

Trade Policy Review Body
26 and 28 July 2005

TRADE POLICY REVIEW

EGYPT

Minutes of Meeting

Chairperson: H.E. Mr. Don Stephenson (Canada)

	<i>Page</i>
I. INTRODUCTORY REMARKS BY THE CHAIRPERSON	3
II. OPENING STATEMENT BY THE REPRESENTATIVE OF EGYPT	4
III. STATEMENT BY THE DISCUSSANT	7
IV. STATEMENTS BY MEMBERS	10
V. REPLIES BY THE REPRESENTATIVE OF EGYPT AND ADDITIONAL COMMENTS	16
VI. CONCLUDING REMARKS BY THE CHAIRPERSON	20

Note: Advance written questions by WTO Members and the replies provided by Egypt are reproduced in document WT/TPR/M/150/Add.1 and will be available online at: http://www.wto.org/english/tratop_e/tp_r_e/tp_rep_e.htm.

I. INTRODUCTORY REMARKS BY THE CHAIRPERSON

1. The third Trade Policy Review of Egypt was held on 26 and 28 July 2005. The Chairperson (H.E. Mr. Don Stephenson) welcomed the delegation of Egypt, headed by Dr. Samiha Fawzy, and the discussant H.E. Mr. Luiz Felipe de Seixas Corrêa (Brazil). As usual, the discussant would speak in his personal capacity and, in accordance with established procedures, had made available in advance a broad outline of the themes he intended to raise (document WT/TPR/D/126).

2. The Chairperson recalled the purpose of the Trade Policy Reviews and the main elements of the procedures of the meeting. The Report by Egypt was contained in document WT/TPR/G/150 and that of the Secretariat in document WT/TPR/S/150. Copies of advance written questions, submitted by: the European Communities; Indonesia; Switzerland; Japan; Australia; Hong Kong, China; Canada; Colombia; the United States; the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu; New Zealand; the Republic of Korea; Colombia; Turkey; and Brazil had been transmitted to the delegation of Egypt. These questions and the replies provided by the delegation of Egypt are reproduced in WT/TPR/M/150/Add.1.

3. The Chairperson stated that the documentation prepared for this Review highlighted Egypt's commitment to trade liberalization through multilateral, regional, and unilateral initiatives. Since its last Review in 1999, Egypt had improved access to its market. Exports of goods and services had been a motor of its recent economic recovery. However, tariffs on many goods remained high, and tariff protection was compounded by mandatory quality controls on a large number of products. Moreover, State ownership remained extensive in the economy.

4. Continued trade and structural reforms would help to enhance the predictability and transparency of the trade regime, and improve Egypt's economic performance.

II. OPENING STATEMENT BY THE REPRESENTATIVE OF EGYPT

5. The representative of Egypt thanked the TPR Body, the Chair, and the discussant. She reaffirmed Egypt's commitment to the WTO principles and objectives, in particular to the TPR process, which ensured that Members continued to move towards greater trade liberalization and transparency. She intended to focus on: Egypt's economic, social, and political reforms; recently implemented trade-related reforms; and the unfinished agenda of reform, and the road ahead.

Egypt's broad reforms

6. Since 1999, Egypt had witnessed many reforms. Their relatively slow pace had picked up from mid-2004. The Government was "changing gear", and was embarking on a broad and coherent economic, social, and political reform process. It had demonstrated a bold reformist stance aimed at revitalizing the economy, and stimulating far more rapid, private-sector-led economic growth; this was a radical change from the former years of gradualism. To realize these objectives, the Government was working to liberalize Egypt's trade regime, and to accelerate its integration into the global market, through active WTO participation, as well as regional and bilateral preferential trade arrangements. While the private sector was doing business, the Government's job was to improve the business environment to ensure fair competition, and to eliminate bureaucratic barriers to investment. The new Ministry for Investment had been created to ensure a business-friendly environment.

7. The representative highlighted some of the new policies and their results. The Monetary Policy Coordination Council had been established, and the Inter-Bank Foreign Exchange Market had been launched. The financial sector reform programme included divestiture of public shares in a number of joint-banks, increased mergers in the banking sector, restructuring the insurance sector, deepening the capital market, and privatizing the first State bank before end-2005. The new Tax Law had cut the top rate of income and corporate taxes from 40% to 20%. The privatization programme had been reactivated, and moved to the top of the Government's economic agenda. As a result, foreign companies had invested in multi-million dollar deals, and privatization proceeds had increased. The General Authority for Investment and Free Zones was applying a one-stop shop policy to simplify procedures. A revised Labour Law had established a qualified right for employees to strike, as well as rules on collective bargaining and non-discrimination. The executive regulations of the Competition Law would be issued shortly, and the Competition Commission was expected to function soon. Other laws aimed at encouraging private investment had been put in place: IPR Law No. 82 had been issued in 2002, and its executive regulations covering copyrights and neighboring rights were issued in April 2005; a mailbox for pharmaceutical patents had been opened; and Egypt had joined the Nice Agreement for Registration of Marks, and the Patent Cooperation Treaty. Regulations to improve the enforcement of IPR border measures were currently being drafted, and a Consumer Protection Law was under preparation.

8. Egypt's economic policies were formulated after close consultations with the private sector, other concerned stakeholders, and its major trading partners. Recent macroeconomic indicators suggested that the reforms had already paid dividends: consumer and business confidence had increased; GDP growth had increased to 4.8% in 2004-05, and international and domestic forecasts indicated positive and higher growth prospects for 2005-06; the exchange rate was well managed, and the value of the Egyptian pound had strengthened; exports had increased by 30% compared with 2004; Egypt's current account showed a surplus; FDI was increasing; and the Stock Exchange had come at the top of the emerging and global markets.

9. On the social front, Egypt's most important step had been a revision of the education and health sectors to raise their quality. In addition, Egypt had started a project – with the World Bank – to upgrade its social safety net, and was implementing political reform to deepen democratic political participation, and to strengthen the role of the civil society and the observance of human rights. An amendment to the Constitution – allowing for a multiple-candidate presidential election – had been

adopted to replace the system of a single candidate selected by Parliament, and standing-in a referendum; it also created an independent Presidential Elections Committee to supervise the electoral process. The presidential election was scheduled for September 2005. New laws had been enacted to foster political participation. Egypt's political system was a presidential republic. These landmark political reforms would enhance the trust in Egypt's commitment to the current economic and social reforms.

