

Final Report

Egyptian Food Exports and European Union/Egyptian Trade Policies

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PREFACE

This report is based on a study conducted by the Development Economic Policy Reform Analysis (DEPRA) Project, under contract to the United States Agency for International Development, Cairo, Egypt (USAID/Egypt) (Contract No. 263-C-00-96-00001-00).

The DEPRA project is intended to encourage and support macroeconomic reform in Egypt through the provision of technical assistance and services to the Ministry of Economy and Foreign Trade with particular focus on international trade and investment liberalization, deregulation and financial sector strengthening.

The study was compiled and authored by a team from Nathan Associates Inc., Dr. James H. Cassing, Team Leader, Mr. Frank Padovano, and Ms. Nabila Al Iskandarani.

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The authors are solely responsible for all opinions expressed in this report, and the conclusions and recommendation do not necessarily reflect opinions or policies of either the Government of Egypt or the U.S. Agency for International Development.

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EXECUTIVE SUMMARY

The study quantified for some agricultural products of particular interest to Egypt the potential gains from the tariff preferences which would be embodied in a partnership agreement with the EU. While the estimates presented below provide some guidance for the value of enhanced trade preferences which go beyond the existing 1977 Comprehensive Cooperation Agreement concluded with the EU, and revised in 1987, it is important to understand that we are not primarily focussed on providing an estimate of the value of a partnership agreement for the agricultural sector, although we will address this issue and, in fact, provide such an estimate for the products of interest. This is because our approach is fundamentally partial equilibrium and focussed at the product sector level. This is a valid way to evaluate the impact of tariff preferences. But the overall gain from a free trade partnership arises in a general equilibrium context and may owe more to Egyptian trade liberalization than to EU liberalization. As is well understood and much documented, the gains to Egyptian exporters (and consumers) are generated through Egyptian “concessions” which would reduce the substantial anti-export bias now built into the structure of economic incentives in Egypt, and thus allow the true comparative advantage industries to flourish. These economy-wide gains are indeed likely to be large since the EU receives half of all Egypt’s exports and generates 40% of Egypt’s imports (Egypt’s total 1996 trade with the EU -- exports plus imports -- totaled 35% of Egypt’s GDP.) As Egyptian import competing industries are highly protected and trade is important, gains from liberalization could be substantial. For more on the anti-export bias and the implicit tax on potential exporters, see Nathan Associates, 1998a.

The first section of this report provides an overview of the process of negotiation between the EU and Egypt. The imbalance between Egypt and the EU in terms of economic power, the paramount influence of the EU’s agricultural policies, and the approach used by Egypt are highlighted in this section. Suggestions are made for future improvements in negotiating strategy. The second section presents a partial equilibrium analysis of the expected gains from the Agreement, and is focused on the food and agriculture sector. It closes with a discussion of the general equilibrium welfare implications of the Draft Partnership Agreement.

The Current Policy Environment

European agricultural policy generally is complex and probably highly distortionary. Policy treatment in the foreign trade sector is no exception with a plethora of barriers, both tariff and non-tariff, administered in a far from transparent manner. With regard to agricultural exports of interest for Egypt and other Mediterranean Basin countries -- fruit, vegetables, and preparations of these products -- the trade laws are particularly complex. Because the growing seasons of some member countries differ somewhat from those of some non-member countries, for example, the EU has instituted “seasonal windows” which allow imports of certain crops at more favorable tariff rates than at other times of the year. Also, some imports effectively are subjected to minimum “entry prices.”

Beyond the complexities of EU policy confronting all potential exporters to the region, for many cultural, political, and historical reasons the EU has a number of formal special relationships with non-member Mediterranean Basin countries. Economically, these currently relate principally to preferential market access guaranteed through the 1977 Comprehensive Cooperation Agreement. In the case of Egypt, that agreement offers limited, non-reciprocal preferential access to the EU market by removing all tariffs on certain specific industrial products and reduced tariffs, although subject to rigid quantitative and seasonal restrictions, on many agricultural exports.

Currently, the EU is pursuing a strategy of closer bilateral ties with the Mediterranean Basin countries through a series of negotiated association agreements, so-called Euro-Med Agreements. Some of Egypt's competitors -- Morocco, Tunisia, Israel -- have already reached agreement. Of relevance, beyond a series of financial, cultural, and technical sub-agreements, the Agreements will allow staged-in bilateral free trade for most industrial products and limited bilateral preferential access for agricultural based products.

In Egypt's case, agreement is still in abeyance. There is apparent concern both with the potential impact on the heavily protected industrial sector, even though the proposed liberalization is staged over twelve and sometimes more years, and with the limited access embodied in the latest EU offer of preferences to the EU market for agricultural products of Egyptian export interest. The EU has not offered much access for many agricultural products, beyond what Egypt already has. This, in turn, owes partially to the political difficulties in granting access to products like citrus which are important to farmers in Southern Europe, and partially to the framework agreed to in Barcelona which prescribed that access for agricultural products would be negotiated on an historical basis -- and Egypt is historically a small exporter. Now that export potential has greatly expanded, the Government of Egypt (GOE) rightfully wants to gain more favorable preferential access. For some products of interest, for example strawberries, the EU offer actually imposes a tariff rate quota for the first time and thus the offer is in some ways potentially nearly as restrictive than the current agreement.

Products of Interest and Benchmark Comparisons

The partial equilibrium analysis was restricted to 17 products in the fresh and lightly processed fruits and vegetables sector which have been identified as potentially very competitive exports into the EU market. These product groups are potatoes, onions and shallots (fresh or chilled), garlic, cucumbers, beans, artichokes, dates, citrus fruit, grapes, watermelon/papayas, strawberries/raspberries, molasses, juices other than citrus, juices (other fruits or vegetables), vegetables provisionally preserved, frozen vegetables, and dried onions. Most of these products are currently subjected to trade restrictions, although some of the exports receive limited preference treatment in line with the 1987 revisions of the 1977 EU preferential agreement, typically in the form of tariff rate quotas (TRQ). Notably, grapes, artichokes, citrus, and some more specific sub-groups -- e.g., peaches and nectarines -- also are subject to the EU entry price system.

