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EXIT REPORT

To: Timothy Buehrer, Component Lead
Cc: Richard Laliberte, COP, David Wall, DCOP, and Giancarlo Casalino, PMO Advisor
From: Richard B. Self
Component: Trade Environment (Component A)
Date: Saturday, October 02, 2010
Subject: Exit Report for the Period of January 8 to January 18, 2007

Accomplishments

This assignment was undertaken at the request of the Ministry of Trade and Industry in connection with EU-Egypt Free Trade Agreement (FTA) negotiations. Trade in services will be a critical component of the FTA, and Mr. Self met with Dr. Mona El-Garf, Advisor to the Minister and the person responsible for negotiating the services component of the FTA. She was accompanied by Dina Mahmoud, the head of the General Department for Trade in Services at the CD/WTO. In addition, Mr. Self met with services industry representatives of the American Chamber of Commerce (AmCham) to discuss the importance of having a strong private sector advisory component in all trade negotiations, and he shared specific ideas as to how the private sector and the government should organize such a consultative mechanism. Mr. Self shared similar thoughts on private sector consultation with Dr. El-Garf. For all of the components that were part of the project, information and advice were related both in meetings with Dr. El-Garf and in written communications, which are attached.

1. Sectors of interest to the EU and Egypt.

On the basis of his own background in negotiating sectors of interest with the EU, and the WTO request the EU submitted to Egypt in the current WTO services negotiations, Mr. Self outlined the principal sector areas of interest to the EU. In addition he discussed the services sectors that are import-sensitive to the EU. Of course, any such inventory represented the best approximation of EU negotiating priorities, based on its most recent interest (and problems) in the services sectors. Sectors of import sensitivity in the EU included its audiovisual sector, numerous member state professional (accounting, law, architecture) restrictions, and a number of services sectors (energy) where state ownership impedes foreign market access. There was considerable discussion about the ability of persons to travel to the EU to perform services through that mode of supply, perhaps the most important export issue Egypt has with the EU. Mr. Self outlined a number of sectors of interest to the EU, largely in the financial, energy, and telecommunications sectors.

2. Analysis of the EU "non-paper". This preliminary negotiating proposal served as the centerpiece of discussion and written analysis for Dr. El-Garf. It was compared to what Dr. El-Garf called the "First Draft", which is a draft agreement between the EU and the Mediterranean Group of countries. A number of issues were discussed at some length. Perhaps the most exhaustive one related to the "most-favored-nation" clause of the agreement, which, as proposed, would require Egypt and the EU to extend the same level of treatment they accord to third countries. This is a complicated issue, strategically, for Egypt, as it leaves uncertainty as to their future obligations to the EU in services. Mr. Self provided several options for consideration that would alter this provision to the interest of Egypt. In

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this and other issues, Mr. Self examined the FTA agreements the EU has reached with other countries, in particular Chile and Mexico, as a likely basis for precedent in making proposals to the EU. Investment and “right of establishment” was of particular interest to Dr. El-Garf, and Mr. Self outlined in some detail the implications of the proposed investment provisions, and, in response to her request, compared them with those the U.S. has in its bilateral FTA’s. It is clear that foreign direct investment is a very strategic issue for Egypt. Mr. Self provided advice on the value of the EU proposal on categories for the temporary entry of persons, in most cases at the professional level, outlining advantages and disadvantages in seeking additional job categories to what the EU has proposed. He provided advice of a more technical nature about the proposed structure of making commitments in the agreement, always a challenge in transparency in understanding the nature of specific commitments reached. Other issues addressed as part of the non-paper were how to manage any disciplines over subsidies and government procurement, with a program of information exchange for procurement and an inventory of services subsidies (short of disciplines) in subsidies. Finally, Mr. Self advised, in reaction to Dr. El-Garf’s inquiry, that Egypt should incorporate special treatment for situations related to Egypt’s status as a developing country.