Trade reform

10. Egypt was an active WTO Member, and was fully engaged in the DDA. It believed in the importance of the multilateral trading system to ensure a fair, transparent, and predictable rules-based system. It hoped that the forthcoming Ministerial Conference would achieve ambitious and balanced outcomes, in particular in agriculture, NAMA, and services, fulfilling the DDA goals and the aspirations of developing countries. Egypt was committed to make the Conference a success. Under the DDA, Egypt had submitted proposals in different areas, all emphasizing the mandate of the Doha Declaration. It had become a party to the Basic Telecommunications Agreement, and the Information Technology Agreement. Egypt had submitted its revised services offer, making commitments in several new sectors.

11. Egypt exercised its rights in the WTO (in trade remedies investigations, or the dispute settlement mechanism), and was striving to comply with its obligations. It had established a mechanism to keep its SPS and TBT notifications up to date, and was reviewing its IPR Law.

12. While the multilateral trading system provided the basis for Egypt's relationship with all trading partners, it continued to build closer links with its main trading partners. The Association Agreement with the EU was being implemented; it provided the framework for bilateral cooperation and the reciprocal dismantling of tariffs leading to a free-trade area. The Qualified Industrial Zones Protocol with the United States helped some of Egypt's key industries to access the U.S. market; technical discussions had been initiated to negotiate a free-trade agreement. GAFTA encompassed 17 countries, including Egypt; all customs duties had been reduced to zero in 2005. Egypt had signed the Agadir Agreement with Jordan, Morocco, and Tunisia to boost trade among them and with the EU. The agreement committed the parties to remove substantially all tariffs on trade by January 2006, and to intensify economic cooperation, including harmonizing their standards and customs procedures. As a COMESA member, Egypt had eliminated duties on imports from COMESA countries. Egypt intended to use these preferential agreements to expand the current low level of intra-regional trade in Africa.

13. Trade liberalization was a means towards enhancing competitiveness, creating jobs, alleviating poverty, and achieving sustainable development. With this vision in mind, Egypt had undertaken several trade-related reforms to ensure consistency and compatibility with international standards and obligations. In 2004, Egypt had reformed its tariff schedule and reduced its tariff lines from 13,000 to 6,000, as well as its tariff bands from 25 to six, thereby reducing the weighted average tariff from 14.6% to 9%; most of Egypt's applied tariff rates were now well below its bound tariff rates. Egypt had also harmonized its mandatory standards with international norms; it had established a coordination mechanism for all governmental bodies responsible for standards and conformity assessment to address non-transparency, and ensure that these standards were consistent with its TBT and SPS obligations. To facilitate inspection procedures, Egypt now recognized inspection certificates from outside accredited agencies; it was also working on the accreditation of Egyptian laboratories according to ISO standards and guidelines, and was implementing regulations to reduce the frequency of inspections on imported manufactured products. The adoption of the WTO customs valuation principles in 2001, and the recognition of electronic signatures would speed up customs and port clearance procedures.

The unfinished agenda of reform, and the road ahead

14. Although Egypt had recently made excellent in-roads in customs and trade facilitation, there remained major priorities in trade policy, including: continuing to simplify procedures in ports (especially in applying risk management, streamlining conformity assessment procedures, and customs valuation); further developing the IPR regime; upgrading its standards and accrediting its laboratories; and enhancing its notification system. A quantum leap in economic and trade policy had undoubtedly been made since 1999, but not every problem had been solved.

15. Key priorities of Egypt's third generation of reforms were the institutional, legal, and regulatory reforms to guarantee a well-functioning market economy, and a vibrant private sector, and compatibility with international standards and obligations. These priorities required: a critical mass of qualified and skilled human resources, which meant reforming Egypt's education system; new and highly sophisticated modes of operations, which meant developing its technological base; and the establishment of peace and stability in the region to gear its resources towards economic growth and development. Egypt was determined to continue its reforms with the assistance and cooperation of its trading partners.

III. STATEMENT BY THE DISCUSSANT

16. The discussant commented on three main areas: economic environment; trade policy instruments; and trade policies by sector.

Economic environment

17. Since 1999, Egypt's macroeconomic performance had been positive, but below the Government's expectations. Economic growth had declined from 6.1% in 1998/99 to 3.1% in 2002/03, and had recovered to 4.4% in 2003/04; during the same period, exports of goods and services had more than doubled. The floating exchange rate system introduced in 2003 helped improve Egypt's current account. Trade had been an engine for its economic recovery, and had become an important pillar in Egypt's integration into the global economy. Tourism, the Suez Canal, and remittances from Egyptians working abroad remained sources of foreign exchange.

18. Monetary discipline had helped to contain inflation. However, the growing fiscal deficit had prompted the Government to undertake reforms in customs and taxation. Other positive measures included strengthening Central Bank independence, and controlling public borrowing. Total external debt had been about 37% of GDP in 2003/04. The Government had been trying to bolster the private sector, and was implementing policies to attract investment.

19. Poverty reduction and a more equitable distribution of income remained key objectives of the Egyptian Government. With 2% annual population growth, GDP growth was not yet high enough to impact significantly on poverty or on high unemployment.

20. Egypt participated actively in the multilateral trading system. As a G-20 member, it was a key player in the agriculture negotiations. It also put emphasis on the services negotiations, and considered that the principles of special and differential treatment as well as less than full reciprocity had to be reflected in the results of the current Round.

21. Preferential trade agreements were becoming increasingly important for Egypt. Since 1999, it had concluded an agreement with the European Union, the Agadir Agreement, a trade protocol with Israel, and a trade framework agreement with the United States. Egypt was also party to GAFTA and COMESA.