The results presented begin with estimates of the effects of the EU offer relative to no preferences at all (the "most-favored-nation" treatment, or MFN), and then discuss the potential "value" of the offer relative to existing preferences. Next, we provide estimates of the loss which Egypt would incur in these product lines if the status quo is maintained for Egypt, but Tunisia, Morocco, and Israel gain additional preferences, as they already have

Agreements. Finally, we discuss the likely general equilibrium effects of terms of trade changes due to Egyptian import liberalization in line with the Euro-Med Agreement and discuss some alternative approaches.

A Note on the Status of Negotiations

Reviewing the lengthy (5 years) and complex negotiations that have taken place regarding the Partnership Agreement provided some insights into the process. First, the internal agricultural policies of the EU (CAP) dictated the EU's approach to offering concessions on trade in food and agriculture for both processed and fresh commodities. The EU held fast to the domestic policies that existed at the outset of negotiations. It became clear that little would be offered to Egypt in the way of concessions on agricultural trade. However, as Egypt presented little in the way of factually based offers, the limits of the EU's possible concessions were probably not adequately tested.

Second, several recommendations can be made on negotiating strategy. Better use should have been made of the Egyptian private sector in identifying issues and requirements. Advocacy groups in the EU, both private and public, should have been identified and used to Egypt's advantage. Much more use could have been made of economic analysis to estimate the "value" of concessions offered during the negotiations. Given the entrenchment of the EU concerning agricultural policy, Egypt may have found other avenues for trade negotiations more advantageous. For example, negotiating as a bloc with other African and Arab countries may provide more power and therefore more positive results. Multilateral avenues, such as the upcoming Seattle Round, may yet prove more fruitful. If the multilateral venue succeeds in modifying the EU Agricultural Policy, Egypt may be able to gain more agricultural concessions, without having to "trade" accelerated tariff reduction in other sectors.

Major Findings

- The effect of the current EU offer plus existing preferences, as compared to no preferences (MFN) is to lower prices in the internal EU market slightly, increase f.o.b. prices substantially for the Egyptian exports of interest, and increase the quantity of Egyptian exports substantially as a percentage -- 10% to 30% -- although only by a small amount absolutely, owing to the current small base of existing exports.
- In terms of welfare, defined as the sum of producer and consumer surplus along with any changes in tariff revenues, the preferences contribute positively to Egypt for all agricultural exports considered, although only three product groups contribute more than US\$1 million/year. Potatoes was the largest at over US\$6 million/year. Welfare in the rest of the world declines, although not by much, and EU welfare changes are ambiguous depending on the product in question.
- The current EU offer accounts for the bulk of the above-mentioned gains for artichokes, strawberries, molasses, juices other than citrus, vegetables provisionally preserved, and frozen vegetables. This is substantially true for beans, cucumbers, and citrus fruit. It should be noted that some products such as strawberries and some juices will now be subjected to tariff rate quotas (TRQs), where previously there were none. We estimate that these TRQs will bind very quickly so gains will be small.

- Other products owe only part of the gains from preferential access to the new EU offer -- potatoes, onions and shallots, garlic, and dates, as 1977 preferences were substantial. Some products such as watermelons gain nothing over what is already extended.
- Substantially larger increases in Egyptian exports are generated when the general equilibrium effects of the overall Agreement, entailing the dismantling of high import barriers in Egypt, are accounted for. Exports increase about three-fold relative to the benefits due to the trade preferences considered in isolation. EU internal prices are little affected, and Egyptian welfare increases, although, welfare gains were relatively smaller than increases in exports.
- If Morocco, Tunisia, and Israel were to reach agreements, but Egypt declined to sign, there would result a loss to Egyptian exporters and a loss of overall welfare somewhat larger than Egypt would gain from agreeing.

Recommendations and Policy Alternatives

The main conclusion of this analysis is that while Egypt has much to gain from trade liberalization, including through deeper integration with the EU, the gains arise both from Egyptian trade liberalization and from EU liberalization. Overall, this is because the EU does not currently impose industrial tariffs on Egypt -- with some exceptions, including the quirky "agricultural component" for certain processed agricultural products -- and because the EU is not really offering much in the way of preferential access to many of the agricultural products of interest to Egypt. Thus, ignoring the potential gains from other aspects of the Agreement such as finance, technical assistance, and so forth, some policy alternatives should be considered.

- Egypt should systematically pursue unilateral reduction of its trade barriers and continue aggressively to pursue deregulation and reform in its domestic economy. An analytically - based strategy should be devised, however, to avoid or reduce any negative welfare effects that could arise from existing market imperfections.
- Egypt could attempt to gain more liberal treatment from the EU for agricultural products that have a comparative advantage within the context of the current negotiations, although it would probably be difficult to re-open negotiations with the EU at this point.
- Egypt should position itself for more favorable treatment of its export products of interest, including agricultural products, within the context of the WTO Ministerial in Seattle in November. There Egypt may find powerful allies for confronting the EU with calls for greater access to its agricultural markets.
- Egypt can probably not afford to ignore the EU market in any case, and must be wary of other Mediterranean Basin countries gaining preferential access to EU markets at Egypt's expense. The same will be true of the countries of Eastern Europe as more association agreements and EU enlargement unfold.

Some consideration should also be given to the potential adjustment costs that any changes in tariffs might engender. Depending on the degree of flexibility in the Egyptian labor markets,

transitional involuntary unemployment is a theoretical possibility. While the issue is an empirical one, recent research suggests a number of reasons why the transition to lower tariffs may not entail much such unemployment. Such a consideration might, however, suggest that attention be paid to the sequencing and timing of tariff reductions.

