of non-governmental organisations (NGOs), civil society groups and activists who oppose free trade and globalisation – particularly some economists who have challenged a number of the underlying concepts for free trade.[iii]

The changes that trade policy regimes have undergone in recent years have three main implications. Firstly, trade policy makers and negotiators must regularly consult ministries, government agencies and institutions when formulating and implementing a country's trade strategy. Secondly, the process of formulating the policies must be transparent and inclusive, requiring policy-makers to consult a broad range of civil society players and NGOs. Thirdly, once a trade-related policy or piece of legislation has been enacted, governments need to monitor and evaluate its effects on the wider economy, particularly with regard to the environment and society.

The Trade Policy Formulation and Evaluation Sub-Dimension focuses on the effectiveness of a country's framework for designing, implementing, and assessing trade strategies. It is broken down into three indicators: institutional co-ordination, public-private consultation, and monitoring and evaluating.

4.1.1. Institutional Co-ordination

This indicator assesses the degree of co-ordination and the consensus building capacity among the government departments and agencies involved in trade policy formulation and implementation.

Effective co-ordination between policy-making government bodies and agencies is a prerequisite for effective processes and ensures better policy results. Moreover, when all responsible bodies engage in policy formulation implementation is greatly facilitated. This is particularly true of complex trade agreements that can involve many government bodies, such as the Ministry of Trade and Industry, the Ministry of Foreign Affairs, the Ministry of Health, the Ministry of Agriculture, the Ministry of Finance, and affiliated agencies.

The following criteria are used to assess the effectiveness of institutional co-ordination:

1) whether there is a government entity clearly identified as responsible for formulating and implementing trade policy;
2) the scope and clarity of the responsibilities assigned to trade policy entities;
3) the degree of overlap between institutions with trade portfolios;
4) the degree of co-ordination between institutions that formulate policy ; and
5) the extent of consultation with permanent WTO representatives in Geneva.

The responsibilities for policy formulation and implementation are clearly divided between two bodies. Egypt's Ministerial Economic Policies Committee (EPC) handles overall trade policy formulation and brings together all the ministries that contribute to it.[iv] The Ministry of Trade and Industry (MOTI) is responsible for drawing up and implementing policies and co-ordinating the work of the ministries and agencies with trade portfolios.[v] Other autonomous and advisory bodies, such as the High Ministerial

Economic Reform Committee (HMERC), the Cabinet Policy Committee, and the Economic Group of Ministers, assist ministries with their policy formulation. The Government of Egypt and MOTI have also set up a number of other ministry-affiliated entities and committees to implement trade policy.[vi]

Co-ordination takes place through a number of committees. The EPC and the Ministerial Production Committee (MPC) play a fundamental role. They meet on a bi-monthly basis as part of their work to reform trade policies and streamline and facilitate trade and customs procedures. Other committees include the Trade Policy Review Committee (TPRC), headed by MOTI's Foreign Trade Sector Chair and the High National Committee for Negotiations (NCN), both of which co-ordinate responses to the WTO and other international organisations. In addition, the Foreign Trade Council (FTC) meets weekly to co-ordinate the work of bodies with foreign trade portfolios, exchange information, and follow up trade policy implementation.

However, co-ordination systems in some areas that typically involve multiple players need to be further strengthened to ensure effective implementation in fields like export promotion (Section 4.4.1) and SPS measures (Section 4.3.2).

Finally, Egypt's trade policy is to a large extent driven by the obligation to comply with multilateral rules, which further helps steer government entities in a common policy direction (WTO, 2005). Moreover, consultations on trade issues and trade policy reforms with Egypt's Permanent Representative Mission in Geneva take place on a regular basis.

BCDS Score for Institutional Co-ordination: 4

Egypt's institutional co-ordination in policy formulation and implementation is effective overall. The designation of a single body – the Ministry of Trade and Industry – to co-ordinate policy formulation and implementation is a step in the right direction. Co-ordination committees are formed at the highest levels of government to ensure all stakeholders are represented and involved in formulating policy. Egypt regularly consults with its permanent representatives in Geneva. Committees have also been established to co-ordinate the implementation of trade policy at lower echelons of government.

However some areas of trade policy, like trade promotion, are particularly complex and involve numerous ministries and agencies. Co-ordination therefore needs to be further tightened to guarantee the effective implementation of policies. Furthermore, in areas where co-ordination mechanisms have been newly established, *e.g.* SPS measures, it is crucial to enforce them (see section 4.3.2).

For Egypt to move up to a BCDS score of 5, it needs to strengthen its co-ordination system in the area of export promotion. To that end, it should adopt mechanisms that have proven successful in other areas of trade. It should also empower the export promotion agency – Egyptian Export Promotion Center (EEPC) – to meet its terms of reference and co-ordinate all export promotion programmes. The EEPC should have sufficient funding to ensure the sustainability of its programmes (see section 4.4.2). A final point: institutional co-ordination needs to be enforced in the area of SPS measures.

4.1.2. Public-Private Consultation

In public-private consultation, government representatives consult stakeholders from private enterprises and civil society, *e.g.* trade unions, consumer groups, environmentalists, and social justice NGOs (OECD, 2001). Ensuring buy-in from stakeholders reduces uncertainty and increases policy predictability. The Public-Private Consultation Indicator assesses whether arrangements for public-private consultation exist and, if so, whether they function well. It specifically considers the following:

- whether the government dialogues with the private sector and civil society on trade policy issues;

- how often consultation takes place;
- to what extent the consultation process has been formalised;
- whether mechanisms are in place to ensure that different interest are represented equally;
- whether there is regular private sector input into cost-benefit assessments of government action.

Public-private consultations in Egypt take many forms and cover many areas of trade policy. Some examples of the type of private sector bodies that the Ministry of Trade and Industry consults and collaborates with are industry federations, chambers of commerce, export councils, foreign councils, exporters associations, business groups, and the Business Advisory Council (BAC).[vii]

Consultation typically entails the government distributing draft trade policies and agreements to private and civil society stakeholders for comments. Their feedback is taken into consideration ahead of policy formulation and the negotiation of agreements. In addition, private sector representatives are usually invited by MOTI and other ministries like the Ministry of Finance to attend discussion meetings on new regulations, where they may express their concerns and opinions.[viii]

Some of the consultation channels are more effective and better organised than others. However, an important point is that the private sector, too, should organise to facilitate public-private dialogue. Egypt's Export Councils are a good example. Established by MOTI[ix] in 2005, each of these sector-specific councils comprises exporters who give feedback on trade policy in their sectors to the government. There are 14 Export Councils covering the following sectors: ready-to-wear apparel, agriculture, building materials, homeware, publishing, leather, pharmaceuticals, construction, food industries, spinning and weaving, engineering, IT, furniture and chemicals. And to ensure more informed private sector feedback, the Export Councils partner with the Trade Data Warehouse (housed by the General Organisation for Export and Import Control) to disseminate trade information to policy makers and the business community every month.

Other effective consultation forums are the Business Advisory Council (BAC), the Egyptian Exporters Association (ExpoLink), and the Egyptian Export Promotion Center (EEPC).

The BAC consists of representatives from chambers of commerce and business associations. It has played a significant role in formulating strategy for trade and business-environment regulatory reform and administrative simplification (within the framework of the ERRADA programme to create a system of regulatory management – see the BCDS Dimension, "Better Business Regulation"). ExpoLink, Egypt's leading private exporters' association, has a strong advocacy voice in the government. It also enjoys a good reputation within the private sector community as a result of its successful arrangements for channelling feedback to the government. Finally, the EEPC's Board of Directors includes members from the private sector, which ensures that the views of the business community reach into and influence such key areas such as export promotion.

Private-sector feedback has contributed to many policy reforms, such as the latest amendments to tariff rates where there was extensive outreach to and feedback from private sector groups, exporters and importers, the Federation of Egyptian Industries, the Federation of Chambers of Commerce, the Community Development Society (CDS), and the National Competitiveness Council (ENCC).

Since almost 94% of Egypt's registered industrial and trading companies are SMEs, MOTI considers them a core target group that should be represented in consultation mechanisms. Accordingly, the membership of the Export Councils includes representatives of SMEs, including those run by young and women entrepreneurs.

Finally, through the tool recently developed and implemented by the Cabinet's Information Decision Support Center (IDSC) – the Field Survey website with sections dedicated to trade and the economy – private sector input can be factored into cost-benefit assessments of government action. The business surveys on the website enable the government to measure private sector feedback and gather the opinions of trade and industry on current economic and investment issues and anticipated trends.

BCDS Score for Public/Private Consultation: 3.5

Formal public/private consultation processes are in place in Egypt. There are many positive examples. The private sector's input has, to some extent, shaped the reforms undertaken in trade policy and continues to do so. It is sought before regulatory decisions are taken. However, broad, all-inclusive public-private dialogue that includes academia, think tanks, and other members of civil society and private sector groups is still missing and could prove beneficial. Moreover, if consultation mechanisms are limited to the BAC, business associations, and export councils, then other civil society bodies such as labour unions, NGOs, consumer associations, and academia still need to be adequately represented in consultations with the government.

To improve its score on the BCDS scale, the government might want to consider reinforcing the Export Councils with a broader advisory body that takes in other business and export associations, trade experts, civil society representatives, trade unions, financial institutions and more SME representatives. If meetings with the BAC and ExpoLink are only conducted before a regulatory decision is to be taken, the government could consider making them a more regular fixture in order to collect feedback on trade policy in general. In its efforts to enhance the effectiveness of the trade policy public-private consultation process, the government could consider:

- sharing more information with the public at large about how to access the different public-private consultation arrangements in place;
- making it easier for stakeholders and the general public to access the outcomes of consultation so as to increase transparency.

One model that MOTI could consider is the Trade Civil Society Dialogue (CSD) created by the European Commission. Its objective is to "to develop a confident working relationship between all interested stakeholders in the trade policy field and to ensure that all perspectives to EU trade policy can be heard".[x]

Box 1. European Commission's Trade Civil Society Dialogue

Aim and Objectives

Under this dialogue, the Commission holds regular, structured meetings on trade policy issues of interest to a wider audience. DG Trade aims to promote an active, inclusive participation of civil society through this process. The aim is to have an ongoing debate by organising meetings on topics of current concern. The CSD aims at promoting a good quality exchange through the sharing of best practice and knowledge with civil society. Debating the questions that are shaping public opinion is a way of updating and strengthening its knowledge base. It is thus essential to identify them, to take them into account and to respond to them when making policy. DG Trade regularly provides feedbacks and outcomes of the meetings organised with the Civil Society.

Members and Organisation

Civil society organisations attending represent a wide variety of institutions and organisations, which include non-governmental organisations working on topics as diverse as consumer protection, the environmental protection, animal welfare, human rights and humanitarian aid, as well as organised labour and employers' associations and the European Economic and Social Committee.

Topics of Discussion

Environmental protection, labour rights, competitiveness, poverty, and animal welfare are examples of issues and topics discussed through this forum. An informal contact group, comprising representatives from each of the broad categories of organisations involved in the process, helps to co-ordinate the process by selecting topics and structuring meetings. Each contact group member circulates information to his or her constituents in their cluster of sectoral organisations.

Source: European Commission website, section on External Trade, Trade Civil Society Dialogue page.

Several OECD countries have implemented structured trade consultation mechanisms (*e.g.* Mexico, Norway, the United States, and Canada) to ensure broad, regular consultations that open to all stakeholders in society.[xi]

Box 2. Trade policy consultation in Mexico and Norway

In Mexico a structured mechanism for public-private consultation on trade issues was created during the NAFTA negotiations. A body known as the Business Organisation for the Co-ordination of Foreign Trade (COECE) co-ordinates information flows between government and the private sector and represents business interests. COECE comprises agricultural, industrial and services sector representatives as well as academics and think-tanks (such as the National Council on Foreign Trade). This arrangement has resulted in efficient consultation mechanisms on specific subjects. At the same time, it has prompted criticisms that the voices of other interest groups are given less weight or left out altogether.

In Norway, the Ministry of Foreign Affairs (the leading institution in charge of trade policy) set up various consultative bodies on multilateral trade issues through which interest groups are represented (including business, trade unions and NGOs). Currently there are five advisory councils: WTO General; Services; Agriculture; WTO Accessions; and Market Access. The councils normally meet once or twice a year.

Source: ITC, 2009; Melchior, 2007.

4.1.3. Monitoring and Evaluating the Impact of Trade Measures

The monitoring and evaluation indicator gauges governments' capacity to monitor and assess the impact trade policy has had on the national economy and on other areas of economic policy, such as fiscal policy, exchange rate management, and public expenditure plans. This is an essential tool for guiding governments towards making the right decisions and correcting wrong ones.

To assess a country's capacity to monitor and evaluate the impact of trade measures, the following is considered: 1) whether the government monitors and evaluates the impact of its policy on the national economy; 2) the scope of monitoring, *e.g.* which sectors, macro- and/or micro-economy; 3) the mechanism for monitoring trade policy; and 4) the regularity of monitoring and evaluating.