Trade policy instruments

22. Egypt's overall institutional framework for trade policy formulation had remained unchanged since 1999. However, legislation was being updated as a result of autonomous policy initiatives, and in an effort to comply with multilateral rules. Initiatives during this period included tariff reductions, streamlining customs procedures, adopting the WTO customs valuation rules, and eliminating all customs service fees and charges on imports. Egypt had also adopted new legislation on IPRs and export promotion.

23. Egypt had bound over 98% of its tariff lines, at rates averaging 37.5% in 2005, down from 45% in 1998. As a result of across-the-board cuts and the reduction in the number of tariff bands, the average applied MFN tariff had fallen from 26.8% in 1998 to 20% in 2005. However, Egypt's tariff system remained complex, with numerous exemptions and concessions. Peaks of up to 3,000% applied to alcoholic beverages and spirits. Fairly steep tariff escalation resulted in high levels of effective protection for most industries.

24. All customs service fees and charges on imports had been eliminated in 2004. Since 2001, Egypt had been implementing the Agreement on Customs Valuation. It maintained import prohibitions for economic, environmental, health, safety, sanitary, and phytosanitary reasons.

Although imports were not subject to licences or prior approval, a wide range of imported products were subject to mandatory quality control. Egypt did not maintain export quotas, licences or prohibitions, and did not apply export taxes, charges or levies. However, some 50 products were subject to quality control upon export. Egypt's standards did not distinguish between foreign and domestic products; Egypt had a programme to ensure that its standards complied with international standards. Although, according to official information, Egypt did not provide export subsidies, various incentives encouraged export-oriented activities.

25. There was no specific legislation on foreign investment, but there were laws containing provisions on specific aspects of foreign investment. Egypt had established free zones to attract FDI. The Government viewed the promotion of SMEs as an important way to adjust to structural reforms, and to modernize the economy. Egypt's first comprehensive competition legislation had been adopted in 2005. A Consumer Protection Law was under consideration.

26. While State ownership remained extensive, nearly 200 companies had been fully or partly privatized between 1993 and 2004, and an ambitious plan envisaged the privatization of 125 of the remaining 178 state-owned enterprises.

27. Egypt was member of most of the main international treaties on intellectual property. In 2002, it had passed a Intellectual Property Law covering all major areas of the TRIPS Agreement.

Trade policies by sector

28. The share of agriculture in GDP had been declining, although the it still accounted for more than a third of total employment. Egypt's area of cultivated land per head was among the lowest in the world. Agriculture remained dependent on irrigation from the Nile River. Egypt was a net food importer, although its agricultural trade deficit had been decreasing due to growing exports. Production of most agricultural products had increased. Financial assistance was provided through subsidized electricity and water. Cotton, the single most important agricultural export product, would further benefit from the expected reduction in distorting subsidies in some major producers. The applied average tariff on agricultural products was 5.8% in 2005. Egypt did not maintain tariff quotas. Bound rates remained well above applied duties for most products.

29. The share of petroleum and natural gas production in Egypt's GDP increased from 4.6% in 1998/99 to 11.6% in 2003/04; the sector accounted for almost 40% of merchandise exports. While production of crude oil had declined, natural gas had expanded rapidly and was increasingly replacing oil in domestic consumption, industrial usage, and power generation. Foreign companies were required to establish joint-ventures with the state-owned Egyptian General Petroleum Corporation.

30. Manufacturing contributed about 19% of Egypt's GDP. The average tariff on manufactured products was 27.6%. The private sector had contributed about 77% of manufacturing output in 2003.

31. Services were the backbone of Egypt's economy with some 48% of GDP. Tourism and the Suez Canal fees were its most important sources of foreign exchange. The future of tourism might depend on developments related to real and potential threats linked to terrorist activities.

32. State participation remained important in various subsectors, including financial services, telecommunications, and air transport. Banking reform was under way, including the privatization of one or more of the four state-owned commercial banks. Privatization of the remaining four state-owned insurance companies was planned for 2006.

Conclusion

33. Egypt's national policy objectives were aimed at achieving private-sector-led, outward-oriented economic growth, by maintaining a stable macroeconomic environment, creating a business-friendly atmosphere, attracting FDI, and developing capital markets. The core of Egypt's economic reform presupposed diversifying the economy away from resource-based activities. Egypt's progress from a State-led economy to a more market-oriented environment could vary occasionally, but the sense of purpose appeared constant.

34. Without further macroeconomic reforms, Egypt's economic growth was not expected to increase significantly compared with recent years. Addressing the large public deficit was considered to be crucial, and measures taken to make the Central Bank more independent in monetary policy formulation should contribute to keeping inflation low. Continued favourable conditions in international oil and gas markets, as well as sustained earnings from the Suez Canal and remittances from Egyptians working abroad would favour Egypt's current account. Income from tourism could vary.

35. Egypt had liberalized its trade regime since its last TPR, reflecting its commitment to the multilateral trading system. Continued structural and trade reforms (particularly further privatization) would contribute to better resource allocation, as well as to enhanced predictability, and transparency of the trade regime. This would help to lead the economy to a higher economic growth path. Trading partners could help by providing increased market access for products and services of interest to Egypt. Egypt would certainly benefit from a timely, balanced, and development-oriented result of the DDA negotiations.

36. While taking note of Egypt's commitment to update its SPS and TBT notifications, the discussant requested information about its plans to update its notifications to the Committee on Agriculture. He asked the Egyptian delegation to share with Members its assessment of the benefits of the Special Economic Zones Law in attracting FDI and fostering domestic private entrepreneurship. He also asked the delegation for an evaluation of Egypt's performance in implementing its competition policy legislation. He requested an updated assessment of the progress of, and perspectives for the privatization process, as well as any comments on the implementation of the Industrial Modernization Programme in terms of modernizing and attracting investments to the industrial sector.