- It would be of use to policy makers to have available estimates of the magnitude of economic restructuring necessary to adjust to the new incentives after tariffs change.
- Further analysis should be conducted to guide the liberalization of trade and structural adjustment actions, whether or not Egypt signs the EU Partnership Agreement. Adjustments in the tariff structure should be implemented systematically to reduce or avoid possible negative impacts arising from poorly functioning markets.

While slowing the pace of tariff reform is a policy option, there is some presumption that a deliberate and expeditious dismantling of tariffs has been most successful in other countries. Beyond maintaining political resolve for reform, there are three other reasons to move rapidly:

First, the costs of adjustment for a given tariff cut increase every year as new labor and capital flow into protected import-competing sectors instead of dynamic new export industries.

Second, delaying any reforms simply postpones the benefits and there is an argument that foreign direct investment actually lowers Egyptians' real incomes if it flows into tariff-protected sectors.

Finally, the current global economic environment is conducive for enhanced Egyptian exports, an environment that could change in the future.

- Any studies of potential adjustment costs should be supplemented with estimates of the costs of delay due to new labor and capital flowing into protected sectors and thus increasing the future costs of adjustment to a given tariff change.

Egyptian Food Exports and European Union /Egyptian Trade Policies

1.0 Introduction

This study relates to the European Union (EU)/Egyptian bilateral partnership negotiations currently in progress within the framework of the 1995 European-Mediterranean Partnership Agreement. While the envisioned Euro-Med-based association agreements are comprehensive and can be expected to engender substantial economic restructuring due to the “Free Movement of Goods” sub-agreement, the objective here is limited to an assessment of the potential impact of preferential treatment with respect to trade barriers with particular regard to fruits and vegetables, both fresh and processed. The potential impact of more favorable treatment for Egyptian exporters in these areas is great as the EU imports \$80 billion of food and agricultural products annually despite stringent barriers. And, Egypt is still largely an agrarian oriented nation with 40% of GDP generated in agriculturally related industry and having 50% of all employment in this sector.

Egypt’s relatively small annual world agricultural exports of \$500 million are 35% fruits and vegetables and 88% of its agricultural exports to the EU are fruits and vegetables. There is also clear potential for substantial export growth based on both dynamic and comparative advantage reasons -- production, transport, and distribution improvements, including in the “cold storage chain” -- and because Egypt currently has only 0.25% of the EU food and agricultural products import market (ATUT, 1999; ALEB, 1999; Nathan Associates, 1998a). Hence, increased access to the market through negotiated tariff preferences could significantly bolster Egypt’s goal of growth through globalization.

The first section of this report provides an overview of the process of negotiation between the EU and Egypt. The imbalance between Egypt and the EU in terms of economic power, the paramount influence of the EU’s agricultural policies, and the approach used by Egypt are highlighted in this section. Suggestions are made for future improvements in negotiating strategy. The second section presents a partial equilibrium analysis of the expected gains from the Agreement, and is focused on the food and agriculture sector. It closes with a discussion of the general equilibrium welfare implications of the Draft Partnership Agreement.

2.0 Analysis of the Negotiations

(Prepared by Mr. Frank Padovano, Consultant, Nathan Associates Inc.)

The Egyptian-European Union (EU) Draft Partnership Agreement negotiations have been underway since 1994. Although it is often referred to as a free trade agreement (FTA), it may be more appropriate to refer to these negotiations as an Economic Partnership Agreement (EPA), given the amount of trade involved and the limited number of concessions upon which the parties may eventually agree. A final draft (10th draft) of this Agreement is currently being reviewed at the highest levels of the Egyptian Government. Based on interviews in Cairo, it appears that Egypt did not come to the table as fully prepared as it could have for negotiations in this sector. However, even if it had, the outcome may not have been much different. There are many reasons for this, which are elaborated on later in this report principal among them is the hard line that EU continues to take on the CAP. Moreover, it is worthy of note early on that the disparity in economic and political size between the EU and Egypt is a definite disadvantage for the latter. Also, given the fact the EU already has negotiated similar agreements with other countries in the region, it is very doubtful Egypt would be able to negotiate terms in the sector examined which are significantly more advantageous than what exists in those agreements.

To date, there have been about 20 meetings, alternating between Cairo and Brussels. In the context of the above mentioned negotiations, the objective of this study was to assess the potential for removing EU barriers to Egyptian exports of processed fruits and vegetables, and to recommend a strategy for doing so. One of the foci of this study is how Egypt may better prepare itself for future trade negotiations, including even before the talks actually begin. Other issues include an explanation of the difficulties of negotiating with the EU on agriculture, as well as the recommendations on how to build leverage within the EU in order to increase the possibility of achieving positive results.

2.1 The Framework for Negotiations on the Egypt/EU Partnership Agreement

Fundamentally, trade negotiations in the broadest sense are about politics and economics. To achieve a satisfactory outcome in any negotiation, it is important first to identify the key decision-makers in the country (or organization) with which negotiations are being conducted. This is true at both the governmental and private sector levels. Once identified, it is equally important to know the constituencies they represent or those they are associated with. This kind of information is particularly valuable when formulating a strategy for building leverage, and will be discussed in further detail later. In this sense, it is also important to understand who stands to win and lose in terms of concessions and the eventual impact on different industries. For Egypt, negotiating with the EU is a formidable task because of the differences in economic size and power. This is especially true in the field of agriculture, where EU farmers and agricultural processors are very well organized, well financed and politically influential. In fact, a brief examination of the history of the EU-Egyptian EPA negotiations (as well as other similar negotiations) clearly suggests that agricultural issues are the most difficult ones to resolve. This in itself should not be a surprise to anyone who has dealt with the EU, and certainly is not a reflection on Egyptian negotiators. Many if not most other countries that have negotiated with the EU have found themselves in a similar situation.