3. The role of the private sector. In response to her request, Mr. Self outlined a specific set of ideas related to how the Ministry should organize and institutionalize a system of obtaining regular and frequent advice from the Egyptian services sectors. He encouraged the formation of committees with representatives of the services industries with potentially varying interests in the opening of its market to the EU, and those with export interests as well. He stressed the importance of having the private sector behind the Government’s effort, and that support could only arise if the private sector had a full understanding of the operation of the agreement, the issues at stake, and the critical technical information only the private sector could provide to address impediments both in the EU and Egypt. He encouraged a similar institutional process of consultations for the Ministry with other government agencies with both policy and regulatory responsibilities over the services sector.

Mr. Self conveyed identical views to a gathering of Egyptian services industry representatives convened by Ambassador Magda Shahin, head of the Trade Research and Assistance Center at AmCham. There was considerable interest in forming such a mechanism outside of any government structure, so as to afford industry of its opportunity to exercise its independent position on aspects of the negotiations. A number of practical questions were raised by the participants, so as to gain a full understanding of how such a mechanism can actually work.

Accomplishments:

1. We believe Dr. El-Garf and Ms. Mahmoud have a much better understanding of the implications of the proposed text by the EU, and, as a result, have started to formulate some negotiating ideas of their own, in part those suggested by Mr. Self. They have a better strategic sense for how to handle the negotiations as a result of these discussions and a choice of options for negotiating alternatives where this is necessary.

2. There is greater focus and urgency among Egypt’s services industry for establishing a coalition of services industries to make its views known to its government. In the same vein, Dr. El-Garf and her colleagues showed their own support for such a mechanism as one that would assist their efforts to make the right negotiating choices in the EU and other trade negotiations over these sectors.

Issues

- Purpose of this consultancy was to help the staff of the Ministry of Trade and Industry to better understand the issues involved in services negotiations for the Euro-Mediterranean Association Agreement.

- Key issues involved relate, as mentioned above, to MFN treatment, movement of natural persons, sensitive sectors, subsidies, etc.
- Other key issue that came up was the need for an effective consultative mechanism between government and private sector and the usefulness of a trade association or coalition on services.

Risks

- Without a proper understanding and analysis of negotiating proposals Egypt could end up committing to terms against its interests
- On the other hand, making liberalizing commitments in key Egyptian services sectors could be beneficial to the economy overall, and negotiations could result in improved Egyptian services exports to the EU.

Counterpart Contacts

- Dr. Mona El-Garf, Minister's Advisor, elgarfm@mfti.gov.eg, 010 177 1395
- Mrs. Dina Mahmoud, Head of General Department of Trade in Services, CD/WTO, d.mohamed@tas.gov.eg, 010 153 2564

Documents Received

- Istanbul Protocol (framework protocol for negotiating trade in services commitments between the EU and Euromed countries)
- Non-paper Euro-Mediterranean Negotiations on the Liberalization of Trade in Services and the Right of Establishment

Reports Delivered

- Memo from Dick Self to Dr. Mona El-Garf: An Assessment of EU "Second Draft" and other EU FTA Agreements, January 11, 2007
- Memo from Dick Self to Dr. Mona El-Garf: MFN and Other Issues Related to EU Proposal, January 14, 2007

Next Steps

- No immediate steps planned vis-à-vis support of better understanding of negotiating proposals
- Consultancy planned for April to develop an approach and buy-in for a trade association or coalition dealing with services

January 11, 2007

To: Dr. Mona El-Garf
Ministry of Industry and Trade

From: Richard B. Self

Subject: An Assessment of EU "Second Draft" and other EU FTA Agreements

Pursuant to our meeting of January 8, 2007, this memorandum provides an assessment of the services provisions of what the EU has described as the "second draft" of the Istanbul Protocol as the possible basis for a free trade or association agreement between the Community and Egypt. It compares its provisions with the first draft of the Istanbul Protocol; analyzes specific provisions with other EU bilateral trade agreements, specifically those with Chile and Mexico. (We cannot find such an agreement with Australia.) It also provides a general assessment of the provisions as a possible working basis for the FTA. While the EU has other Association Agreements with a number of other countries, those with Chile and Mexico are the most comprehensive.