IV. STATEMENTS BY MEMBERS

37. The representative of the European Communities noted that well established bilateral relations had been strengthened through the EC-Egypt Partnership Agreement. Egypt had experienced good economic growth, and the economic outlook was positive. Since 1999, the economic reforms had opened Egypt's market. Openness had been flanked by tax reforms and a revitalized privatization process. Egypt had also started some market opening and deregulation in services. These efforts had led to increased FDI. However, further steps could be taken to ensure continued and sustainable growth, including: further simplifying the duty regime and eliminating tariff peaks; continuing to lower and harmonize tariffs; more efficient government procurement; doing away with artificial arrangements, such as local-content requirements; and financial services reform. Egypt illustrated how a country could turn the economy and create a growing market; its efforts were the same as those being discussed in the context of the DDA. Ambitious reform was challenging, and sometimes difficult for domestic reasons. In this respect, further market-opening and strengthening of fundamental rules in Egypt should go hand in hand with poverty alleviation, and a balanced social development.

38. Egypt was important in global, regional, and local trade, and was convinced that global market-opening and strengthening of rules were the best way forward. The EC shared Egypt's view that regional integration could stimulate and consolidate regional trade and foster economic development and at the same time establish a good platform for multilateral trade efforts aimed at better integrating developing countries into the multilateral trading system.

39. The representative of Indonesia referred to the longstanding trade relationship with Egypt. Indonesia hoped to fulfil any opportunity to provide products and services of interest to Egypt. Indonesia appreciated Egypt's active role in the DDA, in particular in the negotiations of interest to developing countries and LDCs. At the regional level, Egypt had encouraged the African Group countries to pursue their benefits from the multilateral trading system. Although Egypt had eliminated customs service fees and charges, the remaining export legalization requirement (i.e. consular and legalization fee) created an obstacle to trade.

40. The representative of Japan said that the bilateral relationship with Egypt was close and cordial; both countries had underlined the importance of trade and investment for their economy. Egypt had bound over 98% of its tariff lines, decreased the applied tariff rate, and improved its customs procedures. The ratification of the IMF Article VIII and the adoption of the Competition Law would promote private business activities, as would abolishing the domestic currency obligation, and lowering corporate taxes. There was room for improvement, for example in the procedures for government procurement and for letters of credit. Enforcement of IPR protection was also important. Egypt was one of the most advanced developing countries in Africa, and played a leading role in the African Union and African Group. The representative referred to Japan's policy for African development. Japan hoped that Egypt would provide a model for development of trade and economy.

41. Egypt participated actively in the WTO, in particular in the services negotiations, and in the information technology and communications area. Referring to the ongoing negotiations towards the final outcome of the DDA, the representative said that while Members sought to achieve their own purpose, they had to remember the common purpose of achieving a more open, transparent, and rules-based multilateral trading system.

42. The representative of Australia referred to the productive bilateral trade relationship with Egypt. Australia welcomed Egypt's progress in reinvigorating its economic reform programme, and encouraged it to build on its achievements, and to accelerate and broaden its reforms. Australia was concerned about Egypt's remaining tariffs and non-tariff barriers. Complex, opaque, and unpredictable regulatory systems still impeded business, and discouraged trade and investment flows. The representative asked for further information about the outcomes of the review of mandatory

standards, and on customs reforms and how these would reduce costs and delays for traders. He also asked to what extent there could be better coordination between the agencies responsible for setting and implementing food standards. Australia appreciated Egypt's commitment to the multilateral trading system, its leadership among developing countries, and its active participation in the DDA.

43. The representative of Hong Kong, China referred to the harmonious bilateral trade relationship with Egypt. Hong Kong, China appreciated Egypt's commitment to the multilateral trading system and its support for and active participation in the DDA. Egypt's reform programme had already reaped substantial benefits. Hong Kong, China welcomed Egypt's recent efforts in liberalizing its tariff regime through, *inter alia*, reducing tariff rates, narrowing the gap between bound and applied rates, lowering the applied rates that exceeded their bound rates, and improving and simplifying its tariff structure. Hong Kong, China also welcomed Egypt's elimination of its customs service fees and charges on imports, and encouraged Egypt to continue its efforts. Hong Kong, China urged Egypt to fulfill its SPS and TBT notification obligation. It appreciated Egypt's liberalization reforms in services, and its GATS services offer.

44. The representative of Switzerland said that Switzerland was an important foreign direct investor in and trading partner of Egypt. Switzerland welcomed Egypt's measures to improve its business environment. Egypt's gradual trade liberalization at the unilateral and regional levels would contribute to simplifying and rationalizing its complex tariff system, thereby improving market access opportunities, and stimulating regional integration and economic development. Driven by strong export growth, economic recovery had gained momentum. The free-trade agreement between Egypt and EFTA States would contribute to the welfare and prosperity of their economies. Switzerland welcomed Egypt's intellectual property legislation, covering all major areas of the TRIPS Agreement, and the adoption of its first competition law.

45. The representative of Canada referred to the growing bilateral trade with Egypt. Canada hoped that the economic reform programme would be implemented with vigour and perseverance. Canada congratulated Egypt for its overall efforts in trade facilitation and in offering improved market access to certain products from LDCs. However, lack of predictability and transparency were hurdles to doing business in Egypt; improving its business climate could increase investment and growth opportunities. Canada encouraged Egypt to improve its procurement process, e.g. to make information more accessible, and provide clear guidelines for the decision-making process. Transparent, rules-based reasons for cancelling tenders would also help to improve openness and predictability in Egypt's business climate. Although monopolistic practices had been reduced, many sectors still suffered from indirect monopoly. Canada sought further information on Egypt's SPS regime, and BSE measures. Despite challenges related to regional security and stability, Egypt had shown its commitment to meeting its WTO obligations.

46. The representative of Colombia recognized Egypt's efforts in carrying out economic reforms to increase its competitiveness and foster its integration into the world economy. Despite Egypt's privatization strategy, State participation was still widespread. Many liberalization initiatives had begun in services – Egypt's principal economic activity. Egypt's WTO commitment to tackle obstacles to international trade was reflected in its active participation in the DDA negotiations, in particular in agriculture, implementation, and special and differential treatment. However, Egypt still had applied tariffs that were higher than bound tariffs, tariff peaks, specific tariffs and tariff escalation, and sanitary and quality control measures in sectors of export interest for developing countries. Colombia highlighted Egypt's efforts in implementing trade and economic policies towards productive employment, and improved living standards. Their bilateral trade was just starting.