By any measure, trade negotiations are an extremely complicated and difficult undertaking. Although the outcome usually is impossible to predict accurately, careful preparations are an absolute must for any participant. Based on interviews during this study, it appears Egypt could and should have done more to prepare itself for this task, especially given the sophistication, expertise and experience of the EU in such matters. It seems Egypt began these negotiations without a clear idea of what it wanted to achieve in this particular sector (processed horticultural products), and consequently it proceeded without a well developed strategy of how to achieve meaningful results. However, it also appears Egypt did not attach a very high priority to this sector compared to others. This suggests Egypt entered the EPA talks waiting to hear what the EU would offer, or at best hoping it would get at least as much as what other countries like Israel, Morocco, Jordan, Tunisia, etc. had received in their respective FTA's or EPA's with the EU. In other words, the Government tended to be reactive instead of being proactive. Such an approach is rarely advisable, but as mentioned earlier, it is especially detrimental when dealing with a more powerful economic and political entity like the EU. Some specific points are described in greater detail below. Furthermore, it appears very few officials in the Egyptian Government have been or currently are involved in these negotiations. This problem is exacerbated by the fact that key negotiating officials have a variety of other responsibilities, which detract from their ability to concentrate on the negotiations themselves. This suggests a lack of resources and poor organization (i.e. allocation of resources, delegation of authority). It also appears that a valuable resource in the form of private sector participation has not been tapped, or at best only sparingly. Such participation is usually quite valuable and should be considered very seriously in any subsequent trade negotiations. There is no doubt the experience and expertise of traders and businessmen in the private sector can be a tremendous asset and could have led to greater benefits from the FTA.

Fundamental to any negotiation is knowing what you want or hope to achieve during the process. Although Egypt certainly had a broad concept of its objectives, little evidence was found that a "request" list and specific strategy *vis-a-vis* commodities had been formally considered or prepared, at least for the agricultural sector examined, namely processed horticultural products. In addition, no evidence was discovered that a similar exercise regarding an "offer" list had been undertaken. The preparation of request and offer lists is quite an involved and lengthy undertaking, and requires a lot of research, analysis and coordination at various levels. For example, the compilation and analysis of production and trade data for each commodity to be considered during the negotiations is a vital first step. Closely allied to this aspect is the need for a good understanding of how the sectors being considered are structured and how they operate. Not only is it important to know the current situation, but it is equally significant to have a good concept of how they most likely will evolve in the future, e.g. what might be their export supply response. While government officials may have some knowledge of this situation, it is essential that the private sector be closely consulted in the process. It is unreasonable to expect individuals (i.e. administration officials) who are not involved in the daily commercial operations of a particular sector to be familiar with and to be able to take proper account of the issues faced by these businesses. Ideally, this type of analysis is undertaken prior to the commencement of the negotiations. Failure to do so can put a country in the position of having to consider the negotiations framed by the other partner, which generally will not be to its advantage. It seems Egypt may have been in this position when the EPA talks were initiated several years ago.

Another key element, which needs careful analysis, is the type of concessions being requested. This means researching and understanding the barriers which exist in the EU, and those which impede the flow of Egyptian products to that market. Besides tariffs and quotas, there are a number of other factors which can hamper exports, such as sanitary and phytosanitary standards and technical barriers. The list of such issues can be quite lengthy, and sometimes not very obvious at first glance. Consequently, negotiators need to be aware that such types of problems exist, and that they eventually need to be addressed. Closely tied to understanding what concessions should be requested is an analysis of what the value and/or impact of the concession might be. Besides affecting imports and exports, other consequences for the economy should be evaluated if such are considered important by the participant, i.e. production of raw materials, resources allocation, employment, environmental impact etc. As is true in the process of preparing the request/offer lists, the involvement and cooperation of the private sector is a must. Again, it appears these types of analyses were not considered to any great extent prior to starting the EPA negotiations.

Finally, although most parties in negotiations start by requesting more than they expect to receive, when it comes to “sensitive” commodities, the request list needs to be quite close to what is actually wanted.

2.2 Recommendations for a Future Negotiating Strategy

Since the EU’s Common Agricultural Policy is a very protective and effective instrument with a powerful political clientele that has been well entrenched for years, it is very important for Egypt to have a clear, realistic strategy about how to gain leverage within the EU to achieve its objectives. One of the best ways to do this is to develop an advocacy group within the EU to support its position. Ideally, Egypt should strive to build bridges with organizations and individuals that have entrée to the key decision-makers and to whom these individuals will listen because of the economic and political influence they wield. Bridge building should include both the private and public sectors at both the EU level in Brussels and those within the member states. Although the issue in this study involves agriculture, bridge building should not be limited to this sector, but should include other fields like industry, financial services, intellectual property, etc. where those interests stand to gain from the overall negotiations. Often these latter groups can have a strong influence on governmental policy positions. Furthermore, many groups in the EU would support the Egyptian position *vis-a-vis* agricultural policy.

Starting in Brussels, Egyptian officials should press their points in the European Commission with the Directorate Generals (DG) involved with the actual negotiations. For example, this can be done with the DG’s for Agriculture and Foreign Affairs. The latter DG usually is the lead agency in trade negotiations and tends to take a broader view of trade issues, partly because of the international political and economic ramifications. However, despite the fact the Foreign Affairs DG may be more sympathetic to Egyptian concerns about greater market access for its food products, it is well aware of the political support the DG for Agriculture is able to muster. In other words, the Agriculture DG has an important, strong and well-organized domestic constituency which votes in Europe. This translates into political power at both the EU and member state levels. Consequently, the Foreign Affairs DG, in all likelihood, will not take a position strongly opposed by the DG for Agriculture. That said, it would be a mistake for Egypt not to push its points with Foreign Affairs. It also would be a good idea to seek out other Directorate Generals which may have an interest in Egyptian

affairs. For example, the DG responsible for foreign aid and economic development probably would be sympathetic. The same could be said in other sectors on a case by case basis, depending on what is involved, either directly or indirectly. Furthermore, organizationally the European Commission tends to be a reflection of what exists at the member state level. Therefore, presentations made to the various Directorate Generals in Brussels should be replicated in as many member state capitals as possible. This is very important, since it should be remembered that, while the Commission proposes legislation and negotiates internationally on behalf of the EU, the member states, through the mechanism of the Council of Ministers, have the key voting rights on these matters. This latter point has been modified in recent years to give the European Parliament a greater voice in some issues, but the member states still are the most important when it comes to trade issues. While the EU Commission may not be pleased if Egypt presses its points in member state capitals, Egypt clearly has the right to do so. Furthermore, finding and/or obtaining such support could strengthen Egypt's negotiating position, especially if a member state undertakes supportive action.