1. **Scope and Coverage.** Unlike the first draft, the second proposes the exclusion of several specific sector activities, namely audio-visual services, "national" maritime cabotage, and virtually all aspects of air transport services. The EU has a tradition of protecting its audiovisual sector (under GATS it has undertaken no obligations and has taken MFN exemptions in the sector). Maritime cabotage discrimination generally is exercised by most, if not all countries. The air transport exclusion largely reflects a similar exclusion of this sector through an annex to the GATS, except for computer reservation services.

Legally, it is not necessary to specifically exclude individual sectors from an FTA. A party choosing to exclude a sector can do so by simply not listing it in its schedule of commitments, leaving sector coverage (and exclusion) to be part of the balance of obligations reached through negotiation. If, however, the EU persists in wanting to exclude specified sectors, in particular the sensitive audiovisual sector, Egypt may wish to consider the exclusion of certain sectors that are sensitive to Egypt.

2. **"Right to Regulate".** This new entry in the second draft (Art. I.4) states that parties retain the right to regulate to meet "legitimate policy objectives", without prejudice to other provisions of the protocol. Inherent in the draft, as well as GATS, is the right to regulate provided regulation conforms to specific obligations. It is an unnecessary entry, and may leave room for unforeseen exploitation. You may want to ask the EU the reasons for such an entry, in light of the framework of rules that provide the basis to regulate, but under certain prescribed conditions.

3. **Community (Mediterranean Partner) juridical person.** This new definition in the second draft conditions the status of a juridical person as having its registered office, central administration, or principal place of business in the home country. It goes on to say that if the principal place of business is not in the home country, its operations must possess a "real and continuous link" with the host country. This provision is no doubt designed to reward the benefits of the FTA only to companies who are indigenous to the respective countries, discouraging the rights of "mail box" juridical persons. However, this provision, as drafted, seems overly burdensome, in an age where foreign investment takes on different

forms, is widespread, and inevitably involves corporate citizens of countries who are not "indigenous" to one of the parties. The GATS definition of juridical person would be the more appropriate one.

4. Modes of Supply. The content of the modes themselves and the corresponding market access and national treatment provisions are unchanged in the second draft, except in the case of mode four. These definitions track the GATS. What the EU has in mind for scheduling them is another matter, and it is addressed in (7) below. What seems envisioned is a set of separate schedules by mode, with the first and second mode grouped as one. Thus, the cross-border/movement of consumer and establishment modes would contain their respective market access, nation treatment, and MFN obligations and limitations in separate annexes, and a similar annex of commitments and limitations for the temporary entry of natural persons (and which has no MFN obligation). Presumably, the EU wants this mode addressed exclusively in the context of a more specific set of job classifications and definitions under a new Title IV. This poses a strategic question of whether to negotiate from a common set of job categories, as proposed by the EU, or simply to leave it open, leaving no presumptions as to universe of job categories from which to negotiate.

5. Mediterranean Integration. Both the first and second drafts require that both the EU and any Mediterranean Partner with whom it reaches an FTA, to extend the same benefits to all the Mediterranean Partners. However, it does allow for non-EU Mediterranean partners to provide more favorable treatment among themselves than what they accord to the EU. Egypt will want to assess the strategic implications of extending to the other Mediterranean Partners what it has accorded the EU.

6. Most-favored-nation treatment. The second draft introduces another form of MFN treatment, outside that addressed in (5) above. It requires each party to extend to services and services suppliers of the other party no less favorable treatment that it extends to a third party. It would extend this form of MFN treatment to the cross border and commercial presence modes, not temporary entry. Thus Egypt would be required to extend the same treatment to the EU that it extends to any other country, including those with whom it may extend more generous treatment through an FTA.

For the EU, this would be the most liberal of the MFN provisions it has extended through at least two of its FTA's we have examined. In the case of its FTA with Chile, we can find no such MFN provision in any part of the text. Its FTA with Mexico does contain the MFN provision described above, but it excludes from it any bilateral obligations it has reached through an FTA with another country and which have been notified to the WTO. It does afford an "adequate opportunity" to the other party to negotiate benefits it extends to another FTA partner, but MFN treatment under this provision clearly is not automatic. (The EU does not have an FTA with Australia.) This latest configuration of MFN, as outlined in the second draft, is similar to the MFN provisions the United States has in its FTA's, except that the United States does not exclude from MFN benefits the elements of FTA's it has notified to the WTO.