47. The representative of the United States referred to the strong bilateral trade and investment relationship with Egypt, which would expand further under their Trade and Investment Framework Agreement. The United States was impressed with Egypt's positive role in the DDA negotiations.

48. Since 1999, Egypt had undertaken notable reforms. Recent steps included tax reform, floating the Egyptian pound, and further privatization steps. Egypt had reduced the number of applied tariffs that exceeded bound rates, cut the number of bands, and increased the number of duty-free lines. Egypt had joined the Information Technology Agreement, and had adopted the GATS Fourth Protocol. It had eliminated customs fees and charges on imports, and had begun to implement the Agreement on Customs Valuation in 2001. However, there were areas where Egypt could do more. For example, Egypt administered complex certification and/or quality control requirements on many products, but was committed to bring its standards into conformity with the TBT Agreement, and had accepted the WTO Code of Good Practice. The United States wished to learn more about Egypt's ongoing initiatives in this context. Egypt banned imports of processed foodstuffs with less than half their shelf-life remaining; the United States asked whether Egypt planned to abandon these requirements and, if not, requested a description of their scientific justification. The United States looked forward to learning more about Egypt's plans on IPRs protection. The United States urged Egypt to give notifications greater attention as it had not made any in some areas since 1999, and in some important WTO matters, it had made none since the entry into force of the agreement.

49. The representative of the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu applauded Egypt's efforts to improve the competitiveness of its business environment, and its commitments to change its trade legislation. This would create a better environment for greater trade and investment. The representative wished to know whether there was a foreign ownership ceiling or a maximum duration in the exploration of petroleum and natural gas. He also requested information on the rules and criteria applicable to product labelling of imports. Their economic partnership had great potential for development.

50. The representative of the Republic of Korea highlighted Egypt's macroeconomic efforts since 1999, and referred to their bilateral economic and trade relationship. Korea valued Egypt's commitment to the multilateral trading system, and its active participation in the WTO and the DDA. Although Egypt had bound over 98% of its tariff lines and had reduced tariff rates, the predictability of its tariff regime could be further enhanced. Korea was interested in learning about any plans to further improve customs procedures. Although Egypt had established an institutional and legal framework to protect IPRs, a lack of enforcement undermined the effectiveness of its IPR regime; the representative asked about any plans to enhance IPR enforcement and increase public awareness about IPRs. Korea welcomed measures to increase transparency in procurement procedures, and enquired about any plans to enhance fair competition in procurement.

51. The representative of Chile said that Chile and Egypt attached high importance to the agriculture negotiations, and shared interests in services and development. Their small bilateral trade could be the basis for further trade opportunities. Egypt had bound over 98% of its tariff lines. Although it had reduced its average MFN tariff and its average applied tariff, these rates remained high; Chile hoped that Egypt would reduce them in the current negotiations. The representative asked how Egypt had dealt with delicate sectors in bilateral negotiations carried out with some of its trading partners.

52. The representative of Turkey said that, although Egypt's macroeconomic policy performance was good, further reforms were needed. Turkey commended Egypt for its active participation in the multilateral trading system and the DDA. While Egypt sought a meaningful multilateral liberalization of agriculture, it could speed up its efforts towards a more export-oriented approach in the NAMA negotiations. Egypt was seeking to strike a good balance between its multilateral, regional, and bilateral engagements, and it had rarely used trade defence measures. However, Turkey believed that its tariff structure was hindering its exports sector. Turkey and Egypt had signed several agreements since 1988, but their bilateral trade had stagnated since 1998. Turkey was pleased to hear that Egypt's IPR legislation would be further consolidated. Given their strong historical ties and geographical proximity, Egypt was a priority for Turkey to further boost their trade, and economic and investment relations.

53. The representative of Brazil referred to the growing bilateral trade and improved institutional relations with Egypt. Brazil commended Egypt for its average annual growth since 1999 and for its economic recovery supported by trade. Positive steps were being taken to curb the growing fiscal deficit. Poverty reduction and a more equitable distribution of income were the Egyptian Government's key social policy objectives; attracting FDI had been emphasized as a means to modernize local production standards and improve management systems. Egypt was seeking to liberalize its trade regime on an MFN and preferential basis. In this context, it had bound over 98% of its tariff lines, but its tariff system remained complex. Brazil commended Egypt for fully implementing the Customs Valuation Agreement, and its programme to ensure that its standards comply with international norms. State ownership remained extensive, but the privatization programme was aimed at achieving greater competition. Egypt remained a net food importer. Brazil supported Egypt's efforts to implement a long-term strategy for agriculture development.

54. The representative of Mauritania said that Egypt contributed positively to the WTO, and was fully committed to applying its agreements. To ensure its trade policy success, Egypt had limited the role of the State to policies compatible with a market economy. This had contributed to sustained annual growth since 1999, economic diversification, and reduction in dependence on natural resources. Egypt had undertaken measures to comply with its WTO commitments and better integrate into the multilateral trading system. The regional and global dimensions of its trade policy had been strengthened; export revenues had more than doubled, and the index of openness had improved since 1999. A partnership agreement had been concluded with the EU, and the implementation of GAFTA and COMESA had been broadened. The Government was clearly undertaking steps to fully benefit from liberalization and to put it at the service of development; it deserved support to make the economy more competitive to absorb unemployment and raise living standards. Egypt's progress would have a positive impact on all the Arab countries and on Africa.

55. The representative of Tunisia congratulated Egypt for its economic and trade liberalization efforts since 1999. Egypt's institutional and legislative measures showed its determination to make further progress towards liberalization, and towards conformity with the WTO rules and principles. As part of its liberalization strategy, Egypt had concluded several regional and bilateral FTAs. Tunisia and Egypt enjoyed excellent relations, strengthened through a free-trade area agreement, and the Agadir Agreement; both were also GAFTA members. Under the DDA, they shared opinions, and worked for the development dimension in the negotiations.