Another important step in the bridge building process is to seek out potential allies in the private sector. For example, European importers, manufacturers and processors, retailers and even consumers are either current or potential clients of Egyptian products. Consequently, to varying degrees these groups have a vested interest in easier access and greater quantities of Egyptian products. Most, if not all of these groups, are organized at the member state level, and in turn at the European level in Brussels. In the latter case, an "umbrella" organization is formed and its membership is comprised of "like" individual associations from the member states. The role of these "umbrella" organizations is to lobby and look out for the interests of its membership at the European level, just as it is the role of the national associations to do the same at the member state level. By identifying the appropriate associations at both the European and member state levels and then lobbying these groups, Egypt could begin to selectively build another advocacy group with economic and political power from within the European system. Efforts with such organizations need not stop with agricultural importers, processors or distributors. For example, if a European industrial group stands to benefit from concessions made by Egypt to the EU, Egypt should solicit that group's help in gaining concessions for Egyptian agricultural products. Again, Egypt would be gaining support from within the European system, which clearly is important to European and member state political and administration officials.

As mentioned earlier, the Egyptian Government needs to improve its coordination with its own private sector. Besides some of the more obvious political and economic reasons for doing so, there are some enormous advantages from a trade negotiating point of view. Perhaps one of the biggest benefits is access to a valuable resource for proposing and evaluating concessions. Experienced traders and businessmen can identify what the key problems are in doing business with Europe, thereby allowing Government negotiators to request specific concessions which, if obtained could quickly lead to new opportunities. In addition, they also would be a valuable source for evaluating the current status and potential of a particular sector, thereby assisting the Government to decide on what it should request in the negotiations. Furthermore, the private sector can help Government officials evaluate the likely impact of a particular concession being requested from Egypt. Closer coordination with the private sector throughout the negotiation process also has the advantage of building domestic support within Egypt for any political ratification process which may be necessary and, just as importantly removing or diluting potential opposition to an eventual pact. In

addition, a negotiator with the support of his domestic industry speaks with a stronger voice to his trading partners.

Improved communication and coordination with the private sector can be undertaken in several ways, depending in part on the amount of effort and resources Egypt wants to allocate to such an effort. In the case of agriculture, ideally an “agricultural trade policy advisory committee” should be established. Its role would be to work with an interagency governmental committee to establish general policy guidelines to be followed during the negotiations, and to help evaluate offers and requests prior to and during the negotiations. The make up of this committee would consist of representatives from individual sectors such as horticulture, cotton, cereals, dairy, livestock, etc. A second grouping of specialists within particular sectors could be formed to act in the capacity of “agricultural technical advisory committees”. The role of these committees would be to work with the appropriate Government officials to propose and evaluate offers and requests as they relate to their specific commodities and areas of expertise, again prior to and during the negotiations.

Another important factor to consider when analyzing a trade strategy is the relative economic and political strength of a country. Egypt certainly would be able to strengthen its hand considerably by upgrading its efforts to join or associate itself with other like-minded countries. This concept clearly is more valid in the case of a new multilateral trade round than it is for a bilateral trade agreement. It should be pointed out that Egypt has made some efforts in this direction through its involvement in groupings such as COMESA (Common Market for East and Southern Africa), D -8 (Islamic Developing Countries) and IOR (Indian Ocean Ramp). Although these memberships are a step in the right direction, being part of a larger, more visible and powerful trading bloc such as the Cairns group would give Egypt a higher profile in international trade circles and, consequently a stronger voice in both bilateral and multilateral trade negotiations. Furthermore, it would increase Egypt's awareness of other trade policy issues, thereby raising the level of expertise of its own officials, and it would give Egypt an opportunity to solicit assistance from its partners as appropriate.

Finally, Egypt could explore the possibility of simultaneously negotiating Free Trade Agreements with other countries or trading blocs. Although undertaking such a simultaneous endeavor would complicate or at the very least tax existing financial and human resources, it could put additional pressure on the European Union.

2.3 Is A Real Agricultural FTA with the EU Possible?

It is well known that the European Union's Common Agricultural Policy (CAP) has been a problem for third countries ever since its inception. Originally designed to achieve self-sufficiency in food production, the CAP for many commodities has moved from a food deficit position to one of equilibrium to one of surplus production. In general, this was achieved through the use of high domestic support prices and very effective import protection barriers. Generally speaking, output in the horticultural sector lagged behind many others, i.e. grains, meat, dairy, sugar, etc. However, today the horticultural sector is marked by over-production in some commodities and shortages (i.e. less than domestic consumption/demand) in others. In the case of over production, the EU sometimes has found itself in the embarrassing and often highly criticized position of having to dispose of production by dumping or throwing away products. In addition, the EU also has aggressively sought export markets for some of these products, and has encountered substantial criticism of some of its policies in this regard.

In the case of under-production, the EU continues to offer incentives to local producers and processors, coupled with import protection. It seems clear the EU is intent on maintaining this posture as long as it can do so both politically and financially, and it will continue to strive for as much self-sufficiency as possible in this sector.

Although strenuous efforts have been undertaken at the international, and to some limited extent at the internal EU level, to introduce changes into the horticultural sector, progress has been minimal for many commodities. In large part, this has been and continues to be a reflection of the strong political pressure brought to bear by the industry, both at the grower and processor level. Furthermore, at times the EU has had difficulty in controlling angry farmer protests aimed at products imported from other countries (most notably from Eastern European countries). Occasionally, trucks and sometimes trains have been attacked and their contents destroyed. It appears this situation will continue for the foreseeable future, and consequently this factor is one of several which must be taken into account when considering alternatives for Egypt to gain additional market access for its processed horticultural products, as well as other items.