Egypt does monitor and evaluate its trade policy. The Trade Policy Analysis Unit (TPAU), established within the MOTI's Trade Agreements Sector (TAS), is tasked with evaluating the costs and benefits of bilateral, regional and multilateral trade agreements and assessing the macro-economic and sectoral impacts of trade policies. The TAS has also created the Trade Monitoring Center (TMC), responsible for monitoring all trade agreements, hearing exporters' grievances about trade barriers, and supplying them with guidelines on all the trade agreements to which Egypt is a party.

Monitoring trade agreements is one of the duties of the Central Department for Bilateral and Multilateral Agreements (CD/BMA), also affiliated to the TAS. The CD/BMA raises public awareness of the terms and benefits of bilateral and multilateral trade agreements. It undertakes studies before and during the negotiation phase and participates in talks during the preparation of agreements and protocols. Its tasks also involve following up ratification and implementation procedures, taking measures to resolve implementation problems, and evaluating the impact of trade agreements on sectors in order to monitor the benefits for Egyptian exporters (MOTI, 2009).

However, awareness of such reports and guidelines among the private sector community is weak and there is a lack of information on how to access them.

A number of agencies and ministries monitor trade data and provide input for monitoring and evaluation reports. They include MOTI's Trade Data Warehouse, the Central Bank of Egypt (CBE), the Ministry of Finance, the Ministry of Economic Development, and the Central Agency for Public Mobilisation and Statistics (CAPMAS). These other bodies, like MOTI, use the data to gauge the impact of trade policy on such components of the Egyptian economy as GDP, investments, export projects, and the environment. They also use the data that they monitor for further fiscal, monetary, and budgetary policy formulation.

BCDS Score for Monitoring and Evaluation: 2.5

There are number of reasons for the BCDS score of 2.5. Monitoring trade agreements and trade policies is a highly complex issue and requires sophisticated econometric models, highly technically skilled staff, and considerable institutional capacity. Even though there is a dedicated agency within MOTI, the Trade Agreements Sector (TAS), along with its affiliated units that monitor and evaluate trade policy in Egypt and its micro- and macro-economic impacts, there is not enough available capacity to undertake such a mammoth task. TAS appears understaffed and ill-equipped to perform the necessary analyses. In addition, evaluation output seems to focus more on monitoring how trade agreements affect trade flows, whereas comprehensive analyses of trade policy outcomes are more often performed as part of multilateral and bilateral trade negotiations. Egypt needs to incorporate more technical analyses into evaluations through the use of modelling and econometric techniques in order to cover different sectors and produce a macro-economic picture, *e.g.* the quantitative impact of trade policy (lower tariffs) on employment or FDI.

Yet the private sector seems unaware of much of the government's monitoring and evaluation work. It seems that output is not being sufficiently disseminated to the stakeholders most likely to benefit from the evaluations and studies.

To improve its score, Egypt needs to increase and improve the human resources of the TAS and its affiliated units. To evaluate the impacts of trade policy adequately, a comprehensive impact assessment

needs to incorporate input generated by specific trade analysis tools. Quantitative techniques are, depending on the issue being examined, computable general, or partial, equilibrium models, input-output analysis, and gravity models. Qualitative assessment approaches may be based on case studies and expert opinion.

The government should also consider using different channels of communication with the private sector – such as its website and consultation forums – to share output in a timely manner. It is also important that all TAS monitoring and evaluation units should communicate their existing services more effectively, make access to them easier, and take proactive measures to inform private-sector stakeholders. Moreover, the results of evaluations should be shared publicly and discussed with policy makers and trade negotiators in order to make better informed decisions on policy.

Box 3. Mechanisms for monitoring and evaluating trade policy

The European Union carries out Sustainability Impact Assessments (SIA) to identify the potential economic, social and environmental impacts of the trade agreements it negotiates and trade policy. Throughout this process, independent consultants are asked to deliver an economic analysis of the projected results of trade negotiations, including impacts on trade, welfare, GDP and employment. In light of the anticipated changes in trade and the economy, analysts carry out an assessment of the likely impacts in the environmental and social areas. The results are then made public and discussed with representatives of civil society (business and NGOs). In addition, the outcomes of the technical analysis serve as a basis for policy makers and trade negotiators to take better informed decisions and to adopt complementary policy measures or other adjustments that may offset the negative effects of trade liberalisation and/or promote the positive impacts. All studies and their constituent reports are published on this website and all the information they contain is in the public domain, along with the European Commission's formal response. The results of the assessment guide EU negotiators in determining the best possible outcome of a trade negotiation. They also provide guidelines for the design of possible policy measures to accompany the trade agreement. Such measures may go beyond the field of trade and include social or environmental legislation designed to ensure that trade liberalisation takes place with all the necessary supports and safeguards.

Source: http://ec/europa.eu/trade/issues/gloal/sia/index_en.htm

Table 2. Summary of Scores for Sub-Dimension 4.1.,Trade Policy Formulation and Evaluation

Indicator	Institutional Co-ordination	Public/Private Consultation	Monitoring and Evaluating the Impact of Trade Measures
Score	4	3.5	2.5

Sub-Dimension 4.2.: Trade Liberalisation and Trade Openness

Liberalised trade enables a country to trade freely with the rest of the world on the basis of comparative advantage. It has become a well-established proposition that, by liberalising trade, countries can benefit economically (OECD, 2009). This approach to development – with trade liberalisation as one way of improving the investment climate for private entrepreneurs – has gained wide support among developing and industrial countries (World Bank, 2002). Even critics of free trade have acknowledged that the effects of trade liberalisation are, on balance, beneficial for economic growth from the perspective of standard comparative advantage and that there is no evidence that substantially proves otherwise. What critics argue is that integration into the world economy on its own cannot be an effective substitute for a development-based economic growth strategy (Rodriguez-Rodrik, 1999). It is for that reason that all serious advocates of free trade advocate complementary reform policies and recognise that free trade is only one policy in a package. Trade liberalisation must be achieved gradually and will only be beneficial if all countries work to open their markets.

The Trade Liberalisation and Trade Openness Sub-Dimension examines to what extent a country has been integrated into world trade and which barriers may prevent integration. It is broken down into four indicators: membership of the World Trade Organisation (WTO),[xii] regional trade agreements, customs duties on capital goods, and quantitative restrictions.

4.2.1. WTO Membership

Governments use the multilateral trading system to make the business environment stable and predictable. Being a WTO[xiii] member means agreeing to abide by a set of fundamental principles: trade without discrimination; freer trade (achieved gradually through negotiation); predictability (through binding agreements and transparency); promoting fair competition; and encouraging development and economic reform. Growing out of those principles are agreements relating to trade in goods (GATT), trade in services (GATS), and intellectual property rights (TRIPS). This commitment to free trade and to certain international standards as a member of the WTO increases foreign and domestic firms' confidence in investing in a host country, thereby increasing trade flows, growth, and investment opportunities.

The WTO indicator can be assessed against the following: 1) whether the country is a member of WTO; 2) the number of WTO commitments the country has undertaken; (3) the institutional set-up for WTO implementation.

Egypt has been an active member of the WTO since 1995. It has submitted proposals individually and with other WTO members on a wide range of topics, including trade facilitation, special and differential treatment, rules, dispute settlement, services, agriculture, and non-agriculture market access in the Doha Round (WTO, 2005). According to the last WTO Trade Policy Review for Egypt in 2005, Egypt had bound more than 98% of its tariff lines.

In addition to the three main WTO agreements – GATT, GATS, and TRIPS – which shape WTO membership[xiv], Egypt has undertaken schedules of specific commitments in goods and services. Its very detailed goods schedules includes commitments on market access for both agricultural and non-agricultural products, as well as agricultural subsidies. Its specific commitments in services apply to conditions for market access and national treatment in four modes of supply: cross-border supply, consumption abroad, commercial presence, and movement of natural persons. Egypt's initial services commitments covered construction and related engineering services, tourism and travel-related services, financial services (recently amended), and international maritime transport, while commitments in telecommunications were

recently added. The Doha negotiations will result in new schedules in agriculture, non-agricultural products, and services (MOTI, 2009).

Since Egypt became a member of the WTO it has amended its domestic legislation to bring it into line with the terms of WTO agreements. It grants MFN status to all WTO members, has been a defendant in one dispute relating to definitive anti-dumping measures, and reserved its third party rights in another (WTO, 2005).

To implement WTO commitments effectively, Egypt set up the Central Department of WTO Affairs (CD/WTO) in the Ministry of Trade and Industry in 2002[xv] to act as the main co-ordinating body for all WTO-related issues. Its role is to co-ordinate complex negotiations, follow up on existing commitments, and communicate with the public and private sectors to keep them involved in the negotiations process (MOTI, 2009). Moreover, to facilitate implementation and increase awareness of WTO benefits and commitments, the Ministry of Trade and Industry has issued an exporters' guide to the WTO Agreements, which it has posted on its website. In addition to the CD/WTO, Egypt has also put in place a National Focal Point for Trade Facilitation (NFPFTF). The body is responsible for notifications to the WTO of any change in policy. It also monitors Egypt's implementation of its commitments under the WTO agreement.

BCDS Score for WTO Membership: 5

Egypt scores 5 on the BCDS scale, as it has been a member of WTO since 1995 and a contracting party to GATT since 1970. As a developing country, it has been an active member and has taken on a number of commitments. It has put in place efficient measures to ensure that it fully implements its WTO schedule of commitments.

4.2.2. Regional Trade Agreements (RTAs)

Many countries have been able to pursue trade liberalisation through regional trade agreements (RTA) while being part of the WTO's multilateral trade system. "The first eleven years (1995-2005) of the WTO have been paralleled by a tripling of RTAs – officially notified to the WTO and in force – from 58 to 188."[xvi] More than half of international trade is now estimated to be covered by RTAs.[xvii]

Almost all OECD nations are members of one or more RTA. In addition, regional integration is an important objective for trade strategies in the Arab region. All countries in the region have concluded numerous bilateral agreements to reduce trade barriers on a preferential basis (Hoekman and Sekkat, 2009).

It is argued that increased regional integration achieved through the means of regional trade agreements can complement the benefits of WTO membership and can be drawn upon in designing a more comprehensive multilateral trading system. RTAs often take firmer action than the WTO with regard to regulations pertaining to services, labour, investment, and other aspects of trade (Hoekman and Sekkat, 2009). In fact trade topics such as services, intellectual property, environmental standards, investment and competition policies were all raised in regional negotiations and later developed into agreements or topics of discussion in the WTO.[xviii]

However, in some cases, RTAs and regional initiatives have also proven to be no more successful and sometimes even less so than multilateral agreements.[xix] The spread of regional agreements has created what is known as a "spaghetti bowl of criss-crossing arrangements", often characterised by a lack of coherence leading to increased trade costs, reduced efficiency, and weakened conditions of competition in global markets (Baldwin *et al.*). Countries engaged in RTAs should, therefore, make sure that these agreements complement their WTO membership and result in increased trade flows with RTA member countries and the rest of the world. They should also guarantee that their regional trading arrangements do not jeopardise trade with other countries or discriminate against them.

The Regional Trade Agreements Indicator is assessed against the following criteria:

1) the number of RTAs negotiated;
2) the degree of coherence between different RTAs;
3) to what degree RTAs are in force; and
4) the impact on trade flows with member countries of an RTA.

As Egypt continues to push for trade expansion as one of the key drivers of economic growth, the government has worked to liberalise its trade regime and accelerate its integration into the global market through active WTO participation as well as regional and bilateral preferential trade arrangements.[xx]

Accordingly, Egypt has negotiated a number of regional and bilateral trade agreements with its main trade partners, so securing its exporters access to markets and its importers access to competitive international sources of intermediate input.

Box 4. Egypt's regional and bilateral trade agreements

Regional Agreements

- The Common Market for Eastern and Southern Africa (COMESA): Egypt became a member in 1998. COMESA includes 20 member countries. Egypt is one of the nine countries that have achieved 100% reduction of import tariffs.
- Greater Arab Free Trade Area (GAFTA): signed in 1997 and entered into force in 1998. It includes 17 members of the League of Arab States: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE and Yemen. As of 1 January 2005, the agreement reached full trade liberalisation of goods through the full exemption of customs duties and charges having equivalent effect between all members of GAFTA, except Sudan and Yemen being less developed countries where customs duties and charges having equivalent effect will be reduced by 16% annually as of January 2005 to reach full exemption by the end of 2010.
- Arab Mediterranean Free Trade Agreement (Agadir) signed in 2004 between Egypt, Jordan, Morocco and Tunisia. Members are granted full exemption of custom fees, charges and other taxes on agricultural goods, processed agricultural goods and industrial goods. The actual implementation of the agreement started on 27 March 2007 after the four member countries notified their customs outlets of the implementation of the agreement.
- Euro- Mediterranean Free Trade Area (EMFTA) According to the Euro-Mediterranean Conference of Ministers of Foreign Affairs held in Barcelona in November 1995, the gradual establishment of the Euro-Mediterranean Free Trade Area (EMFTA) will begin in 2010. This is to be achieved by means of the Euro-Mediterranean Association Agreements negotiated between the European Union and its Mediterranean Partners, together with Free Trade Agreements between the Mediterranean Partners themselves.[xxi]

Bilateral Agreements

- FTA with Tunisia signed in 1998.
- FTA with Morocco signed in 1998.
- Tariff and Trade Agreement with Libya signed in 1990.
- FTA with Turkey signed in 2005. Industrial products of both parties will be exempt from customs duties and other charges.
- FTA with the European Union as part of the Association Agreement (signed in 2001)[xxii]. Under this agreement all manufactured goods of both parties, will be exempt from all import tariffs and fees. Agricultural products are subject to reductions and eliminations according to certain conditions specified in the agreement. Agreement to be implemented over a period of 12 years.