56. The representative of Kenya referred to bilateral trade with Egypt, which was one of its major trading partners. Kenya welcomed Egypt's efforts to liberalize its foreign trade and foreign exchange market, and to eliminate major obstacles to exports. However, the impact on the sustainability of the reform process of challenges, such as population growth and unemployment, also needed to be addressed. Kenya commended Egypt for integrating into the global economy, using multilateral, regional, and bilateral agreements to expand market access; as a result, trade was contributing to its economic recovery. Kenya encouraged Egypt to simplify its tariff regime, to reduce discretionary decisions in its administration, and to enhance transparency and predictability. Kenya and Egypt shared the view that the negotiations were an important opportunity to realize the full potential of agriculture in its contribution to economic development, particularly of developing countries. Regionally, Egypt had emphasized trade and investment with the rest of Africa. It continued to play a constructive role in the WTO.

57. The representative of Oman said that Egypt was an important and active member of the Arab League and GAFTA. Oman congratulated Egypt for its efforts to liberalize its trade regime. Egypt was committed to the multilateral trading system and participated actively in the WTO, in particular in the services, agricultural, and NAMA negotiations. Egypt, and all developing countries, needed flexibility to liberalize trade in accordance with their level of development and economic needs.

58. The representative of Jordan said that Egypt had moved towards economic liberalization. Reforms ensuring more transparency and predictability in its trade regime were helping it to create a private sector-led economy. Egypt's revitalized privatization programme would help it to meet its economic objectives. Economic indicators were speaking for themselves; however, the high population growth might put more pressure on the economy, and even disrupt economic policies. Jordan and Egypt had close and strong trade relations. Egypt's commitment to the multilateral trading system provided a good model for developing countries in Africa. Its unilateral liberalization in goods and services would help it to advance in the multilateral trading system. Egypt's constructive participation in the DDA would enhance its economic policy objectives.

59. The representative of Pakistan commended Egypt for its tariff reforms. Egypt was actively moving the DDA forward, by seeking ambitious cuts in tariffs and more market access. Its contribution was also very helpful for the work of the G-20. The representative asked whether Egypt considered that linking duty concessions to the percentage of local-content requirement was compliant with TRIMS and national treatment obligations. Recalling that Egypt had conducted 17 anti-dumping investigations, and imposed duty in 14 cases in five years, he asked whether Egypt might wish to have another look at its approach in this area.

60. The representative of India expressed India's appreciation for Egypt's active participation in the WTO, its commitment to multilateral trade liberalization, and its role in advancing the DDA. India especially commended Egypt for championing issues of crucial interest to developing countries. Their common membership of the G-20 was the basis for close cooperation and collaboration in the agriculture negotiations. Their bilateral trade had been growing over the years, and India was among the top five export destinations for Egypt.

61. The representative of China highlighted the strong momentum of the bilateral trade with Egypt. China commended Egypt for its contribution to the multilateral trading system, including its positive input in the DDA. Although Egypt had liberalized its trade regime, there was room for further development and liberalization. In particular, China hoped that Egypt would accelerate steps to simplify and streamline its customs clearance, and SPS and TBT procedures so as to facilitate trade flows.

62. The representative of Malaysia said that Egypt's economic reform programme had improved its economy since its last TPR. Banking and financial services reforms were under way. Trade played an important role in Egypt's economy; and it had been the driver for growth. Egypt was one of the few developing countries to enjoy a surplus in its services account. Malaysia congratulated Egypt for tabling its revised services offer. The two countries shared positions on many international issues. Malaysia encouraged Egypt to continue with its economic development efforts and urged its trading partners to help by providing increased market access for products and services of interest to developing country Members.

63. The representative of New Zealand said that Egypt was an important trading partner in the Middle East. She welcomed Egypt's active participation in the multilateral trading system, in particular in advancing issues of interest to developing countries. Since 1999, Egypt had taken important steps towards liberalizing its trade regime, through further opening to trade and foreign investment, and reducing and simplifying its tariff schedule. While Egypt's sanitary and phytosanitary regime was still of concern, New Zealand supported Egypt's programme to harmonize its SPS regime with international standards; this would improve the efficiency and competitiveness of Egypt's economy and offer substantial benefits to Egyptian consumers. Noting that certain agricultural imports were subject to tariffs that exceeded their bound rates, and that a customs surcharge had not been listed in its tariff schedule, New Zealand encouraged Egypt to rectify these issues.

64. The representative of Uganda referred to the close relations with Egypt. As part of its export procedures, Egypt applied requirements for consularization and related fees. The representative asked Egypt to explain, and update Members on: (i) why these were maintained; (ii) their costs per document or consignment; and (iii) whether Egypt intended to maintain these requirements or phase them out, and if so, what steps were being taken, and in what time frame.

65. The representative of Egypt appreciated the opportunity provided by the TPRB for Egypt to review its reform efforts. The TPR was a key mechanism that helped Members to review their priorities and reform agenda in view of the comments made by their main trade partners. The discussions had revealed several priority areas, including: the tariff regime; import procedures and regulations; standards and quality control; IPR enforcement; government procurement; and notifications. Documents would be handed to the Secretariat to update its Report.

66. The Director of the Trade Policies Review Division (C. Boonekamp) said that any factual changes would be incorporated into the published version of the Report. The definitive Report would be available online within two weeks.

V. REPLIES BY THE REPRESENTATIVE OF EGYPT AND ADDITIONAL COMMENTS

67. The representative of Egypt thanked the TPRB for giving Egypt the opportunity to review its progress, and highlight new opportunities for trade and investment. The main concerns expressed by Egypt's trading partners would be considered in future reforms. They included: State control of the economy; the modernization programme; the tariff structure; standards and quality controls; SPS and TBT; IPR; government procurement; customs procedures; and notifications. The representative highlighted that Egypt was determined to continue its reform programme on the economic, social, and political fronts; was committed to the WTO, and would continue to play an active role in the DDA, as the multilateral trading system was key in ensuring a fair, transparent, and predictable rules-based system; and recognized the remaining challenges, and was willing to implement measures to ensure the transparency of its administrative and regulatory regime, and to assure the smooth movement of trade and capital flows across its border. The representative grouped her responses into three main categories: (i) macroeconomic set-up, especially the role of the State; (ii) trade-related issues; and (iii) the investment environment.