In addition to the EU's domestic support and import protection policies, other issues come into play which complicate Egypt's attempts to gain improved market access for processed agricultural products in the EPA currently under negotiation. It seems the EU has granted very little in the way of such concessions to other countries with which an EPA has been negotiated. In fact, it appears that despite the importance of agriculture and agricultural exports to many Mediterranean countries, the EU has made it quite difficult for them to gain significant additional access to its markets. The EU's intransigence on this issue is clearly demonstrated in an early draft EPA with Egypt in the agricultural chapter in Annex I, where initially the EU indicated the list of agricultural products to be considered for preferential treatment would specifically exclude processed agricultural products. Subsequently, the EU reportedly modified its position somewhat; however, the value of these proposed concessions is questionable. Not only has the EU proven to be difficult in earlier EPA's, but there are reports of the EU creating problems within existing agreements. Often this attitude is masked behind technical points, which have the effect of substantially slowing or even curtailing imports. However, in some instances it appears the EU has had legitimate complaints i.e. fraud relating to rules of origin. Undoubtedly, the EU's tough posture is tied directly to the Common Agricultural Policy, which provides a high level of protection to its farmers. In general, EU producers are well organized and have a very effective lobbying presence both in Brussels and in member state capitals. Consequently, the EU has adopted a relatively restrictive policy when it negotiates economic partnership agreements with third countries. This posture has been apparent in earlier agreements, and certainly complicates the task for Egyptian negotiators because the EU reasons it cannot treat Egypt more favorably than it has treated others. In addition, the EU may very well try to argue that if it grants Egypt substantial concessions in the horticultural sector, it might call into question (or reopen) this issue under the earlier EPA's. Furthermore, it is well known that before long the EU will be engaged in free trade or association negotiations with several former East European nations. Although the product mix will differ in many ways from those of importance to Egypt (and other Mediterranean countries), the EU nevertheless will continue to take a tough stance as a matter of principle. Consequently, it is doubtful the EU will make significantly greater concessions to Egypt during the final EPA discussions, which concessions could be interpreted as a precedent for subsequent negotiations.

Another important consideration which may explain the EU's posture is the likelihood of a new round of multilateral trade negotiations, which will be opened formally at the end of 1999 in Seattle, Washington. While much remains to be decided and completed before then (including fast track negotiating authority in the U.S.), the momentum is clearly in that direction. Consequently, the closer we get to that date, the less likely it is the EU will grant additional meaningful concessions to Egypt. It is quite possible, in fact probable, that the EU wants to play a more visible political role in the Middle East; however, it is unlikely, given the economic and political power of the agricultural lobby in Brussels, that EU negotiators will have much leeway in terms of granting significantly greater market access for Egyptian products. Although there are those in Brussels who would argue that any new bilateral trade agreements should await the outcome of the new round, it seems substantial progress has been made in recent meetings. However, Egypt has had the final draft for several months and doesn't seem to feel pressured to sign.

As mentioned earlier, the European Union expects to begin negotiations for a further expansion of its membership with several Eastern European nations in the near future. In preparation for this event, financial and budgetary reforms are deemed necessary in several areas, but none are as critical as in the field of agriculture. The agricultural portion of "Agenda 2000" addressed these points, and in its proposals the Commission explained why it believed the time had come to make changes in the Common Agricultural Policy. The Commission transmitted a set of proposals to the Council and to the Parliament to translate the main lines contained in Agenda 2000 into legal texts. Although the principal reasons for putting forth a new reform package were to control and to reduce agricultural support expenditures because of the impending enlargement, the Commission also intended to set the stage for the new multilateral trade round. It clearly wanted to prepare the agricultural sector for the enlargement negotiations, as well as those associated with the new trade round. The Commission undoubtedly hopes to complete these reforms before it starts either set of negotiations. As concerns the new round, the Commission reasoned reforming the CAP would enable it to negotiate on a solid basis and, at the same time to outline the limits of what it will agree to during the negotiations. Interestingly, Agenda 2000 did not mention changes in the horticultural sector. Probably, this is because the sector was "reformed" in 1996 and that enough time has not passed since then. Within this sector, processed fruits and vegetables are very sensitive. France and Spain usually take a hard line in such matters and are particularly difficult to deal with, but Greece, Italy and Portugal also get involved and tend to be protective of the existing support and protection policies.

The Council of Agricultural Ministers began their deliberations of the "Agenda 2000" proposals during the week of February 22, 1999 amid a storm of farmer protests both in Brussels and in member states. The marathon session lasted a week without resolution and spilled over into the EU Summit in Bonn, where the matter was equally acrimonious and was tied into other issues such as member state contributions. A new deadline for resolving these matters was set for March 25, and recent reports indicate a compromise has been reached. The two main protagonists in the agricultural discussions were France and Germany. The French were very concerned about the financial benefits their farmers would lose if large cuts are made in the support programs; while the Germans were anxious to reduce the amount of money they pay into financing the CAP. The latter proposed cutting payments from Brussels and permitting member states to pick up at least part of the slack. In a certain sense, such a move would represent a "re-nationalization" of the CAP. After protracted and at times acrimonious discussions, the Germans dropped their proposal because of French and other

Mediterranean country opposition. As mentioned, reports indicate a solution has been found, which in part involves price reductions of 20 percent in dairy and grain supports, as well as other measures. Apparently the reforms finally agreed to by the Council of Agricultural Ministers fall far short of what had been proposed by the Commission, and reportedly will be implemented over a period of years. However, final approval on agriculture reportedly will be part of an overall package that will include financial reforms yet to be agreed upon in other sectors. The EU self-imposed deadline for the complete package was March 25. In the early hours of March 16, the entire EU Commission resigned over allegations of fraud and mismanagement in certain sectors. It seems the current Commission will remain in office temporarily, pending the nomination of new Commissioners by the member states. It is expected some of the incumbents will be re-nominated. Although this development has been described as a crisis in European terms, it is doubtful it will have any significant impact on the substance of the EPA. Nevertheless, this kind of climate does not facilitate the Egyptian – EU EPA discussions in terms of gaining meaningful concessions, although it needs to be emphasized that the two issues are not really “linked” to each other in a classical negotiating sense.