- European Free Trade Association (EFTA): Iceland, Switzerland, Norway and Liechtenstein
- Trade and Investment Framework Agreement with the United States: signed In July 1999, and is considered a preliminary step toward a free-trade agreement. Working groups have been established on customs administration and reform, government procurement, SPS issues, and agricultural tariff issues.

Other Protocols

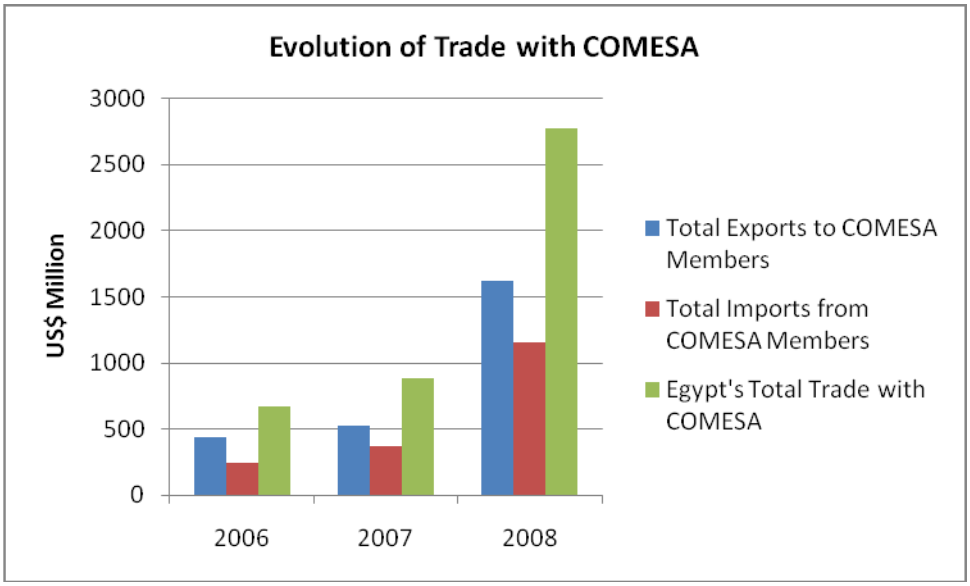
- Qualified Industrial Zones (QIZ): A protocol between Egypt, US and Israel. The US has issued the decree in December 1996, which authorised duty-free entry into the US for industrial products originating in Egypt and manufactured jointly with Israel, in compliance with the international rules of origin. The QIZ protocol was signed in 2004 and ratified and implemented in 2005.

Source: Ministry of Trade and Industry, Egypt; Agadir Agreement and GAFTA websites.

There seems to be an overlap between RTAs like GAFTA and the Agadir agreement and BTAs like the free trade arrangements with Tunisia and Morocco. The available literature underscores the administrative burden associated with negotiating and finalising regional and bilateral trade agreements. They also cause confusion for exporters and importers. CD/BMA is tasked with following up ratification and implementation procedures and taking the necessary measures to resolve implementation problems. Implementing regional trade agreements is actually of concern to many in the private sector. They believe that RTAs have not been taken full advantage of due to the lack of awareness of the details of the agreements and their implications.

The impact of RTAs on Egypt's trade flows with members of RTAs is positive overall. Its share of trade with African countries has increased strongly, following the gradual implementation of COMESA. Exports to COMESA members increased from less than USD 500 million in 2006 to over USD 1 500 million, while imports grew from less than USD 300 million to more than USD 1 billion over the same period (see Figure 10). And even though other major regional agreements (the Agadir Agreement, GAFTA, the EU-Egypt Agreement, the FTA with Turkey, and QIZ) have only recently come into force, they are already beginning to have significant impacts.

Figure 10. How trade has evolved within COMESA

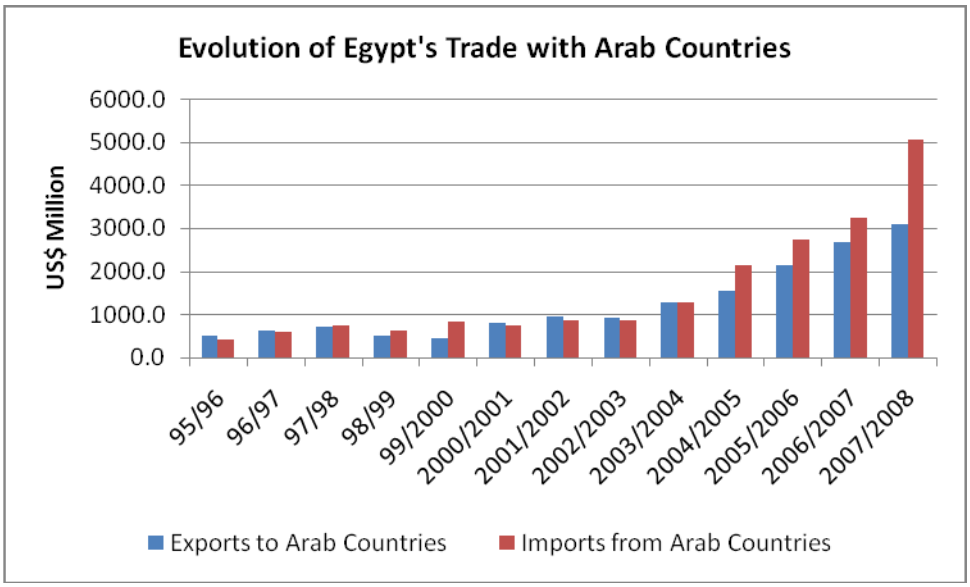


Source: MOTI-Central Agency for Public Mobilisation and Statistics.

During the period 1998-2008, Egypt's overall trade with MENA countries grew from 5.2% to 11% in 2007-8 and had already reached the same level in the first three quarters of 2008-9. However, after GAFTA came into force in 2005, Egypt's exports to Arab countries as a percentage of its total exports increased from 12% in the first half of 2007-8 to 14% during the same period of 2008-9. The share of Egypt's imports from Arab countries also increased from 9% in the first half of 2007-8 to 10% during the same period of 2008-9. In terms of trade volume, there appears to have been a significant increase in both exports from and imports to Arab countries since Egypt joined GAFTA, in contrast to the fairly modest performance during the period 1995-2003 (see Figure 11).

There was an increase in Egypt's trade with almost all Arab countries during the period 2007-9. The highest increase was with Saudi Arabia, with Egypt's exports to that country rising by 56% and its imports by 30% between 2007-8 and 2008-9.

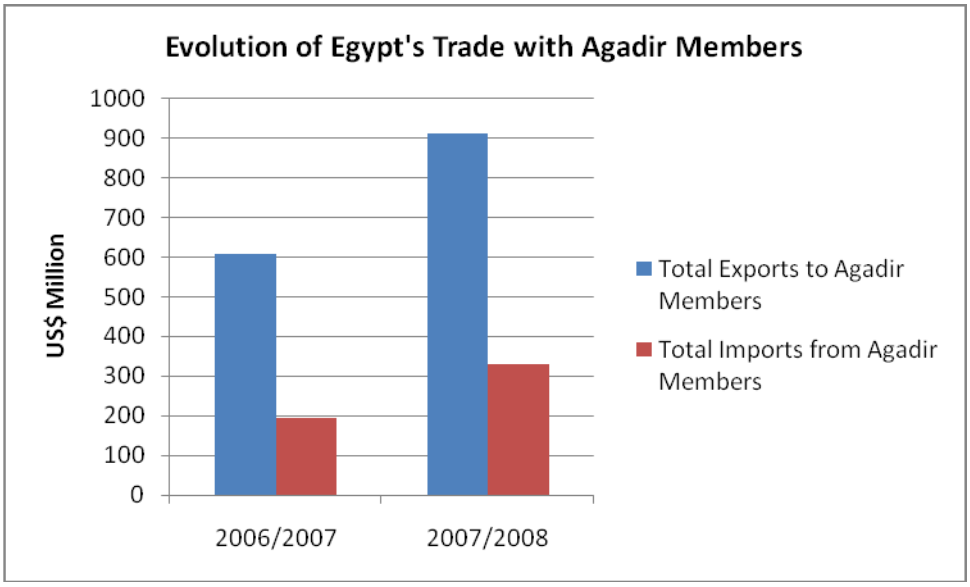
Figure 11. How Egypt's trade with Arab countries has evolved



Source: MOTI-Central Bank of Egypt, 2009.

Trade with signatories of the Agadir Agreement has also increased significantly (see Figure 12), although it is unclear whether this increase is due to Agadir, which came into force in 2007, GAFTA in 2005, or as a result of FTAs with Tunisia (1998) and Morocco (1998).

Figure 12. How Egypt's trade with other Agadir Agreement signatories has evolved



Source: MOTI-Central Bank of Egypt, 2009

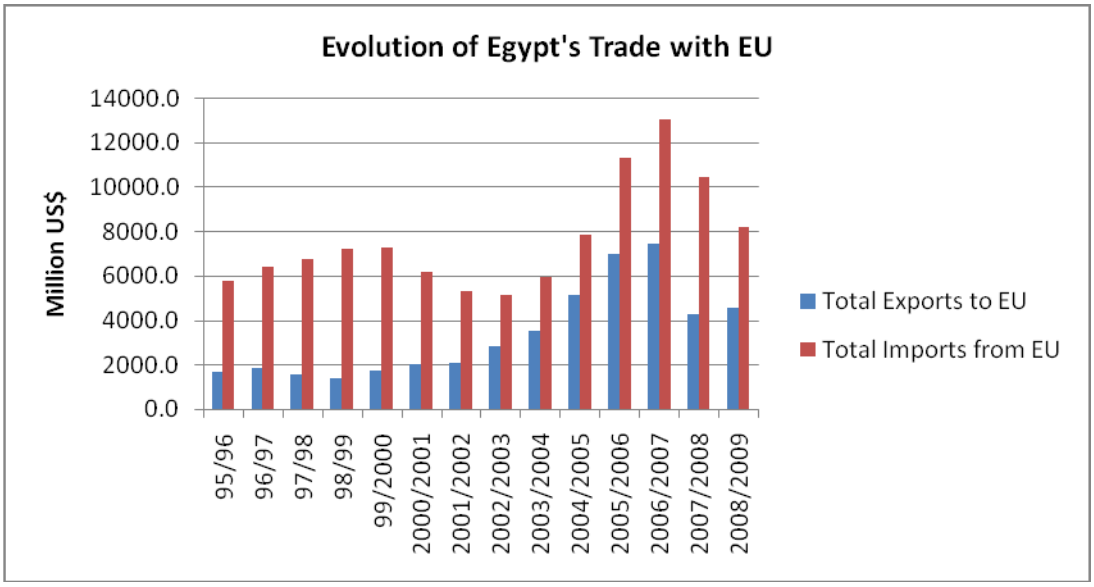
The impact of QIZ, implemented in 2005, on exports to the US has not been significant overall (see Figure 13), although it has given a substantial boost to Egypt's garment industry, which accounts for 95% of QIZ exports. There was an increase of 157% from 2005 to 2008 in Egypt's garment exports to the US. In addition, imports from Israel also increased by 118% during the same period.[xxiii]

Figure 13. How Egypt's trade with the US has evolved

Source: MOTI-Central Bank of Egypt, 2009.

Trade with the EU actually shrank in 2007-8, despite the FTA signed in 2002 (see Figure 14). On the other hand, trade with China has been increasing significantly, even though the two countries have not signed a trade agreement.

Figure 14. The pattern of Egypt's trade with the EU



Source: MOTI-Central Bank of Egypt. N.B. For the years 2007-8 and 2008-9, the data provided covers the first half-year.

BCDS Score for Regional Trade Agreements: 3.5

Egypt has signed many RTAs with its main trade partners. However, a degree of overlap between RTAs negotiated with same countries, particularly Arab countries, could be of concern. According to the private-sector community, there is confusion among investors as to which agreement takes precedence over which. The impact of RTAs on the volume and shares of Egypt's trade with member countries is quite significant.

For Egypt to improve its score, it should improve the flow of information on implementation to investors and make full use of RTAs to maximise benefits. Egypt could consider establishing a help desk for all stakeholders to keep them informed of bilateral and regional trade agreements in a user-friendly manner.