For Egypt, the fundamental issue is whether it is prepared to assume more obligations to the EU as it negotiates comparatively more generous FTA's with other countries. As noted earlier, this MFN requirement would not extend to agreements reached with other members of the Mediterranean Group. However, Egypt may wish to reach bilateral trade agreements with other countries outside this group, in which case it may be more difficult to sell the EU proposal to domestic stakeholders not anxious to experience new obligations to the EU every time an FTA is reached with a third country. Conversely, there may be advantages to

Egyptian exporters with such a provision, as it affords new market access opportunities each time the EU concludes an FTA with another country with more generous benefits.

The challenge for Egypt, as a developing country, is whether it can manage the unforeseen changes in its obligations to the EU as it reaches FTA's with countries at different levels of development and with different economic circumstances. By comparison, it is much less burdensome for the EU and the U.S. to enter into such MFN obligations.

7. Specific Commitments. For persons more familiar with reading a GATS schedule, the second draft is comparatively more awkward than the first. It segments market access and national treatment obligations into separate schedules, one for cross border provision of services and another for commercial presence. In the case of market access, it embodies only those limitations outlined in GATS that pertain exclusively to either cross border or commercial presence, so that there will be stand-alone schedules for each mode. Presumably the EU deemed this segmentation necessary to separate the flexibilities in levels of obligations for modes 1-3, as distinguished from mode four, which works from a more tight definition of activities, thus portending a more common set of obligations outlined in Title IV. Egypt may wish to consider whether this method of scheduling is necessary since it is likely that different obligations will be undertaken by the two countries under mode four. If the latter is the case, then the scheduling of commitments—an inherently confusing set of obligations for consumers to read—would be best done according to the GATS structure, as proposed in the first draft. Sectors, modes of supply, and conditions and limitation to market access and national treatment would be collapsed into a single schedule, as done under GATS.

8. Temporary Presence of “Business Natural Persons”. As its title suggests, the EU is proposing that negotiations take place under a common framework of job categories, in all cases persons generally classified as professional workers. Skilled, semi-skilled, and unskilled categories are generally excluded. A number of proposed categories already are covered in the GATS commitments of virtually every WTO member country, leaving less room to expand market access opportunities through the FTA. These include key personnel in setting up the commercial presence; business visitors, as defined in the EU proposal; specialists and business services sellers.

The EU proposal does break new ground by proposing supervisors, graduate trainees, contractual services specialists, and independent professionals. The latter two categories are particularly important because they do not require a commercial presence in the host country. Many countries have criticized commitments under mode four as largely part of the commercial presence mode. The EU proposal, while limited to professional-level persons, does address a number of developing country concerns that they provide their professional services without the need for a commercial presence in the host country.

Putting aside for a moment the rather awkward modalities the EU proposes for scheduling obligations, the question for Egypt is whether the EU proposal goes far enough in meeting its needs in this area. Clearly, Egypt has highly trained professional persons in numerous categories who can compete effectively in EU member countries. Temporary entry is continually a sensitive issue within the EU, with its member states holding considerable leverage over the issue. Proposing lesser skill levels than those outlined in the EU draft risks losing any gains in this critical mode of supply, as immigration authorities frequently overreact to the pressures of a trade negotiation to their regime. In any event, the EU definition of “contractual services supplier” does offer opportunities for persons of virtually any skill level.

9. Dispute Settlement

The Second Draft indicates that dispute settlement provisions are to be negotiated, and does not contain any draft suggestions. The EU has nearly identical dispute provisions in its FTA's with Chile and Mexico. They are very similar to those of the WTO, requiring consultations prior to the establishment of an arbitration panel in an effort to resolve the dispute in this manner. The arbitration panel is required to determine whether one of the parties is in violation of its obligations under the FTA and the measures it must take to be in compliance with the FTA. If the decision is not implemented, the complaining party can suspend equivalent benefits, with the right of the affected party to ask the arbitral panel to rule on the nature of the compensation. The DSU requires the complainant to select either the WTO or the FTA as the forum for its dispute, with preference for the WTO when the obligation in question is covered by specific obligations under that body.