2.4 Status of Negotiations

Thus far, much has been said about EU views and likely positions about the subject under study. Of course, Egyptian attitudes regarding an EPA with the EU also are very important factors in this equation. Within certain Egyptian Government circles there is concern with the trade imbalance in favor of the Europeans. Some speculation exists that the real Egyptian motive is to address this issue, and that the Government is not, and perhaps never was prepared to grant meaningful additional market access for EU products in either the industrial or agricultural sectors. If true, EU negotiators could seize upon this point to temper concessions granted to Egypt. In addition, if Egypt entered these negotiations firmly opposed to making any significant concessions, the recent deterioration in its current balance of trade account clearly would harden such an attitude, thereby making it even more difficult to conclude an EPA with significant EU agricultural concessions for Egypt.

Not surprisingly, interviews with Egyptian Government officials involved in the negotiations yielded only scant amounts of hard information concerning actual products and concessions. Of course, by definition a negotiation is a work in progress, and the final agreement can and usually does differ from what exists in draft at any given moment. Unless one is an intimate part of a negotiating team, it is extremely difficult to fully understand and appreciate what is happening, much less offer advice about how to proceed or to accurately predict the outcome. Nevertheless, EU concessions to Egypt in the horticultural sector focus on fresh products, and involve enlarging certain quotas and/or expanding some marketing windows (i.e. time periods during which a product can enter at zero or reduced duties). As concerns processed food products, the situation is not clear, and there seems to be a discrepancy in understanding when it comes to the “industrial component.” Some sources claim there may be a reduction in the duty assessed on the “industrial component,” but little, if any, on the “agricultural component.” However, an EU document states the “industrial component” was eliminated during the original EU – Egyptian Cooperation Agreement in 1972. There are reports that the current negotiations will address the “agricultural component,” at least to some extent. It remains to be seen what this means for processed horticultural products. The matter is further complicated by how the Customs Cooperation Council (the international customs classification organization located in Brussels) defines

certain forms of agricultural products, such as frozen ones. In general, it seems horticultural products which only go through one stage of processing (i.e. freezing) are considered to be fresh products. These definitions are important because they determine the category in which Egyptian exports to the EU (and elsewhere) are placed, and therefore the duties, quota restrictions, etc. such exports must face.

As regards rules of origin to be applied to exports of Egyptian processed agricultural products under the EPA, one high ranking Egyptian official indicated the EU is insisting that least 40 percent must be of domestic origin. It remains to be seen if this provision, as reported, is maintained in the final text.

As often happens near the end of a set of trade negotiations, key political leaders are called upon to either stress the importance of particular dossiers, or to push for conclusion of the talks. According to one source, President Mubarak discussed the agricultural dossier of the EPA with the Italian and German Governments during the week of February 22, 1999, and specifically mentioned sweet corn (it is not clear if it was fresh or processed or if other items like citrus, rice, etc. were included). Press reports said both Governments were supportive, but details were vague. Germany and Italy are among several EU countries which have been actively seeking to improve and strengthen their economic ties with Egypt. Germany currently holds the EU Presidency and reportedly is keen to conclude an EPA. However, despite these positive signs, it seems unlikely that Egypt will get an EPA with very significant concessions for horticultural products, i.e. free movement for a large number of products. In fact, according to the most recent draft agreement, the best Egypt can expect from the EU is some slight relaxation in the quotas, windows and/or duties for its "fresh" agricultural products, and a duty reduction for certain of its processed food products. Conversely, it is not clear how much Egypt wants to liberalize its own restrictions and duties on agricultural imports from the EU. As stated earlier, it seems a lot of progress toward concluding an EPA has been made recently, and that a final decision by both sides may be made soon.

A key question to keep in mind is if an agreement is reached, when will it be implemented? It is conceivable that, given the lengthy approval procedure required in the EU, actual implementation could be as much as two years away, unless an interim solution is found. Absence such a development, this means any benefits accruing to Egyptian exporters would not begin until final EU approval. In addition, a 12 year transition period has been mentioned as part of the EPA, which means full implementation of certain or all concessions will be dependent on the agreed upon schedule for such.

Egypt probably could sign an EPA with the EU for several reasons, including 1) the fact that any agreement may be an improvement over the current level of market access, 2) doing so means that Egypt will be working from a somewhat higher base level in any subsequent negotiations, and 3) Egypt's position vis-a-vis its competitors in the EU market will be better than at present. Perhaps most importantly, Egypt will have a closer economic and political relationship with the EU, which it wants. The last point is equally true for the EU, and may be a major reason it is interested in concluding a deal. Doing so would open the door for the EU to play a somewhat larger role in the Middle East. In summary, the impression received during interviews in Cairo is that Egypt may gain more than the EU in the way of economic benefits from an eventual EPA, although their overall value will be limited, and that close political ties may have played the deciding role in the EU's participation. It

should also be noted that there is growing concern in Egypt that the Agreement is not “balanced” and that lower industrial tariffs may cause serious dislocations and unemployment.