4.2.3. Customs Duties on Capital Goods

High barriers on imports of capital goods[xxiv] can have a particularly negative effect on FDI inflows and a country's international competitiveness. With free access to cheaper capital goods, local companies' exports can gain in competitiveness. In addition, the country benefits from increased capital accumulation (OECD, 2005).

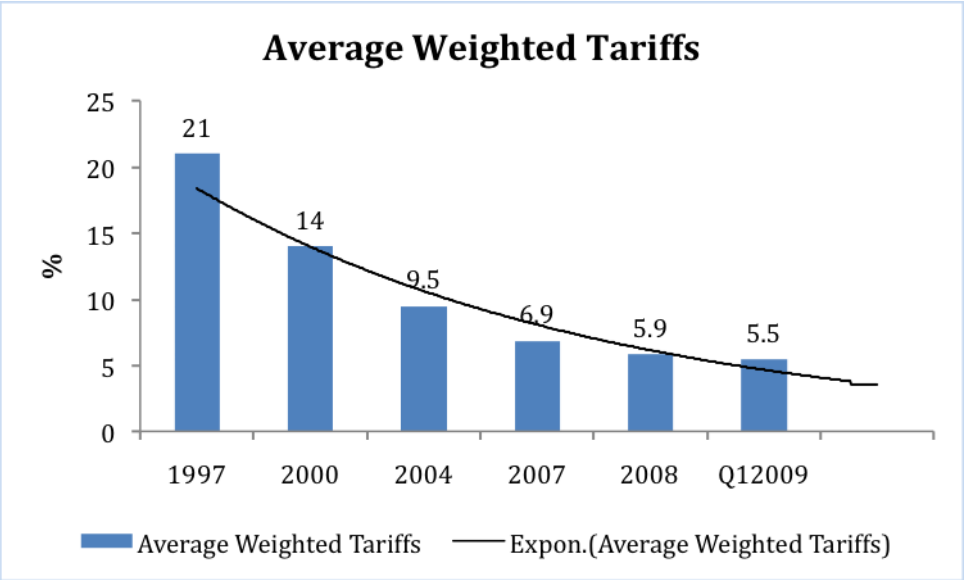
The trade regime applied to capital goods is particularly significant for countries that do not produce capital goods locally and are dependent on imports of capital goods. To lower fixed investment costs, imports of capital goods should be exempted from customs duties and other barriers.

Even if the country does not apply a zero-rate regime on all its capital goods, regimes such as FTAs and others that promote investment and exports could offer zero customs duties on imports including capital goods. Such avenues should also be explored.

Egypt has brought down its custom duties as well as a multitude of different charges and levies and numerous tariff schedules. A presidential decree in 2009[xxv] reduced tariff rates on a number of imported

items, including capital goods, which resulted in bringing down the average weighted tariff to 5.5% (see Figure 15). Custom duties on capital goods vary, according to the good imported, from 0% to 30%, with 40% on vehicles.[xxvi] However the 30% maximum tariff rate accounts for a mere 4% of the total number of tariff lines under capital goods. Customs duties on equipment and intermediary goods range from 2% to 5%, and almost 20% are duty free.[xxvii] The simple average MFN tariff on all capital goods is approximately 5%.[xxviii]

Figure 15. Average weighted tariffs

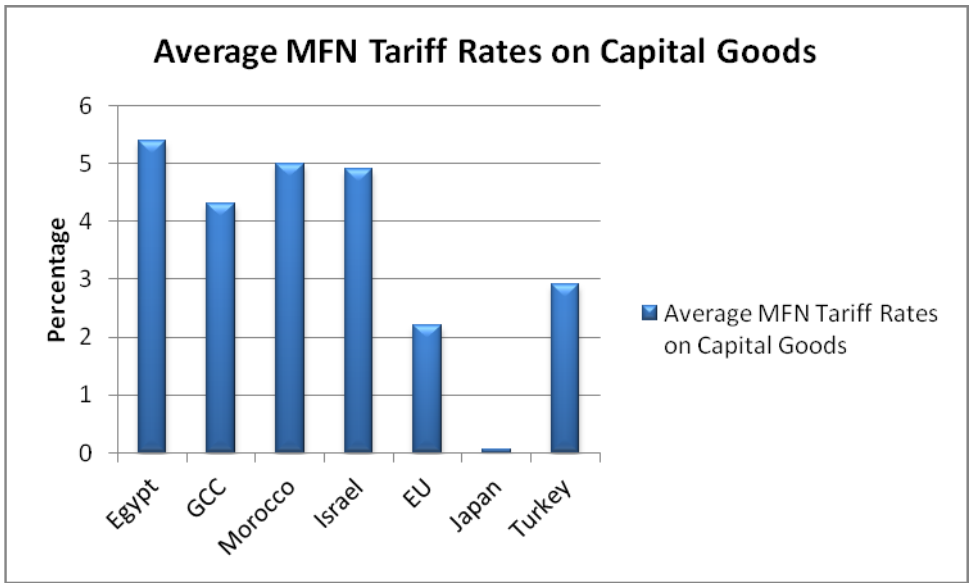


Source: Ministry of Finance, Egypt, Ministry of Trade and Industry, 2009

There are special conditions for zero and reduced rates of custom duties on capital goods in Egypt.

- Under the terms of preferential trade agreements, Egypt lifts or reduces custom duties on capital goods imported from another member country (see previous section on trade agreements).
- In the case of an investor operating in Egypt under Investment Law 91/2007 all imports of machinery, equipment, and appliances required to establish the venture are subject to a fixed rate of 5%.[xxix]
- Imports (including imports of capital goods) into Egypt's free zones or special economic zones are not subject to import duties. (See section 4.1.1. on export promotion programmes for more detail on free zone programmes in Egypt.)
- In response to crises: due to the current global economic downturn, capital goods are exempt from all custom duties.

Figure 16. MFN tariffs on capital goods[xxx]



Source: Ministry of Finance, Egypt, Ministry of Trade and Industry, 2009

BCDS Score for Customs Duties on Capital Goods: 3

Egypt has substantially lowered its tariff rates, particularly on capital goods. Progress in this area is acknowledged. Egypt has a simple 5% average MFN tariff on capital goods and so scores 3 on the BCDS scale. Furthermore, the government has exempted all capital goods from custom duties in response to the global financial crisis, which is highly commendable.

However, the WTO reports that tariff escalation on semi-processed and processed goods is still an issue. Egypt's escalatory tariff structure is seen as discouraging export-oriented manufacturing (WTO, 2005).

For Egypt to improve its score on the BCDS scale, it must tackle the issue of tariff escalation. Moreover, the Government might want to consider exploring the impacts of lower tariffs on its capital goods.

4.2.4. Quantitative Restrictions

This indicator considers the existence and extent of the quantitative restrictions a country may impose on both its exports and imports. Article XI of GATT generally prohibits quantitative restrictions on the import or export of any product by stating: "No prohibitions or restrictions other than duties, taxes or other charges shall be instituted or maintained by any Member." However, GATT provides exceptions to this fundamental principle. These exceptions permit the imposition of quantitative measures under limited conditions, and only if they are taken on policy grounds justifiable under GATT, such as critical shortages of foodstuffs (Article XI:2) or balance of payment problems (Article XVIII:B). As long as the terms of these exceptions are invoked formally in accordance with GATT provisions, they cannot be criticised as unfair trade measures.

Egypt restricts its exports of some agricultural products, *e.g.* rice, in addition to annual quotas on raw wool and wool waste, cotton and cotton yarn waste, tanned hides and skins, and used newsprint (Amcham,

2009). Egypt also places temporary quantitative restrictions on its exports, but they can sometimes be justified on policy grounds. Recently a Trade and Industry Ministerial Decree banned cement exports until 1 October 2010. That decision was triggered by the growth of the domestic construction sector, which has led to an increase in the demand for cement.[xxxi]

Egypt only maintains import prohibitions for economic, environmental, health, safety, and sanitary and phytosanitary reasons. Import prohibitions apply to the edible offal of poultry (including liver). They also apply to hazardous and certain non-hazardous chemicals, pesticides, and hazardous waste, while Article 46 of the Telecommunications Law outlaws imports of used telecommunications materials for trading purposes (WTO, 2005).

However, the Egyptian authorities indicate that they have lifted quantitative restrictions on imports. Pursuant to Decree 580/1998, automobiles can be imported only during the year of their manufacture, which effectively bans the import of second-hand cars.

BCDS Score for Quantitative Restrictions: 4

Egypt has lifted quantitative restrictions on most of its imports and exports. Its good score of 4 could have been higher if the government did not still place temporary quantitative restrictions and prohibitions on imports and exports. The global economic downturn has prompted Egypt to temporarily ban the export of some of goods. It has not yet reached a level where exports and imports are completely free of quantitative restrictions.

Table 3. Summary of scores for Sub-Dimension 4.2., Trade Liberalisation and Trade Openness

Indicator	WTO Membership	Regional Trade Agreements	Custom Duties on Capital Goods	Quantitative Restrictions
Score	5	3.5	3	4

Sub-Dimension 4.3.: Non-Tariff barriers

The benefits deriving from trade liberalisation and the elimination of tariff-equivalent restrictions can be easily offset by significant non-tariff barriers (NTBs). To date, trade experts have not reached a consensus on the classification of NTBs (OECD, 2005). This is mainly due to the fact that, unlike tariffs, NTBs are often difficult to identify and their effects on trade flows cannot always be quantified.

Addressing non-tariff barriers requires the involvement of a number of government agencies, private sector associations and individual companies, as well as a high level of international and regional co-operation. It includes the introduction of a vast number of legislative and regulatory measures and the establishment of new institutions (*e.g.* technical laboratories, certification and inspection bodies).

This sub-dimension examines three main categories of non-tariff barriers: 1) technical barriers to trade; 2) sanitary and phytosanitary measures; and 3) administrative barriers to trade.

4.3.1 Technical Barriers to Trade

Technical barriers to trade (TBTs) are barriers that are created as a result of misused technical regulations and standards.[xxxii] When technical regulations are applied in a non-proportionate, discriminatory, and non-transparent way, they are considered as barriers to trade rather than as a legitimate tool to ensure human and environmental safety and protection. For example, when a piece of domestic legislation requires an imported product to comply with specific standards and regulations that a similar, locally manufactured product does not have to comply with, then the technical regulation is applied in a discriminatory way (Lesser, 2007). If well implemented, technical standards and conformity assessment procedures should generate more trade by facilitating cross-border transactions between economic players.

This category covers four indicators, which are:

1) the institutional and legislative framework for the adoption of technical standards;
2) the transposition of international standards;
3) the institutional and legislative framework for certification; and
4) the status and outcomes of conformity assessment arrangements.

4.3.1.1. Institutional and Legislative Framework for Standardisation

The following criteria matter when assessing the institutional and legislative framework for the adoption of technical standards:

- the presence of a national body and legislation for technical standards;
- the institutional capacity of the national body for standardisation;
- the implementation and enforcement of the legislative framework for technical standards
- the number of international standardisation organisations to which the national standards body belongs or is affiliated.

In 1957, Egypt established a national standardisation body, the Egyptian Organisation for Standardisation and Quality (EOS), which is affiliated to the Ministry of Trade and Industry. It is the national authority in all matters related to standardisation and quality control in Egypt and is the WTO's national TBT enquiry point. Standards are formulated and set by EOS and are subject to the Standardisation Law 2/1957. The General Organisation for Export and Import Control (GOEIC) is

responsible for inspection of imports and exports. However, other ministries including the Ministry of Health and the Ministry of Agriculture are also involved in the process of inspection.

EOS is responsible for issuing and reviewing all Egyptian standards, expanding the range of standards to include all commodities, consumers' services and safety and environmental systems. It is also is tasked with testing, metrology and conformity, harmonising Egyptian standards with international ones, updating and developing EOS testing labs, and accrediting EOS labs ahead of international certification.

EOS is a well established organisation: by 2005, it had more than 1 000 permanent staff members (WTO, 2005). It updates and manages its services electronically. In addition, it has signed co-operation agreements in the field of standardisation and related activities with most Arab countries, China, France, and Uganda, and has signed memoranda of understandings with a number of countries.[xxxiii]

To increase Egyptian exporters' and importers' awareness of commitments within the TBT Agreement, EOS has established a mailing group and website for the TBT sub-committees, has developed a user-friendly guide to all Egyptian TBT measures, and holds seminars about the TBT Agreement and issues for all concerned agencies.

EOS obtained ISO membership in the same year it was established. It is also a member of CODEX Alimentarius, the International Organisation for Legal Metrology (OIML), the African Regional Organisation for Regional Standardisation (ARSO), the Arab Industrial Development and Mining Organisation (AIDMO), the European Organisation for Quality (EOQ), International Measurement Confederation (IMEKO), the American Society for Testing and Materials (ASTM), and the European Committee for Standardisation (CEN). Moreover, it has been the Egyptian enquiry point for TBT Agreement on standards, technical regulations, and conformity assessment since 1995.[xxxiv]

BCDS Score for Institutional and Legislative Framework for Standardisation: 4

Egypt's institutional and legislative framework for the adoption of technical standards is well developed and effective. With EOS, it has a well established national body in charge of setting technical standards that is a member of many international standardisation bodies. Nevertheless, verification of compliance is the responsibility of other ministries and it has been argued that this can sometimes be an administrative burden for importers and exporters.