The texts are silent on the "ceiling" for compensation. If the FTA tariff is zero and the affected party has a bound rate of 10% under the WTO, and it imposes a duty of 15%, there is some question whether compensation is allowed in the equivalent of 5% (to be consistent with WTO rights) or in the amount of 15%, to reflect the lost benefit under the FTA. In any event, these kinds of issues can be clarified in the process of negotiation.

10. Conclusion: The most important issue posed by the EU draft is that of most-favored nation, where it is clear that Egypt faces uncertain levels of obligations in the future, were it to reach more generous FTA's with other countries. At the same time, there are potential new benefits to Egyptian exporters when the EU reaches more generous FTA's with other countries, but this cannot be predicted with certainty. Should Egypt wish to limit future obligations, it may wish to consider proposing the configuration the EU has with respect to Mexico described in this memo.

The Second Draft sets up a somewhat different, more awkward method of scheduling. Egypt may wish to consider the elements of the First Draft in that regard, which are more similar to the GATS configuration. Consumers should have the benefit of having as simple and transparent a set of rights and obligations as is possible.

January 14, 2007

To: Dr. Mona el-Garf
Ministry of Industry and Trade

From: Richard Self

Subject: MFN and Other Issues Related to EU Proposal

This follows up on several topics in our meeting this morning concerning the EU's proposed text of a bilateral free trade agreement with Egypt.

1. **Most-favored-nation treatment.** By way of clarification, the EU text would obligate Egypt to extend "no less favorable treatment" to the EU that it has accorded to a third country. The EU would have the same obligation to Egypt. (As discussed, any preferences Egypt would extend to other countries of the Mediterranean Group would not have to be extended to the EU, under its proposal. In addition, the EU draft does not extend the MFN obligation to commitments under the temporary entry mode of supply.) Egypt would have no obligation to extend the treatment it accords the EU under the FTA to any other country, unless, of course, it has bilateral FTA's with them that contain such an MFN provision. However, as we discussed, the MFN provision, as drafted, would clearly obligate Egypt to improve the benefits it accords to the EU so that they equal the most generous treatment it extends to any third country, whether such treatment arises from an FTA or otherwise.

We have discussed earlier the strategic advantages and disadvantages to Egypt that such a provision would entail. On the positive side, Egyptian exporters would enjoy improved market access opportunities commensurate with any EU agreement with a third party that is more generous than that with Egypt. At the same time, Egypt faces the uncertainty of assuming new obligations to the EU as it extends more favorable treatment to other countries than provided in the FTA.

Possible Alternatives to the EU Proposal

- a. Drop the MFN proposal as worded. This may be worth a try, especially as the EU has no such MFN provision in its 2002 FTA with Chile, and a more limited MFN provision with Mexico. As a compromise, Egypt could propose language that is contained in the EU's FTA with Mexico (para. 3 of the MFN provision) that would afford either party "adequate opportunity" to negotiate the more favorable benefits either party has extended to a third country.
- b. Accept MFN for modes one and two but exclude the commercial presence mode of supply. This provides some balance to the MFN exclusion already proposed by the EU for the temporary entry mode. Of course, that makes the MFN provision a terribly weak part of the Agreement.
- c. Exclude MFN treatment to the EU for any FTA Egypt reaches with a third Country, but providing the EU with "adequate opportunity" to negotiate these improved rights. However, more favorable treatment accorded through any measure other than an FTA would not be extended to the EU. This allows for the exclusion of benefits consciously extended by Egypt preferentially through an FTA to be limited to that recipient country alone.

The challenge to the removal of the MFN provision is that the explosion of free trade agreements and negotiations among countries in recent years makes such an MFN clause more necessary, as the provisions of one agreement trump the overall balance of obligations the EU-Egypt agreement provides. While the EU has been somewhat inconsistent with its advocacy of an MFN provision in an FTA (see Chile), one should anticipate more zeal for one at this stage.