(i) Macroeconomic set-up, and the role of the State

68. After decades of State control and dominant position in the economy, the Government had sought to realign its strategy away from being a productive market player towards being a market regulator. To achieve this goal, it intended to move aggressively on its privatization programme. The sale of over 100 state-owned enterprises, as well as Government stakes in joint corporations, had been announced. A number of high profile deals were also in the pipeline: two petroleum companies, an insurance company, and a stake in the Eastern Tobacco Company had been offered on the stock market. The privatization of the first State bank, and the partial privatization of Telecom Egypt were expected before end-2005; many sectors (e.g. ports, airports, telecom, education, and banks) had been open to private participation. Under the new Ministry for Investment, a programme had been initiated to ensure a business-friendly environment. As a result, the private sector role in the economy had increased. To increase competition and contestability in the domestic market, several trade liberalization initiatives had been taken to open up the economy.

69. To support the private sector in its new mandate, the Industrial Modernization Programme had been established to boost the competitiveness of Egypt's industrial companies. Among its achievements was the design of a National Quality Plan to harmonize Egypt's standards with international norms, and international recognition of the Egyptian Accreditation Council. Moreover, Business Resource Centres had been established in the major industrial cities to grant technical assistance, quality, and training services to companies.

(ii) Trade-related issues

70. Ministerial Decree No. 1113 of 2003 guaranteed that WTO Members would benefit from the lower rate, where applied rates exceeded bound levels. In any case, the percentages of tariff lines concerned did not exceed 0.2% of total tariff lines. Tariff peaks applied to less than 0.5% of tariff lines, mostly on alcoholic beverages and tobacco products, for cultural reasons covered by GATT Article XX exceptions. Presidential Decree No. 300 of 2004 had eliminated surcharge and service fees.

71. With regard to Egypt's TBT and SPS regime, certification of origin was applied only to imports for direct trading purposes; industrial and services users were exempt. Labelling requirements were applied only to pre-packed products. All mandatory standards, which were applied for health, safety or environmental reasons, had been harmonized with international ones; their application was related to the weak consumer protection in Egypt. Therefore, a review of quality and other control schemes would be considered, once the Consumer Protection Law was in place. All

other standards were applied on a voluntary basis. For transparency, all standards would be available on the website of Egyptian Organization for Standardization (EOS) by end-2005. By mid-2006, a programme to harmonize voluntary standards with international norms would have yielded results; it was based on the TBT Code of Good Practice and ISO Harmonization Guide. The application of standards for food imports (including shelf-life standards) was under review; the results would be announced periodically, and notified. Milk and dairy product standards were harmonized with the Codex. A list of certified facilities that had achieved ISO compatibility was available on the EOS website.

72. The Customs Authority had initiated a simplification programme for its inspection and clearance procedures. A one-stop-shop was operational in four ports, and was under preparation in three others. In addition, risk-management systems had been implemented in some ports. On sustainable development, Egypt was signatory to a large number of environmental agreements and protocols and took its commitments seriously. Therefore, prior approval by the Ministry of Environment was required for new factories to operate.

73. With regard to notifications, Egypt recognized that these were indeed a weak spot in its system. The technical and administrative details for a mechanism for WTO notification was being finalized.

74. Egypt's 2002 IPR Law and its articles mirrored the TRIPS Agreement. The Government had undertaken public awareness campaigns, and would continue to do so. Technical assistance was thereby needed to improve IPR enforcement.

75. Egypt had not signed the Agreement on Government Procurement, and had not made market access commitments. However, it had recently reviewed its best-practices codes on transparency of tendering and bidding procedures.

(iii) Investment policies

76. The Investment Authority had transformed itself from an investor regulator to an investor facilitator and promoter. A one-stop-shop for company establishment had been operating since 2005, and companies were established within three days. The Investment Authority had started a programme to simplify procedures aimed at ensuring transparency. These efforts were an example of a general positive attitude towards private domestic and foreign investors.

77. In June 2005, a new Tax Law had reduced corporate and income taxation to a flat fee of 20%, and put an end to the regime of extending five-, ten-, and 20-year tax exemptions to certain activities. All previously granted tax exemptions had been preserved for the duration of the original licence. No conditions or restrictions based on nationality existed in investments.

78. Recent amendments to the Company Law and the Investment Law were made to comply with the changes introduced in the Tax Law. These amendments closed the distance between the different investment regimes by according investors, under each law, the benefits accorded by the other law. They also allowed the denomination of the share capital of Egyptian companies in foreign currency and the boards of directors to be entirely formed by non-shareholders. They also unified the procedures for establishing different kinds of companies.

79. Some important developments had taken place in foreign ownership of land and real estate. For investment purposes, the above-mentioned amendments allowed Egyptian companies – irrespective of the nationalities and percentage of representation of their shareholders – to fully own land. This applied throughout Egypt, except in areas determined by decree of the Council of Ministers. Foreigners could own real estate properties with no limitation or additional procedures in Egypt's key tourist areas.

80. The reforms in the investment environment still needed to go further, including applying the Competition Law, announcing new rules to make land available for industrial use, reactivating the Special Economic Zones Law, and further facilitating procedures for business licensing as well as for dispute settlement.

81. Egypt still faced difficulties in meeting international standards, rules, and requirements. Therefore, well-designed bilateral or multilateral technical assistance in training and capacity building was required to allow Egypt to adjust to, and comply with, international norms. A certain quantum of "policy space" was also needed to help local industries achieve a degree of global competitiveness.

82. The discussant knew how important it was for Egypt to have periodical reviews. There was still much to be done in adjusting some segments of its economy, bringing them into line with new requirements, and creating an adequate normative structure. Since Egypt wished to be a global market player, getting steady flows of investment and enhancing transparency were important. Egypt announced to Members some present and future measures that would be fully transparent. This was encouraging as transparency was important for business. Egypt was going through a new wave of privatization, and had initiated a simplification programme for inspection and clearance procedures. These were important steps in the right direction. The discussant encouraged Egypt to update its notifications and to enhance the predictability of its tariff regime.