For Egypt to move up to BCDS Level 5, it should strengthen co-ordination between the two bodies responsible for setting standards and for verifying compliance, or consider placing the two functions under the same authority so as to minimise any administrative burdens for exporters and importers.

4.3.1.2. Transposition of International Standards

Egypt has accepted the WTO code of Good Practice for the Preparation, Adoption and Application of Standards. The EOS also undertook a project in collaboration with the Industrial Modernisation Center to harmonise Egyptian standards with international standards. It gave rise to a Harmonisation Strategic Plan, which guarantees the sustainability of the harmonisation process in Egypt. As a result of the project, all 8 500 Egyptian standards have been harmonised.

If a mandatory Egyptian standard (regulation) does not exist, Ministerial Decree 180/2003 allows importers to choose a relevant international standard like ISO, IEC or Codex Alimentarius, a European standard, or a national system such as those of the US, Japan, the UK, Germany or France.[xxxv]

As part of its Association Agreement with the EU, Egypt has started bringing its domestic regulations into line with European legislation in the priority sectors it has chosen (construction products, electrical appliances, pressure equipment, medical devices and gas appliances). The adoption of European standards in the priority sectors and the withdrawal of any conflicting national ones are well advanced.

BCDS Score Transposition of International Standards: 4

Currently all 8 500 Egyptian standards have been upgraded to meet international standards.

4.3.1.3. Institutional and Legislative Framework for Certification

The formal accreditation of conformity assessment bodies can help qualify them to certify local economic operators. In this context, the efficiency of the accreditation system emerges as a significant factor in preventing potential TBTs (Fliess & Schonfeld, 2006). This indicator examines: 1) whether there are any national accreditation bodies and how they function; 2) the existence and main characteristics of legislation governing accreditation; and 3) how many international bodies the national accreditation system belongs to.

The Egyptian Accreditation Council (EGAC), established by Presidential Decree 312/1996, is the sole national body for assessing and accrediting certification bodies (products, systems, and personnel), inspection bodies, and laboratories (testing and calibration). EGAC is headed by the Minister of Trade and Industry and is governed by a board of 14 members, representing all stakeholders and concerned bodies. EGAC has contracted with UKAS of the United Kingdom for technical assistance.

Accreditation is carried out in accordance with the relevant international requirements (ISO/IES guides 58, 61, 62, 65 and 66 as well as ISO/IEC TR 17010 and 17020). EGAC has been a full member of the International Laboratory Accreditation Cooperation (ILAC) since June 2004 and a full member of International Accreditation Forum (IAF) since May 2006. EGAC is a party to the mutual recognition agreement MRA/MLA.[xxxvi]

BCDS Score for Institutional and Legislative Framework for Certification 3.5

Egypt has a functioning accreditation system with a national accreditation body that is a member of international organisations such as ILAC. However, the private sector has reported that the process of certification is lengthy, which suggests that EGAC's technical capacity might be insufficient. The OECD recommends that more resources be allocated to staff the EGAC's services and to train staff in the most recent techniques.

4.3.1.4. Status and Outcomes of Conformity Assessment Arrangement

Conformity assessment (CA) can provide significant benefits for manufacturers, but it can also act as a technical barrier to trade. OECD research shows that conformity assessment bodies (CABs) around the world are closely involved in activities related to international trade (Fliess & Schonfeld, 2006). This is due to the fact that before some products can be traded, a specialised government agency or certification body must assess their manufacturer's conformity with international standards. The local presence of accredited certification bodies is, therefore, important to ensure that firms (especially SMEs) can obtain certification without incurring prohibitive costs.

This indicator focuses on: 1) the number and status of accredited CABs; 2) the presence of mutual recognition agreements; and 3) the outcomes of conformity assessment arrangements as indicated by the number of companies certified.

There are 140 testing and calibration laboratories that have been accredited either by EGAC or NLAB. GOEIC's accredited laboratories acquired ISO 9001/2000/certification in 2008. It is currently developing an e-inspection system for rapid release. A pilot project is already operational in El Dekheila Port and is gradually being rolled out to other locations nationwide.[xxxvii]

Inspection procedures have been unified by GOEIC since 2000. Inspection and control procedures are all undertaken in one phase.

Table 4. Progress and current status of accreditation and conformity assessment bodies

Laboratories	2008/09
Testing labs	**190**
Calibration Labs	**76**
Certification Bodies	**2**
Inspection Bodies	**5**
Total	**273**

Source: MOTI; American Chamber of Commerce, 2009; EGAC

4.3.2. Sanitary and Phytosanitary Standards (SPS)

The adoption of sanitary and phytosanitary standards contributes to better integration in global production chains in the food processing industry. This indicator assesses the institutional framework for SPS measures and gauges to what degree international standards have been adopted.

The following criteria matter when assessing the institutional framework for sanitary and phytosanitary standards: 1) the presence of a national body and legislation for SPS; 2) to what extent the SPS legislative framework has been adopted; 3) the capacity of the national body in charge of SPS; and 4) the alignment of domestic legislation with international standards.

Egypt has developed a framework for sanitary and phytosanitary standards based on the WTO SPS Agreement [xxxviii] to which Egypt is a signatory. This agreement sets out the basic rules for SPS measures and encourages WTO members to base their regulations on international standards developed by the Codex Alimentarius Commission (food safety), the International Office of Epizootics (animal health), and the International Plant Protection Convention. The Central Department for WTO (CD/WTO) within the Ministry of Trade and Industry acts as the technical secretariat for the SPS Sub-Committee[xxxix] established in 2003 under the auspices of MOTI. The sub-committee is in charge of monitoring Egyptian obligations and rights under the SPS Agreement. It had submitted 35 notifications to WTO by July 2009.

There exists a second SPS sub-committee which comes under the auspices of the Ministry of Agriculture and is responsible for the technical aspects of SPS such as conducting risk analyses. On this

sub-committee are representatives from agricultural technical institutions like the Central Administration for Plant Quarantine, the General Organisation for Veterinary Services and other research institutes.

A number of laws govern SPS. They include the Agricultural Law (53/1996) and the Pharmaceutical Law (14/1984) for SPS measures. Other bodies involved in SPS in Egypt include the National Enquiry Point in the Ministry of Agriculture and Land Reclamation, which is in charge of implementing all notification requirements on a national level. In addition, MOTI is in charge of notifying the private sector of newly adopted SPS requirements through weekly newsletters. In addition, a notification co-ordination mechanism (NCM) was established with the aim of sharing SPS-related information with all public and private stakeholders.

Ministerial Decree 583/2007 has instituted a process for co-ordinating the work of Egypt's SPS bodies and the flow of information between them. In addition, a mechanism was created by Prime Ministerial Decree 2489/2007 to ensure full consistency of standards between the various SPS bodies. During the period 2003-9, 45 SPS Sub-Committee meetings were held with all SPS entities in attendance.

Other bodies whose work is affected by SPS measures include Animal Quarantine, Plant Quarantine, the General Organisation for Export and Import Control, the Egyptian Organisation for Standards and Quality, the Ministry of Health and Population, and the Ministry of the Environment. Even with the establishment of the National Enquiry Point in the Ministry of Agriculture and Land Reclamation, designed to enable early comment on SPS measures, it is unclear how the National Enquiry Point works with the vast number of sub-committees or how the work is organised internally.

BCDS Score for Sanitary and Phytosanitary Standards: 3

Egypt has a fairly new system of SPS measures, which contains the most important components. It has a national body and a framework that comply with the WTO SPS Agreement. Ministerial decrees have called for co-ordination mechanisms, which shows that there is high political commitment. However, since the implementation of the SPS framework is relatively recent in Egypt, it will take time to achieve the intended results. Moreover, international SPS have not yet been fully transposed into domestic regulations.

To improve its score on the BCDS scale, the Egyptian government needs to continue to strengthen the capacity of its institutions to apply SPS measures. It has already put forward measures to overcome challenges and meet its national obligations under the WTO SPS Agreement. It has deployed awareness programs with seminars, workshops, and on-the-job training for the private and public sectors to bring Egypt into WTO SPS compliance and to strengthen the competent authorities' understanding of the agreement and their ability to implement it. In addition, the government needs to increase co-ordination between the two existing SPS sub-committees within the Ministry of Trade and Industry and the Ministry of Agriculture and Land Reclamation.

4.3.3 Administrative Barriers to Trade

Large numbers of licensing and other documentation requirements for export and import can significantly hamper trade, by placing an often disproportionate burden on business. An OECD study estimates that reducing trade and transaction costs on trade in goods by only 1% could result in an average increase in GDP of 0.47% (OECD, 2003). Administrative barriers to trade consider four indicators: 1) licenses, 2) time and number of documents needed for exports and 3) time and number of documents needed for imports and 4) accessibility of customs laws and regulations.

4.3.3.1. Licenses

The WTO defines import licensing as:

> "administrative procedures requiring the submission of an application or other documentation (other than those required for customs purposes) to the relevant administrative body as a prior condition for importation of goods"

Licensing can be automatic or non-automatic. Automatic licenses are granted almost immediately upon request and their main purpose is to help compile trade statistics. Non-automatic licenses are used to control imports and can be required for economic and non-economic purposes. Economic purposes include control of trade flows in the event of balance of payment (BoP) problems or for purposes of industrial policy. Because of the distortions they introduce, such licenses have been steadily phased out. Licensing can also be used for non-economic purposes such as national security, health and safety, the environment, morality, religion, intellectual property and compliance with international obligations. These rationales are widely used by OECD countries (Geloso Grosso, 2005).

Trade regulations in Egypt provide that goods may be freely imported and exported as long as they are not on the prohibited list and the relevant duty is paid. Egypt no longer requires import licenses, except for items on a banned list, which the government has stated it intends to abolish.

Some exceptions to the banned list have been introduced. They include items required for enterprises engaged in tourism, military production, civil aviation, the petroleum sector, or essential production inputs approved by the minister of the appropriate sector. Except for countries on United Nations sanctions lists, there are no restrictions against imports from other countries.

All Egyptian products can be exported directly through customs without obtaining any form of export permit, except hides, scrap metal (excluding stainless steel) and alpaca fibres.

There are certain restrictions, however, on products imported by foreigners and foreign-owned companies. They are compelled to use the services of agents who must be registered in the Register of Commercial Agents and Intermediaries. Only Egyptian nationals and fully Egyptian owned and managed companies may be enrolled in the register (Commercial Law 17/1999).[xl]

BCDS Score for Licences: 3.5

The reasons for Egypt's BCDS score of 3.5 are that, even though its import and export licensing practices are limited to public policy exceptions, it still requires compels companies to use commercial agents to import products into Egypt.

To improve its score on the BCDS scale, Egypt needs to address the issue of commercial agents and national treatment.

4.3.3.2. Time and Number of Documents Required for Exports and Imports

Egypt has been a pioneer in the region in setting up one-stop shops (OSS) to centralise and streamline formalities, so facilitating import and export business activities. In its central office the General Authority for Investment and Free Zones (GAFI) has established an OSS which also has branches in Egypt's governorates, so helping it widen its coverage. Trade licenses are issued on the spot on the same working day by GOEIC.[xli] Moreover, Egypt's zone programmes[xlii] provide facilities for easing export and customs paperwork and procedures.

The World Bank described Egypt as a top reformer in its 2008 edition of *Doing Business*, and in *Doing Business* 2010 it ranked the country 24th for cross-border trading. According to the report, it takes 14 days and six documents to complete export formalities. However, the Egyptian authorities argue that three of the documents – namely the bill of lading, commercial invoice, and the packing list – are prepared by the exporter, so the length of the export process is highly dependent on the exporter. The certificate of origin can be obtained from GOIEC in one day, as can the customs export declaration, while only five agricultural products require technical standard and health certificates.

Box 5. Egypt's exporters and importers must complete six documents

Export Documents	Import Documents
1. Bill of lading	1. Bill of lading
2. Certificate of origin	2. Certificate of Origin
3. Commercial invoice	3. Commercial Invoice
4. Customs export declaration	4. Customs Export Declaration
5. Packing list	5. Packing List
6. Technical standard/health	6. Technical Standard / Health

Source: Ministry of Trade, Egypt

In addition, Presidential Decree No. 106/2000 has facilitated examination and control procedures for exports and imports and consolidated responsibility for sampling and testing under the authority of GOEIC. Insofar as the decree eliminates overlap, it is a very important step.

BCDS Score for Time and Number of Documents Required for Exports: 3.5

According to *Doing Business 2010*, it takes 15 days and six documents to complete import formalities. However, the bill of lading, certificate of origin, commercial invoice and packing list are documents obtained by the exporter and not the importer. The length of time it takes to obtain them depends on the exporting country and not on Egypt. The part of the process handled in Egypt takes five days for industrial imports and seven days for food imports.