2. Right of Establishment

I mentioned in our meeting Sunday that this is a somewhat outdated term in trade/investment parlance. However, the EU/Chile FTA does include a title headed “Establishment”, which pertains to goods, not services. However, the definition of a legal person contained in the Establishment provision is identical to that of commercial presence in the services section. For goods, national treatment is the only discipline that the parties assume.

3. EU Sensitive Sectors and Modes of Supply

Generally, the EU does not exclude foreign participation in the services sectors. The most renowned exception is the audiovisual sector, which covers the screening of movies (through theatre or television) and television programs. The EU reserves the right to impose quotas on the number of foreign movies being shown at any time within its Member States, and to limit the amount of television screening time allotted to non-EU programming. The basis for these restrictions is the protection of EU “cultural identity”, which can be defined in many ways but largely relates to national language preservation. It has, of course, proposed the exclusion of this sector in the proposed draft.

Other sectors that pose difficulties are those largely provided by the state. In these categories, there are differences in liberalization and competition among the member states. However, there clearly are restrictions to the extraction, distribution and sale of energy services in most EU member states (UK excepted), and the EU will have to reconcile these restrictions with its relatively ambitious Doha request in these areas. Another area is health care, where member state regulations in most countries impose restrictions related to licensing and establishment.

Mode four. The EU member states have exclusive responsibility for immigration and temporary entry of persons. The Commission is responsible only for enforcing the right of EU citizens to locate in other member states of the Community. The Commission, however, does work with the member states in trying to put together a more ambitious offer in this category than might otherwise be the case. As indicated in the draft agreement’s provisions on temporary entry, the EU has put forward several categories of workers that help advance efforts to promote liberalization in this always-sensitive category. In particular, they propose the inclusion of professional-level persons at all levels, including trainees.

They also propose inclusion of persons in the category of “independent professional”, which is defined as a self-employed person with no commercial presence in the other party but who has a contract with a “final consumer” in the other party requiring their temporary presence. (“Independent professional” is not defined.)

Another category proposed is a “contractual services supplier” who is an employee of a company with no commercial presence in the other party but which has a contract requiring the employee’s temporary entry to perform its terms. There is no skill level specified in this category.

These are valuable categories not traditionally provided in WTO commitments by countries. The draft EU text portends reciprocity by Egypt in these areas. However, the text does provide for reservations for both parties, on the basis of negotiation.

What is critical to any assessment of the EU offer in this mode of supply is whether individual member state restrictions may apply in any of the categories listed in the draft proposal. Some member states prohibit these forms of entry or limit them in specific ways. Similarly, the accredited professions, such as lawyers, accountants, architects, and engineers have some important restrictions in individual member states that impede temporary entry or otherwise limit market access in the other modes of supply. National regulations must be examined with some care in the light of member state sovereignty over these areas in order to assess the value of market access in sectors of interest to Egypt. The latest EU offer in the Doha Agenda is a good starting point for identifying possible problems.

4. Services Data

Services statistics are notoriously poor, and this has contributed to the more reticent negotiating positions of a number of countries who are concerned that they cannot demonstrate, in more empirical terms, a theoretical balance of rights and obligations arising from a services negotiation. Among the more fundamental problems with measuring trade in services is the fact that services do not go through the formalities of the border (except in the case of temporary entry.) Measuring the cross-border flow of services, which have grown exponentially since the development of electronic commerce, is particularly difficult. In addition, it is a challenge to measure “trade” in services generated by overseas subsidiaries and branches. Are these services strictly domestically provided services or are they “trade” in services? Many countries and international institutions rely on balance-of-payments statistics to measure mode three activities, but it is well-known that BOP data includes payments of all kinds, from goods and services enterprises, and for different types of transactions that do not fit the category of “trade”.

Nonetheless, some progress has been made in measuring trade in services in a few countries, and the zeal to improve statistical measurement in these sectors has helped to propel more advanced measurements. In the United States, for instance, trade in services through overseas affiliates is established by surveys of companies which provide specific data on activities of their overseas operations. From the data of these surveys flow statistical models that project overseas industry performance in a given sector. I do not know how the cross border mode is measured (or estimated). The U.S. Bureau of Economic Analysis undertakes services data measurement in the United States. It has provided technical assistance to the ASEAN countries on ways to measure trade in services, and no doubt could do so for Egypt.