83. Developing countries' need for technical assistance could never be exaggerated, nor could the importance of generating flows of technical cooperation among countries and within the international institutions. The discussant believed that the WTO should be doing much more in this respect. As Members were moving on to new commitments, there would be a need for further technical assistance and capacity building. The discussant encouraged Members to request technical assistance. He believed that the discussions and responses from Egypt had helped to generate trust and create a climate of transparency in its trade relations. Members needed to protect and enhance transparency if they were to protect and enhance the multilateral trading system.

84. The representative of Rwanda referred to bilateral and regional relations with Egypt. Egypt was actively committed to regional integration as well as to the WTO. Therefore, the main pillar of its economic strategy was integrating into the global economy. Egypt had put in place trade facilitation reforms as well as services liberalization. Rwanda appreciated Egypt's other enabling policies to enhance its trade performance.

85. The representative of Australia was pleased with Egypt's continued reform efforts. Australia welcomed the climate of transparency that was being built, and Egypt's plans to notify measures under the TBT or SPS Agreements. Australia urged Egypt to improve and reform the standards development process, particularly in food and agricultural products (e.g. shelf-life, fat content, etc.). Australia requested details on Egypt's steps to improve testing procedures. It encouraged Egypt to continue to work on the development of risk-based testing procedures in order to facilitate trade.

86. The representative of the United States requested additional information on the review of mandatory shelf-life standards. This would help the United States to think through Egypt's request for technical assistance. The United States also asked for more information on any future plans on the restructuring of the insurance sector.

87. The representative of the Republic of Korea referred to practices in government procurement limiting the participation of developing countries requiring prior experience. He wished to know whether Egypt had plans to change these requirements.

88. The representative of Egypt said that, as a result of Egypt's harmonization of mandatory meat standards, fat content in meat had become a voluntary standard. Testing standards related to some products (like cereals) had already been harmonized; Egypt was seeking to harmonize other testing

standards as well. Shelf-life requirements were related to stability of products, and linked to consumer protection. Egypt's Consumer Law was to be approved; in parallel, the shelf-life issue was being studied. This was one of the issues on which Egypt had asked for technical assistance. The review of the shelf-life requirements and the approval of the Consumer Law would be completed by end-2005.

89. The reactivated privatization process was fully transparent. Sales were made by way of closed envelopes, tender offers, or direct auction. Multinational companies and investment banks were participating in this process. Sectors never considered for privatization, such as banks, insurance companies, telecommunication, petroleum and petro-chemicals, tobacco, aluminium, and container handling, were now open for privatization. The Government was keen to make this privatization process not just a selling exercise but one that also maximized Egypt's return. The process was building momentum.

90. With regard to limitations on invitations in government procurement, particularly regarding past experience, the representative noted that calls for tenders from specific suppliers usually occurred only for technically complex projects; this did not intend to exclude newcomers into the market but to ensure that tenderers were qualified to carry out the project.

91. The representative of Switzerland appreciated Egypt's determination to continue its reform programme. Switzerland was looking forward to the conclusion of an agreement of non-verification of non-preferential certificates of origin on the basis of reciprocity.

VI. CONCLUDING REMARKS BY THE CHAIRPERSON

92. We have conducted this third Trade Policy Review of Egypt in a thorough and highly informative manner. Through our dialogue with the Egyptian delegation we have obtained a better understanding of the developments in Egypt's trade policies and practices over the last six years. Our discussion has greatly benefited from the presence of a large Egyptian delegation, led by Dr. Samiha Fawzy, the insightful comments of our discussant, Ambassador de Seixas Corrêa, and the active involvement of a large number of Members.

93. Members conveyed their condolences to the Egyptian delegation for the terrorist attack in Sharm el Sheikh. They appreciated Egypt's firm commitment to and active participation in the multilateral trading system, including the Doha Development Agenda. Noting that Egypt also participates in regional and bilateral trade agreements, Members enquired about the preferences available under these arrangements. Members acknowledged Egypt's macroeconomic and structural reform efforts, including the privatization programme and the liberalization of the exchange rate regime. Trade has been an important motor for Egypt's current economic recovery. Nonetheless, while inflation rates have been brought under control, fiscal deficits have remained high, and growth rates have been too low to have a significant impact on poverty and unemployment.

94. On trade policies, Members generally commended Egypt on its unilateral tariff reduction since its last Trade Policy Review in 1999. While they congratulated Egypt for its efforts to reduce the number of tariff lines where applied rates exceed the corresponding bound rates, they urged it to bring the remaining lines into conformity with its WTO obligations. Various Members also encouraged Egypt to simplify its tariff structure by, *inter alia*, reducing its tariff peaks of up to 3,000%. Members welcomed Egypt's efforts to streamline customs procedures, including the implementation of the WTO Agreement on Customs Valuation, but some expressed concerns about the continuing use of customs surcharges and the discretionary behaviour of customs officials. Members sought clarification about standards, technical regulations (including shelf-life requirements) and mandatory quality controls, and asked Egypt to enhance transparency and efficiency in the formulation and enforcement of such measures. Members also invited Egypt to resume its notifications to the WTO Committees on Agriculture, SPS, and TBT.

95. Members noted the vital and growing importance of services for the Egyptian economy. They expressed appreciation for reforms in the services sector, in particular in financial services and telecommunications, and were interested in plans for further privatization and dismantling of MFN exemptions. Members also asked questions on other issues, notably: enforcement and protection of intellectual property rights, local-content requirements, government procurement, contingency measures, the investment regime, agriculture, and energy.

96. Members appreciated the responses provided by the Egyptian delegation.

97. In conclusion, it is my feeling that the keen interest shown by Members in this Review reflects the important role that Egypt plays in the multilateral trading system. The Review has drawn attention to steps taken by Egypt in liberalizing its trade regime, to the challenges it faces, and to areas in which policy reforms could be enhanced. I advocate that Members support Egypt in its reform efforts by providing further market access to its goods and services, and by being attentive to its requests for technical assistance.