Egypt has also achieved considerable progress in easing customs formalities. In 2008, clearance requirements were slashed from 26 to 5 approvals with a considerably reduced number of documents required. Customs clearance has been reduced to a single day for most exports.[xliii] Modern Customs Centres (MCCs) – one-stop shops for customs procedures – have been introduced in Egyptian ports such as Alexandria, El Dekheila, Dameitta and Sokhna. X-ray scanning has been adopted to inspect imports without opening consignments. Moreover, e-payment of customs duties has been introduced, with 10 major banks accepting payment. Further improvements to trade flows could come through the full deployment of the TradeNet trade document management system, which now partially links all concerned trade agencies.

Table 5. Time and documents for exports and imports

Indicator	Egypt	Region	OECD
Documents for exports	6	6.5	4.5
Time for exports	14	23.3	10.7
Documents for imports	6	7.6	5.1
Time for imports	15	26.7	11.4

Source: World Bank's Doing Business Report, 2010

BCDS Score for Time and Number of Documents Required for Exports and Imports: 3.5

Egypt compares well with the rest of the MENA region for its efforts to facilitate administrative procedures for importers and exporters. It was a top reformer in 2008, when its World Bank ranking for trading across borders moved up from 86th in 2006 to 24th in 2009 and 2010. In addition, MOTI is embarking upon an ambitious project to connect all administrative agencies to a single electronic point of transaction through the TradeNet electronic trade document system.

If Egypt is to improve its BCDS score for export and import formalities and transactions, it needs to roll out its flagship MCCs project in all Egyptian ports. Furthermore, it should identify internal best practices and make sure that all trade-related administrative procedures are of the same standard across the country. Another critical step would be to speed up the full adoption of its TradeNet system, which bodes very well for administrative facilitation and will put Egypt on a par with its competitors.

4.3.3.3. Accessibility of Customs Laws and Regulations

The Egyptian Customs Authority has a website in both English and Arabic where information is available on:

- customs tariffs
- customs law and explanatory notes
- customs procedures
- special customs regimes
- arrivals and transits.

BCDS Score for Accessibility of Customs Laws and Regulations: 4.5

The information available in English is more limited than in Arabic, not always so accessible, and less frequently updated. The Arabic version rates better than the English, although it could benefit from some updating as well. More detailed information is available on request via e-mail. Moreover, all new legislation is published in official gazettes. A BCDS score of 4.5 is awarded accordingly. Egypt should ensure information is up to date and available on more than one website in both Arabic and English.

Table 6. Summary of scores for Sub-Dimension 4.3. – Non-Tariff Barriers

Indicator	Technical Barriers				SPS Measures	Administrative Barriers			
	Institutional	Transposition	Certification	Conformity		Licenses	Time & docs for export	Time & docs for import	Accessibility
Score	4	4	3.5		3	3.5	3.5	3.5	4.5

Sub-Dimension 4.4.: Pro-Active Trade Policy

Pro-active trade policy assesses the institutions, strategies and programmes that support local companies' export penetration in foreign markets. It considers whether they are in place and how effectively they function. The sub-dimension uses two principal indicators – the export promotion agency and export promotion programmes available in a country.

4.4.1. Export Promotion Agency

An effective export promotion agency (EPA) is instrumental in improving the penetration of local companies in foreign markets. The importance of the role that EPAs play lies in the provision of services that enable a country to implement its export promotion strategy. They should be able to provide exporters with a wide range of customised services such as market intelligence, market research, and research for trade partners, assistance in accessing new markets, in marketing products, and in maintaining a presence in all the most important export markets through commercial offices.

A country's export promotion agency is assessed against the following criteria:

- whether an agency is in place and how able it is to meet the needs of exporters;
- how operationally efficient it is;
- how it co-ordinates with other trade support institutions;
- concrete evidence of the agency's effectiveness in increasing exports;
- whether it is part of a network of co-operating institutions and maintains a strong local presence.

In Egypt, the Ministry of Trade and Industry has established the Egyptian Export Promotion Center (EEPC) as the executive authority in charge of supporting both the development and the promotion of Egyptian exports. Its stated function is to provide the export community with the services, information, and technical assistance it needs to improve its export performance. However, other players in the field of export promotion seem to be much more visible according to the business community. That said, a common factor between those players is that they are all supported by the Ministry of Trade and Industry either financially or politically. Key players are described in the next section on Export Promotion Programmes.

BCDS Score for Export Promotion Agency: 3

There are several reasons for Egypt's BCDS score of 3. The government has made considerable effort to support its exporters. There is an export promotion agency in place, although it is not fully operational in the sense that its duties are also discharged by other agencies, as the next section describes. Nor does it have any formal co-ordination arrangements with other trade support institutions. The EPA is not present on the ground, as reflected in the private sector's unawareness of its services. Altogether, there is considerable confusion in the institutional set up.

If Egypt is to score 5 on the BCDS scale, it should make the export promotion agency the one-stop shop for exporters. It would be their sole port of call, providing all the services currently offered by other institutions and under different programmes. The EPA should have the capacity to guide exporters and help them build their capacity throughout the exporting process, and should track the performance of exporters to whom it has provided services. The EPA should supervise and co-ordinate all export promotion programmes and services to ensure that they are in line with government's export promotion strategy and exporters' needs.

4.4.2. Export Promotion Programmes

Export promotion services and programmes can be divided into four broad categories: 1) country image building – *e.g.* promotional events and policy advocacy; 2) expert support services –*e.g.* training and information in trade finance, customs, etc.; 3) marketing, *e.g.* trade fairs and exporter missions; 4) market research and publications (Ledermann, Olarreaga and Payton; 2006). It is important that export promotion programmes receive adequate funding. Donor financing can be useful, but should be temporary and gradually replaced by adequate domestic resources (De Wulf, 2001).

To assess a country's export promotion programmes, the following are considered: 1) whether there are any export promotion programmes; 2) the extent to which they are funded; 3) whether they are co-ordinated; 4) their coverage.

Numerous programmes, institutions and agencies provide export promotion services in Egypt.

Industrial Modernisation Center

Jointly funded by the EU, the Egyptian private sector, and the government of Egypt, the IMC was established to provide business development support to Egypt's manufacturing companies and position them competitively in Egypt's global markets. Out of more than 24 800 registered enterprises, totalling 1.2 million employees in the manufacturing sector, the IMC's mandate is to focus on companies employing more than 10 workers. It thus addresses the needs of about 10,300 enterprises. One of the IMC's core programmes is export promotion. It helps Egyptian enterprises with developing their export strategies; conducting market research; participation in international trade fairs; designing and implementing promotional branding campaigns in overseas markets, providing industrial info and statistics.

Egyptian Export Councils

The Ministry of Trade and Industry established the sector-specific Export Councils in 1997 by decree. Their boards of directors are made up of key players from different industries, with MOTI appointing their chairpersons, which opens up a channel of communication with the ministry. They thus play a significant role in shaping Egypt's export strategy within their sectors. Their prime function is to support exporters and promote exports through such services as:

- organising trade missions;
- participating in domestic and international exhibitions;
- providing market research to exporters;
- organising conferences that highlight major trends and new policies worldwide.

The Export Councils are able to provide such services because they charge membership fees. Their members are primarily larger firms that belong to industry federations. The result is a certain exclusivity, which makes it particularly for SMEs to access their services.

Egyptian Commercial Service (ECS)

The ECS operates works within the framework of MOTI. It provides exporters with such services as business intelligence and support in organising trade fairs through its network of offices around the world.

Egyptian Exporters Association (Expolink)

Expolink is a non-profit-making organisation that helps exporters to access markets and provides them with business matchmaking services. Its core competencies are organising trade affairs and helping exporters participate in international exhibitions.

Foreign Trade Training Center (FTTC)

FTTC is an independent not-for-profit training institute established under the auspices of MOTI. Its aim is to develop the competitiveness of Egyptian exporters through training services designed to enhance and empower their skills, knowledge, and capabilities. FTTC is recognised and accredited by international institutes and organisations specialised in the field of export promotion and is certified compliant with international quality management standard ISO 9001:2000.[xliv]

Export Development Bank of Egypt (EDBE)

EDBE was established in 1983 to provide exporters and importers with access to finance. It provides short and medium-term loans to finance export companies' capital assets and bank guarantees to finance exports. It grants guarantees either directly to an exporter or through other banks. EDBE also provides credit to help finance imports meant primarily for input into the production of export goods and insures exports against commercial and non-commercial risks. In 2004, EDBE disbursed loans worth EGP 4 432 million. It currently offers six individual financing programmes, each with its own conditions and eligibility criteria. Its Agriculture Sector Development Programme, for example, provides export loans of up to EGP 5 million to agricultural companies (WTO, 2005).

General Organisation for International Exhibitions and Fairs (GOIEF)

GOIEF provides marketing services and stages trade fairs and exhibitions to which it seeks to attract reputable participants. It develops and promotes Egyptian exports as follows:

- preparing and organising internal and external trade fairs, exhibitions, and promotional weeks to meet the needs of international markets;
- inviting foreign purchasing delegations to visit Egyptian fairs and exhibitions;
- granting Egyptian companies authorisation to participate in foreign exhibitions abroad.

Egypt's export promotion programmes are very comprehensive and cover a wide range of export services. In addition, the country passed a new export promotion law in 2002 (Law 155/2002) which established an export promotion fund designed to increase exports.

However, Egypt's export promotion programmes need to be more closely interlinked and co-ordinated by a single authority which would typically be the Export Promotion Agency. They should also support exporters in further developing their technical capacity building in the areas of SPS measures and standards.

BCDS Score Export Promotion Programmes: 3.5

There are a number of reasons for the score of 3.5 on the BCDS scale. First, there is a lack of synergy between export promotion programmes. A central EPA should oversee all programmes, linking them with each other, co-ordinating their work, and strengthening synergies. It should also ensure that trade promotion programmes are in line with national trade policy. For example, increased competitiveness is one of Egypt's objectives.

As such, it should be built into training programmes. MOTI should consult stakeholders to determine to which programmes it should allocate funds. The EPA would oversee these programmes, though not necessarily implement them. It could hand over that job to the private sector. Another need is for a greater provision of export promotion services in the areas of technical standards and SPS measures, with accreditation being offered to exporters.

Table 7. Summary of scores for Sub-Dimension 4.4. – Pro-Active Trade Policy

Indicator	Export Promotion Agency	Export Promotion Programmes
Score	**3**	**3.5**

CONCLUSION

Egypt has achieved substantial and significant results following reforms in almost all areas of trade policy, particularly those that affect the business climate. However, the government still needs to address a number of remaining challenges to bring its trade policy up to the next level of excellence. The government acknowledges some of those challenges and has drawn up plans to address them. Generally speaking, the findings of the Business Climate Development Strategy for Egypt's trade policy indicate that the government should not have to undertake any more major policy reforms in this area, but rather needs to fine-tune and upgrade some of its existing policies. In some cases, an increase in technical capacity and resources will also suffice.

Trade Policy Formulation and Evaluation

Egypt has made considerable progress in strengthening its capacity to formulate and co-ordinate trade policy effectively. It has done so by bringing all trade implementation functions together under the authority of a single entity, the Ministry of Trade and Industry, and putting in place ministerial committees to co-ordinate policy formulation among government bodies involved in trade policy. One such committee is the Ministerial Economic Policies Committee. An important factor has been political commitment at the highest level. It has contributed to strengthening co-ordination mechanisms for both trade policy formulation and implementation.

The policy formulation framework is effective, well designed, and based on consensus building. To draw the private sector into policy formulation decision making, Egypt has put mechanisms in place to ensure that public-private dialogue occurs before important regulatory decisions are taken. However, Egypt still lacks mechanisms for regularly consulting a wider cross-section of civil society and adequately represent SMEs which increasingly are affected by trade policies.

As for implementation, co-ordinating committees have also been formed. They are organised by topic of trade, *e.g.* the Sanitary and Phytosanitary Sub-Committee. Nevertheless, co-ordination needs to be further tightened in some areas where multiple actors are at work to prevent duplication.

Finally, to evaluate the effect of its trade policy, Egypt focuses on monitoring impacts before and after signing trade agreements. However, it lacks a mechanism and the institutional capacity to evaluate the potential and actual macro- and micro-economic impacts of its trade policy.

Trade Liberalisation and Openness

For a decade now, Egypt has been taking measures to liberalise its economy. The progress it has achieved has seen it open up significantly to foreign trade, whose share of GDP rose from just above 30% in 2003-4 to more than 50% in 2007-8.

Egypt has been a member of the WTO since 1995, has consistently delivered on its WTO commitments, and was a leading negotiator in the Doha Round. It has expanded its network of regional and bilateral trade agreements and other protocols with its main trading partners, the EU and the US. It has also reinforced its commitment to intra-regional integration under the terms of GAFTA by fully exempting all

member countries from customs duties and charges from 2005. The year before that it had joined the Arab Mediterranean Free Trade Agreement (known as the "Agadir Agreement").