5. Establishing a System of Internal Consultation

At this stage of the Doha Agenda, it is less than clear whether WTO commitments in services will measurably change at its conclusion. The sole focus on non-services areas at political level, and the short space of time that remains for the Doha Agenda may mean that the services offers, as they now exist, will become the outcome of Doha in the rush to complete the final package. This could change, especially if the negotiations are extended for a longer period, or if Ministers begin to engage on some of the outstanding services issues. However, at the moment, the conclusion of an FTA in services may be the only practical vehicle for countries to improve services market access opportunities in the foreseeable future.

In preparation for the EU negotiation, the GOE will want to define its negotiating position using the assessment papers it has undertaken in the six sector categories, and to consult intensely with private sector stakeholders and interested (and affected) government agencies. The assessment papers are an important analytical tool for arriving at strategic positions that take account of Egypt's offensive and defensive interests in services. Effective private sector consultations should enable the Government to gain a more specific understanding of the aims and objectives its services sectors have in other countries. Equally, private sector representatives will identify areas in which they want protection. Egypt needs to establish a more elaborate and formal private sector consultative mechanism that (1) educates the services industries about the workings of trade agreements, both in the WTO and at bilateral levels; (2) keeps them apprised of the status of ongoing trade negotiations (and those on the horizon) as well as to clarify, for instance, how WTO obligations work in concert with those undertaken bilaterally; (3) seeks industry advice on its specific export objectives, in particular foreign measures that impose the greatest burden to their ability to obtain market access; and (4) enables a frank discussion between government and industry on the advantages and disadvantages of protecting the industry from foreign competition in specific areas through specific means.

In this connection, it is critical to structure an advisory system whose membership includes persons and firms with an active export interest, as well as those which do not. This system of regular and frequent private sector advice should be structured to reflect overall services sector interest as well as those of specific sectors. A services sector-wide body is critical so that all of the stakeholders understand and appreciate the interests and concerns that representatives of unrelated sectors have in a trade negotiation. Sub-groups are probably necessary for selected sectors whose peculiar regulatory situation requires more detailed discussions of issues affecting their industry. Financial services, maritime services, telecommunications, and selected professional services are likely candidates.

The private sector should be encouraged to establish its own services advocacy organization that is independent of the more formal advisory system described above. A group analogous to the U.S. Coalition of Services Industries, consisting perhaps of some of the same persons who serve on government advisory committees, should be encouraged so that the private sector can, where it chooses, become an advocate for certain specific positions, whether they are offensive or defensive ones.

The consultation process with other GOE agencies should be formalized so that there are regular meetings with agendas and records so that interagency consultation is memorialized. This, of course, would include policy-making, as well

as regulatory, government agencies, the latter of which have regulatory responsibility over specific services sectors. Intensive government agency consultation, while frequently difficult, is critical to developing a common Government position on key service sector trade issues, as well as Ministry control over the process.

Traditionally, agencies with responsibility for individual sectors set the policy for a trade negotiation, but this frequently reflects institutional interests that are insular, by comparison, to the Government's trade policy. Of course, the regulatory expertise and experience of these agencies is critical to establishing a negotiating position, or in reaction to a request of another country. Experience shows that if these key agencies are part of an official system of regular consultation, they will be less concerned with ceding their "sovereignty" over a given area, and will make a more positive contribution to the services dossier.

There are some important practical issues to address in creating some form of a services consultative mechanism described above. A primary concern might be the matter of available resources to manage such a process. The logistics of putting together meetings, alerting participants, providing documentation and follow-up materials does involve a dedication of inevitably scarce resources. Our own experience shows that this investment is worth the time, effort, and resources, however scarce they may be. Services represent a cross section of economic activities with frequently unrelated regulatory systems. It is a different environment indeed from goods with their tariffs and quotas. An advisory system described above helps distill the relevant regulatory information in Egypt; pinpoints foreign measures that impede market access to Egyptian services exports, and helps arrive at solutions that private sector stakeholders and regulators can accept.