Among its measures to liberalise trade Egypt has brought down customs duties together with a multitude of different charges and levies and numerous tariff schedules. It has reduced tariff rates on a range of imported items, including capital goods, which has resulted in the average weighted tariff rate falling from 21% in 1997 to 5.5% in 2009. Nevertheless, although Egypt has lifted quantitative restrictions on most of its exports and imports, it does resort to temporary quantitative restrictions and prohibitions on imports. With the onset of the global financial crisis, it has temporarily banned the export of some goods.

Non-Tariff Barriers

In the past five years Egypt has achieved major advances in the area of non-tariff barriers, considerably easing the three kinds covered in this assessment – TBTs, SPS measures, and administrative barriers.

The institutional and legislative framework for adopting technical standards has undergone significant improvement. A law governs standards and quality control and a well established body, the Egyptian Organisation for Standardisation and Quality (EOS), is in place. The EOS has played an important part in raising exporters' and importers' awareness of commitments within the Technical Barriers to Trade Agreement. Its ambitious harmonisation programme has brought almost all Egyptian standards into compliance with international standards, while the number of conformity assessment bodies increased dramatically from around three before 2003 to 273 in 2009.

Nevertheless, the lack of recent data on certification bodies makes it difficult to assess the current situation in Egypt and whether progress has continued in certification. Indeed, the fact that data is not readily available points to weaknesses in the certification system. Egypt has accomplished a great deal in the area of sanitary and phytosanitary standards (SPS). It has developed a framework based on the WTO SPS Agreement to which it is a signatory, while two ministerial decrees have defined requirements and set up mechanisms to co-ordinate the work of all the bodies involved in SPS measures. Still, the sheer novelty of the field in Egypt makes compliance an issue. The government has put in place programmes to build awareness of and capacity in SPS among private sector companies. More, however, is needed.

Finally, Egypt has made a great deal of progress in reducing administrative barriers to trade. It has generally been a top reformer according to the 2008 edition of the World Bank's report *Doing Business*. It achieved particularly impressive results in trade across borders where it climbed up to 24th in the *Doing Business* 2009 and 2010 rankings from 86th in 2006. In addition, it has slashed its customs clearance requirements from 26 to 5 approvals and reduced the number of documents required for both exports and imports. In general, Egypt compares very well with the rest of the MENA region, although it should continue to aim at achieving OECD averages

Proactive Trade Policy

Export promotion is one of Egypt's primary concerns and a critical component in its trade strategy. Egypt has set up a national export promotion agency, the Egyptian Export Promotion Center, and increased the number of export promotion programmes which range from marketing to funding. Examples of such programmes include the Industrial Modernisation Center (IMC), Egyptian Commercial Services, the Egyptian Exporters Association (ExpoLink), and the Export Development Bank of Egypt (EDB). However there is a disconnect between the programmes on offer and the way the Egyptian Export Promotion Center operates. It does not provide the full range of the promotional services needed because other entities do so,

and nor does it fulfil its supervisory role of co-ordinating all the programmes in place. Moreover, there is unmet demand for capacity-building programmes in SPS and standardisation issues.

Recommendations

The BCDS team proposes a number of policy recommendations to the Egyptian government which would help it in bringing its trade policy up to the next level of excellence.

Public-Private Consultation

In order to include all stakeholders in the public-private consultation process, the government could consider reinforcing existing export councils with a broader advisory body that includes other business and export associations, trade experts, civil society representatives, trade unions, financial institutions, and a greater number of SMEs. The government could also consider making dialogue with private sector organisations – such as the Business and Industry Advisory Committee to the OECD (BIAC) – a more formal fixture. This would prompt feedback on a more regular basis rather than merely in response to regulatory issues. One model that MOTI could consider – and which does all of the above – is the Trade Civil Society Dialogue created by the European Commission. MOTI could further enhance the effectiveness of public-private consultation on trade policy by sharing more information about how to access the different mechanisms in place. It should also make the outcomes of consultation more easily available, which would increase the transparency of the consultation process.

Monitoring and Evaluation

If MOTI is to be able to fully evaluate the potential and actual economic, social and environmental impacts of different trade policies, it needs to further develop and strengthen staffing levels and expertise (analytical and econometric) in the Trade Agreements Sector and the Trade Policy Assessment Unit (TPAU). Monitoring and evaluation should include systematic *ex post* and *ex ante* analysis of trade policy and agreements in all sectors of the economy. Furthermore, results should be disclosed in discussions with civil society representatives, which would contribute to the wide stakeholder dialogue mentioned in the recommendation above. In fact, monitoring and evaluation results should also be publicly communicated to all stakeholders by posting them all on a single website for ease of access.

Tariff Rates

In order to stay in line with bound custom duty rates and increase the competitiveness of Egyptian industry, the government should generally reduce escalated tariffs on finished and semi-finished goods.

Sanitary and Phytosanitary Measures

To comply more fully with its domestic obligations under the WTO SPS Agreement, the government should strengthen the institutional capacity of the SPS Sub-Committee's Technical Secretariat and improve co-ordination between the two ministry SPS sub-committees. The government should also use the export promotion agency to step up targeted training and awareness programmes for industries affected by SPS measures.

Pro-Active Trade Policy

To make its trade policy more pro-active, the government needs to empower the EEPC and provide it with the resources it needs to meet its mandate and co-ordinate export promotion programmes. Moreover, it should fund it sufficiently to ensure the sustainability of its programmes. Even if the EEPC does not

implement export promotion programmes, it should co-ordinate them to avoid duplication and make sure that some programmes offer what others fail to.

A one-stop-shop

The EEPC should be granted the powers and capacity to act as a one-stop shop with the capacity to offer the full range of export promotion services and programmes. In addition, the EEPC should monitor export promotion programmes to ensure that they are in line with the official export promotion strategy and able to meet its objectives.

Help Desk

As a general recommendation for improving the flow of information on all areas of trade policy to the wider public and to other government ministries agencies, MOTI should put in place a help desk. It would provide facts and figures on questions like regional and bilateral trade agreements and preferences, standards, technical regulations and conformity assessment, and export promotion programmes.

Notes

[i] Resource-seeking and efficiency-seeking FDI are driven by the search for opportunities in foreign markets and are thus highly affected by a host country's trade policy. However, market-seeking FDI is driven by access to domestic and regional markets and is consequently affected by trade policy and regional agreements.

[ii] Data provided by the Ministry of Trade and Industry and the Central Bank of Egypt, 2009.

[iii] Economists include Francisco Rodríguez and Dani Rodrik, Joseph Stiglitz and Paul Krugman.

[iv] EPC is composed of the Ministry of Finance, the Ministry of International Cooperation, the Ministry of Trade and Industry, the Ministry of Investment, the Ministry of Planning and Local Development, and the Central Bank of Egypt.

[v] Other ministries with trade portfolios include: the Ministry of Finance (customs duties and facilitation), the Ministry of Agriculture (phytosanitary standards), the Ministry of Investment (free zones), the Ministry of Health (sanitary standards), and the Ministry of Foreign Affairs (trade agreements).

[vi] See Annex 1 for a full list of ministries and agencies with trade-related portfolios in Egypt.

[vii] Input from the Business Advisory Council (BAC) in its consultations with the government played a major role in formulating the strategy of the Egyptian Regulatory Reform Activity (ERRADA).

[viii] Discussions took place between the government and private sector representatives, exporters and importers, the Federation of Egyptian Industries, the Federation of Chambers of Commerce, Community Development Society, and the National Competitiveness Council on amendments to custom duties which resulted in Presidential Decree 51/2009.

[ix] Export Councils were established by Ministerial Decree 543/2005.

[x] European Commission, Trade Europa

[xi] One issue that should be addressed (though outside of the scope of this chapter) is the capacity of the private sector and civil society to provide structured feedback on highly technical trade matters. One approach may be for a group of SMEs to co-finance advice from an external consultant on these matters.

[xii] The World Trade Organisation (WTO) is the only global international organisation dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business (WTO: www.wto.org/english/thewto_e/whatis_e/whatis_e.htm).

[xiii] Current MENA WTO members include Bahrain, Djibouti, Egypt, Jordan, Kuwait, Morocco, Oman, Qatar, Saudi-Arabia, Tunisia and United Arab Emirates.

[xiv] Under each of the three main WTO agreements there are several other agreements that countries choose to sign.

[xv] Ministerial Decree No. 411 of 2002.

[xvi] "These figures include RTAs notified under Article XXIV of the GATT 1994 covering goods (including agriculture), the Enabling Clause covering RTAs between developing and least developed economies, but not those notified under GATS Article V regarding services." (OECD: www.oecd.org/trade).

[xvii] "Regional Trade Agreements" at www.oecd.org/trade.

[xviii] "Regional Trade Agreements" at www.wto.org/english/tratop_e/region_e/region_e.htm

[xix] "Regional Trade Agreements" at www.oecd.org/trade

[xx] The American Chamber of Commerce in Cairo/

[xxi] The University of Manchester, Institute for Development Policy and Management.

[xxii] The agreement permits exceptions whereby Egypt can take certain measures for set periods of time if similar products from the EU threaten the domestic products.

[xxiii] The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

[xxiv] OECD follows the WITS/TRAINS Harmonised System classification of capital goods, which Egypt's Ministry of Finance also follows.

[xxv] Presidential Decree 51/2009.

[xxvi] Egyptian Ministry of Trade and Industry, TRAINS database, and the Egyptian Ministry of Finance.

[xxvii] Information provided by the Ministry of Trade and Industry and confirmed by the author's calculations using the TRAINS database.

[xxviii] Author's calculations based on data from the TRAINS database and the Egyptian Ministry of Finance.

[xxix] Article 23, Investment Law 91/2007, Ministry of Investment.

[xxx] The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

[xxxi] MEED, 2009.

[xxxii] Technical regulations and standards set out the specific characteristics of a product – such as its size, shape, design, functions and performance, or the way it is labelled or packaged before it is put on sale. Technical regulations are mandatory and set out in the law by governments. Non-compliance means that a product has been put on the market illegally. Standards are voluntary and are set by non-governmental bodies and associations. Meeting technical standards enhances a product's market share if consumers have a preference for goods that requirements of standards. (OECD, 2007)

[xxxiii] China, France, UK, Uganda, Australia, Ukraine, United States, Kenya, Germany and most MENA countries.

[xxxiv] Information provided by the Ministry of Trade and Industry.

[xxxv] Information provided by the Ministry of Trade and Industry.

[xxxvi] Egyptian Society for Quality and Dr. Hassan Shaarawi, Executive Director of Egyptian Accreditation Council.

[xxxvii] Ministry of Trade and Industry.

[xxxviii] A separate agreement on food safety and animal and plant health standards (the Sanitary and Phytosanitary or SPS Measures Agreement). The SPS Agreement gives countries the right to take measures to protect animal, plant and human health, and those measures differ from one country to another, from one product to another, and from one case to another.

[xxxix] Members of the SPS Sub-Committee include MOTI, EOS, the Ministry of Agriculture and Land Reclamation, the GOEIC, the Ministry of Health, the Ministry of Environmental Affairs, the Agriculture Export Council, and Chamber of Food Industries.

[xl] OECD (2007), Investment Policy Review for Egypt.

[xli] Ministry of Trade and Industry.

[xlii] Egypt's zone programmes: nine free zones, the Suez Economic Zone of Special Nature, and the newly developed investment zones.

[xliii] Ministry of Trade and Industry, 2009.

[xliv] Ministry of Trade and Industry: www.tas.gov.eg

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ANNEX

DIMENSION I-4 Trade Policy and Facilitation

A1. Ministries and Agencies with Trade Portfolios in Egypt

Ministry	Trade Portfolio
Ministry of Trade and Industry	• Trade policy, foreign and domestic trade, export promotion
General Organisation for Exports Imports and Control	• Import and export inspections including quality control • Issuance of certificates of origin • Commercial register • Import and export licenses • Amendment of specifications related to imported foodstuffs and industrial goods with EOS • SPS issues
General Organisation for Exhibitions and Fairs	• Holding International Exhibition & Trade Fairs in Egypt. • Participating in international Exhibition abroad. • Promoting for Egyptian Products and opening new markets in addition to attracting Arab and foreign investment
Egyptian Competition Authority	• Competition
Egyptian Export Promotion Center (EEPC)	• Development and promotion of Egyptian exports and the platform for export services. • Organise promotional visits to Egyptian sectors. Bringing importers to Egypt through fairs. • Assisting exporters with communication skills.
Egyptian Commercial Service (ECS)	• Trade promotion through market intelligence, export promotion, commercial diplomacy, investment attraction)
Egyptian International Trade Point (EITP)	• Trade information and facilitation centre working with UNCTAD's World Trade Point Federation
Trade Information Center	• Trade Information
Trade Agreements Sector	• Negotiation and administration of and co-ordination and compliance with bilateral, regional and WTO trade agreements, including the enforcement of Egypt's rights under all trade agreements. • Monitoring and evaluating impact of trade agreements • Monitors SPS measures as part of TAs and WTO
Foreign Trade Training Center	• A non-profit autonomous training institute under the auspices of MOTI. Provides training services to

	enhance and empower exporters' skills, knowledge and capabilities.
Egyptian Organisation for Standardisation and Quality Control	• Official body responsible for standardisation activities, quality and industrial metrology
Industrial Control Authority	• Inspection and quality control on industrial products
Egyptian Accreditation Council	• The sole national body for the assessment and accreditation of conformity assessment bodies whose activities include testing, calibration, inspection, and issuing certificates for products, systems as well as the working personnel
The Egyptian Bank for Exports Development	• Provides short- and medium-term loans to finance capital assets of export companies, and bank guarantees required for financing exports
Export Credit Guarantee Company for Egypt	• Provides guarantee of export operations of national commodities and services against commercial and non-commercial risks.
Sanitary and Phytosanitary Standards National Sub-committee	• National body for SPS issues
Intellectual Property Unit	• Intellectual Property
Ministry of Agriculture **Animal quarantine** **Plant quarantine** **Egyptian Enquiry Point**	• Trade in Agricultural products • Phytosanitary Standards • Technical standards
Ministry of Environment	• SPS measures
Ministry of Science and Technology **National Institute for Standards (NIS)**	• Calibration services for measurement equipment against national standards
Ministry of Higher Education and Scientific Research **National Laboratories Accreditation Bureau**	• Grant accreditation to labs
Ministry of Communication and Information Technology	• E-commerce • Postal services

Ministry of Electricity and Energy	• Energy
Ministry of Finance (MOF) **Customs Authority**	• Customs tariff, valuation, rules of origin • Customs facilitation
Ministry of Health (MOH)	• Sanitary Standards • Licenses and registration for pharmaceuticals • Technical standards
Ministry of Investment (MOI)/GAFI	• Free Economic Zones • Investment incentives (custom incentives)
Ministry of Petroleum	• Petroleum and Natural Gas
Ministry of Transport	• Maritime transport and ports

A2. Overview of Scores

I-4 Trade Policy Assessment		SCORE
4.1	**Trade Policy Strategy Formulation and Evaluation**	
4.1.1	Institutional Co-ordination	**4**
4.1.2	Public-Private Consultation	**3.5**
4.1.3	Monitoring and Evaluating the Impact of Trade Measures	**2.5**
4.2	**Trade Liberalisation and Trade Openness**	
4.2.1	WTO Membership	**5**
4.2.2	Regional Trade Agreements (RTAs)	**3.5**
4.2.3	Customs Duties on Capital Goods	**3**
4.2.4	Quantitative Restrictions	**4**
4.3	**Non-Tariff barriers**	
4.3.1.1	Institutional and Legislative Framework for Standardisation	**4**
4.3.1.2	Transportation of International Standards	**4**
4.3.1.3	Institutional and Legislative Framework for Certification	**3.5**
4.3.1.4	Status and Outcomes of Conformity Assessment Arrangement	**n.a**
4.3.2	Sanitary and Phytosanitary Standards (SPS)	**3**
4.3.3.1	Licences	**3.5**
4.3.3.2	Time and Number of Documents Required for Exports	**3.5**
4.3.3.3	Time and Number of Documents Required for Imports	**3.5**
4.3.3.4	Accessibility Programmes	**4.5**
4.4	**Pro-Active Trade Policy**	
4.4.1	Export Promotion Agency	**3**
4.4.2	Export Promotion Programmes	**3.5**

A3. Assessments

4.1 –TRADE POLICY STRATEGY FORMULATION AND EVALUATION					
4.1.1 Institutional Co-ordination	Level 1	Level 2	Level 3	Level 4	Level 5
	No institution responsible for formulating trade policy.	Several institutions are responsible for formulating trade policy and they have overlapping portfolios and limited co-ordination.	Trade policy formulation concentrated in single ministry. Limited co-ordination with other ministries/agencies with trade-related portfolios (customs, agriculture, standards, investment…).	Trade policy formulation concentrated in single ministry. Good co-ordination with some other ministries/agencies with trade-related portfolios, but not with all of them. Permanent representations in Geneva are consulted in trade policy-making.	Trade policy elaboration concentrated in single ministry. High degree of co-ordination with all other ministries and agencies under the office of the President/Prime Minister. Permanent representations in Geneva are fully involved in trade policy-making.

4.1 –TRADE POLICY STRATEGY FORMULATION AND EVALUATION					
4.1.2 Public / Private consultation	Level 1	Level 2	Level 3	Level 4	Level 5
	There is no dialogue with the private sector or civil society on trade policy issues.	Consultations between public official and civil society are conducted on an *ad hoc* basis.	Formal consultation processes between public officials and civil society are in place.	Consultation processes between public officials and civil society before a regulatory decision is taken is a routine part of decision-making, and is carefully structured to avoid bias and unequal access by more powerful interests.	Level 4 + mandatory + consultations open to all affected groups in society and systematically used to collect information on whether government action is needed, and on cost-effectiveness.

4.1 –TRADE POLICY STRATEGY FORMULATION AND EVALUATION					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.1.3 Monitoring and evaluation of the impact of trade measures	No monitoring of the impact of trade on the national economy exists.	Monitoring of the impact of trade on the national economy occurs sporadically and is limited to specific sectors.	Mechanism to systematically monitor the impact of trade on the national economy approved.	Early phase of implementation of monitoring mechanism. Monitoring focused on the most and the least competitive sectors.	Monitoring and evaluation of the impact of trade conducted systematically for all sectors.

4.2 –TRADE LIBERALISATION AND TRADE OPENNESS					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.2.1 WTO Membership	No steps have been taken towards WTO membership.	Applied to be a member of the WTO.	Negotiating in WTO Working Party for Accession.	Negotiating in WTO Working Party for Accession.	WTO member.

4.2.2 – Regional Trade Agreement
A score is granted if trade agreements exist.

4.2 –TRADE LIBERALISATION AND TRADE OPENNESS					
4.2.3 Custom duties on capital goods	Level 1	Level 2	Level 3	Level 4	Level 5
	> 10%	5-10%	3-5%	0-3%	Capital goods admitted in free trade.

4.2 –TRADE LIBERALISATION AND TRADE OPENNESS					
4.2.4 Quantitative restrictions	Level 1	Level 2	Level 3	Level 4	Level 5
	Import and export quotas widely used.	Exports mainly free of quantitative restrictions; import quotas on a majority of industrial and agricultural products.	Export free of quantitative restrictions, quotas on imports of a majority of agricultural products.	Exports free of quantitative restrictions, imports on limited (< 5) number of agricultural products.	Imports and exports are free of quantitative restrictions.

4.3.1 –NON-TARIFF BARRIERS – TECHNICAL BARRIERS TO TRADE					
4.3.1.1 Institutional and Legislative Framework for Standardisation	Level 1	Level 2	Level 3	Level 4	Level 5
	No national bodies in charge of setting technical standards. Not member or affiliate of international standardisation institutions (ISO, CEN, CENELEC).	Adoption of legislative framework; beginning to set up a national standardisation body.	Early implementation of legislative framework, national standardisation body established. Affiliate of international standardisation institutions.	Member of international standardisation institutions. National body for standardisation well established, however administrative capacity issues or other limitations. Legislative framework harmonised with *acquis communautaire*.	Very well established standardisation body, no limitations. Member of all international standardisation institutions.

4.3.1 –NON-TARIFF BARRIERS – TECHNICAL BARRIERS TO TRADE					
4.3.1.2. Transposition of International Standards	Level 1	Level 2	Level 3	Level 4	Level 5
	No international standards have been transposed. National standards far from international requirements.	Evaluation of existing standards and of transposition of international standards.	Early transposition of international standards.	Large number (>50%) of international standards have been transposed.	International standards almost fully transposed into national standards

4.3.1 –NON-TARIFF BARRIERS – TECHNICAL BARRIERS TO TRADE					
4.3.1.4. Status and Outcomes of Conformity Assessment Arrangement	Level 1	Level 2	Level 3	Level 4	Level 5
	Old, outdated laboratories, not capable of meeting industry's demands. No MRAs. No companies have international certification.	Early implementation of a network of independent certifying bodies and laboratories and/or the status (number, capacity) of laboratories improved. However, still weak and limited. Therefore, it is still difficult to obtain international certification in the country. Little number of companies has certification. International certification accepted on case by case basis or for some products.	Further progress in establishing and implementing a network of independent laboratories. But there is still a limited number or capacity of accredited testing and calibration laboratories, inspections and certification bodies. Therefore, still some limitations in obtaining international certification domestically. However, international certification generally accepted in the country. Few MRAs. Number of companies applying for certification or already done so is increasing, but most companies still have no certifications.	There are a sufficient number of well functioning accredited certifying bodies and laboratories. However still few limitations (technical or administrative capacity issues). MRAs with main trading partners. Most companies applying for certification or already certified.	Well established accredited laboratories and certifying bodies. Certification is easily available in country. Wide network of MRAs. Almost all companies have certification.

4.3.2 – NON-TARIFF BARRIERS – SANITARY AND PHYTOSANITARY MEASURES					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.2.1 Institutional and legislative framework for SPS	No national bodies in charge of SPS standards. Legislation significantly different from international standards.	Early adoption of legislative framework; beginning to set up national SPS standards bodies.	Further progress in adopting legislation and early implementation of legislative framework, national bodies have been set up; however still limitations (administrative or other issues).	National bodies well established, however few limitations (administrative capacity or other issues). Efforts still needed to fully align legislation with international standards.	National bodies very well established and functioning. Full alignment of legislation with international standards.

4.3.2 –NON-TARIFF BARRIERS – SANITARY AND PHYTOSANITARY MEASURES					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.2.2. Transposition of International SPS Measures	SPS standards significantly different from international SPS standards.	Evaluation of existing standards.	Early phase of implementation of new standards.	The vast majority of standards have been transposed in this area.	All standards are transposed.

4.3.3. –NON-TARIFF BARRIERS – ADMINISTRATIVE BARRIERS TO TRADE					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.3.1. Licenses	Import and export licenses needed for all products	Action plan to abolish unnecessary import and export licenses under consideration.	Abolition of import and export licenses on the great majority of products approved.	Early phase of implementation of a new system of licenses limited to public policy exceptions.	Import and export licenses limited to public policy exceptions.

4.3.3. –NON-TARIFF BARRIERS – ADMINISTRATIVE BARRIERS TO TRADE					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.3.2a. Time or export (days)	More than 30 days.	20-30 days.	19-12 days.	11-7 days.	6 days or less.

4.3.3 –NON-TARIFF BARRIERS – ADMINISTRATIVE BARRIERS TO TRADE					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.3.2b. Number of documents for export	More than 10 documents.	9 or 10 documents.	7 or 8 documents.	5 or 6 documents.	Less than 5 documents.

4.3.3. –NON-TARIFF BARRIERS – ADMINISTRATIVE BARRIERS TO TRADE					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.3.3a. Time for import (days)	More than 30 days.	20-30 days.	15-20 days.	10-15 days.	Less than 10 days.

4.3.3. –NON-TARIFF BARRIERS – ADMINISTRATIVE BARRIERS TO TRADE					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.3.3b. Number of documents for import	More than 12 documents.	9-12 documents.	7-8 documents.	5-6 documents.	Less than 5 documents.

4.3.3. –NON-TARIFF BARRIERS – ADMINISTRATIVE BARRIERS TO TRADE					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.3.3.4. Accessibility of customs laws and regulations	Very limited and scattered sources of information on customs legislation and regulations.	Customs laws and regulations are published in official gazette in local language.	Enquiry point with centralised information on customs laws and regulations in local language. Information available on demand on statistics, previous rulings on origin and classification, internal guidelines and court judgments.	Level 3 + information available in relevant foreign language. Customs website with limited amount of information (*e.g.* customs code) in relevant foreign language.	Customs laws, regulations, internal guidelines, previous rulings and court judgments available in local language and in relevant foreign language in customs website. More detailed information available on demand via e-mail.

4.4 –PRO-ACTIVE TRADE POLICY					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.4.1 Export Promotion Agency	There is no export promotion agency or equivalent able to meet the trade support service needs of exporters.	The Ministry of Economy (or other large governmental body) assumes responsibility for promoting exports; proposal for export promotion agency.	Law on export promotion agency approved. Budget and staff approved.	Export promotion agency fully operational. Staff is complete and the required expertise in place. Informal co-ordination with other trade-support institutions (*e.g.* Chamber of Commerce). Record of deals/targets achieved.	Well-established export promotion agency, with concrete evidence of effectiveness in increasing exports. Wide network of co-operating institutions and strong local presence.

4.4 –PRO-ACTIVE TRADE POLICY					
	Level 1	Level 2	Level 3	Level 4	Level 5
4.4.2 Export Promotion Programmes	No export promotion programmes exist.	Some programmes implemented, but poorly funded and with little co-ordination between them.	Programmes are largely funded by donors and concentrated in a few sectors / places. Plans have been made to create other export programmes in areas currently neglected.	Export promotion programmes are adequately funded and provide for some of the following: trade policy information and commercial intelligence, export promotion and marketing, product development, financial services, training, SME-specific programmes. Good co-ordination among programmes.	Myriad of well-funded export promotion programmes capable of providing most of all the services described in level 4.