2.5 EU Processed Fruits and Vegetables

Trying to understand the EU import regime for almost any agricultural product can be a very complicated and at times frustrating task to say the least. This is certainly the case in the horticultural sector. While several experts believe the Uruguay Round simplified some of these complexities, it is doubtful there has been a meaningful reduction in the import protection levels which are afforded to these products. For example, fresh fruit and vegetable reference prices were replaced by minimum import prices. For “sensitive” fresh products, tariff reductions granted under preferential agreements are limited to specific quantities, usually determined by tariff quotas or reference quantities. Before the Uruguay Round most processed fruits and vegetables faced a combination of a fixed duty, a variable duty under a minimum import price regime and a variable duty based on sugar content. Post Uruguay Round, most products in this category are charged a fixed tariff, and many of these tariffs have two components. The first is an ad valorem duty and the second is a specific agricultural duty, which is based on the amount of sugar added during the processing stage. The above assumes only sugar is added to the product; however, if another commodity is added, such as rice, cereal or dairy, then an additional agricultural component charge is levied. The rationale for these four additional agricultural duties, according to an EU document, is that processed agricultural goods not listed in Annex II of the Treaty establishing the European Community are borderline between industrial and agricultural products. Having undergone more than one stage of processing they are considered industrial, but because of a high agricultural content they are subject to the CAP, whose internal prices are higher than those in the world market. As mentioned, this refers to sugar, rice, cereals and dairy. The EU rationalizes that imported processed products containing these commodities must pay a specific agricultural duty in addition to the ad valorem duty in order not to “undermine” the internal market price level established for these commodities.

According to the EU, its preferential agreements with third countries usually abolish duties on industrial products. For processed agricultural products, this means abolishing the “industrial component” but retaining the “agricultural component.” The latter duty involves using a somewhat complicated formula, first to determine the amount of raw material used in the manufacture of the finished product, and second the application of the duty on the raw material as bound under the Uruguay Round and notified to the WTO. It is expressed in European Currency Units (ECU) per 100 kilograms. As stated earlier, the EU claims it abolished duties on industrial products, including those on processed agricultural goods (the ad valorem part) under the original EU - Egyptian Cooperation Agreement of 1972.

2.6 Private Sector Interviews

Interviews with Egyptian processors of processed fruits and vegetables revealed a wide variety in the levels of interest and knowledge concerning trade policy issues with the EU. Several were not very focused or interested in the EU market, while some of those currently selling in Europe, as expected, were well informed for their particular products. Some did not mention any significant problems with trade policy issues, while others commented they could do better if certain barriers like duties, quotas, sugar added duties and other agricultural component duties would be modified. At the same time however, several did not seem to be

very informed or interested in trying to ship “new” products at this moment. In some cases, it was not clear if they ever considered such items; if they tried and gave up; or if they found other markets (foreign or domestic) more lucrative. Often, when asked about trade policy problems concerning shipments to Europe, company officials often tended to drift into discussions which focused on issues involving the need for improved transportation, technology, marketing, foreign investment, etc. Some companies which handle both fresh and processed products seemed more interested in the fresh and the problems and prospects associated therein. Issues such as marketing windows, sanitary and phytosanitary matters and technical barriers to trade were raised for fresh products. It also seems the Egyptian Government is more focused on fresh than processed horticultural products in the EU - EPA negotiations. This may be the case because the former is more important in terms of value, and there is more interest in them by local firms. In addition, the Government may have become discouraged by the EU position on processed food products in general. While understandable, if true this is regrettable given the higher value added of processed food products and their greater per unit export earnings.

As mentioned earlier, the experience and views of the private sector can be helpful to negotiators in formulating “requests” from trading partners. The following comments were obtained during interviews with private company officials in the horticultural sector, and represent their general thoughts about what kind of concessions would make Egyptian products more competitive and sell better in the EU market. Although the study was to focus on “processed” horticultural products, most interviewees referred to “fresh” products.

- Jams, nectars and drinks: the sugar added duty needs to be sharply reduced, i.e. down to about 1/3 of the current level. Also, each small package, which is shipped in larger cartons, must bear the name of the importer, which is not practical for products like small consumer size cartons of nectars and drinks.
- Dehydrated onions: the current quota (5,880 metric tons) should be doubled, and the duty after the quota is filled should be reduced to about 5 percent.
- Frozen vegetables: there should be a duty free quota, possibly a global one of about 40,000 metric tons. Otherwise, the duties should be reduced down to 5 percent.
- Strawberries (fresh and frozen): extend the marketing window from July through May. Alternatively, ask for a duty free quota, initially between 10-15,000 metric tons. If such a quota is not received, then a substantial reduction in the duty after the window closes should be requested. Also, a more balanced application of sanitary and phytosanitary regulations concerning areas under production should be requested.
- Fresh grapes: extend the marketing window from at least the end of July through September. Some exporters would trade a longer season for a higher quota, i.e. 20,000 metric tons.
- Citrus: need a better definition of what is included. Would like 50,000 tons of oranges, 20,000 tons of easy peelers (oranges), 2,000 tons of lemons, 1,000 tons of limes and 2,000 tons of other.

2.7 Horticultural Products with Export Potential to the EU

From an agricultural production point of view, Egypt seems to be well positioned to improve and increase the variety of its output of fresh fruits and vegetables, in large part due to the abundance of inexpensive labor, plentiful supplies of water and an excellent year round climate. Consequently, this current and potential productive capacity bodes well for Egypt to become an exporter of processed horticultural products, assuming many of the remaining and

in some cases formidable production and marketing prerequisites can be met. For example, unless adequate and appropriate processing capacity currently exists, new investment will be required to expand output. Suitable plant varieties will have to be grown in sufficient quantity and quality to meet these new processing needs. Appropriate transportation to foreign markets will have to be insured. Export marketing, promotion and financing knowledge will have to be upgraded. These are but a few points on a long list of needs which must be satisfied if a firm is to be successful in exporting its products. This particular study was not designed to address these types of issues; however, there are ample existing reports and some studies currently underway which address this subject in detail.

According to interviews with various private trade and Government sources, several “new” or currently traded processed horticultural products could be exported to the European Union market in larger quantities if improved market access could be obtained. However, it has become increasingly clear that a definitional problem exists in the minds of many Egyptians involved in the food business concerning what constitutes a fresh versus a processed horticultural product. What has emerged from interviews with “food processors” is that many of the best prospects in the horticultural field involve frozen products. At this point it needs to be mentioned again that the tariff classification process in the EU for agricultural products is a highly technical and complex process, but at the same time extremely important when it comes to understanding the duties and other conditions/requirements they face when being imported into a country. A number of Egyptian exporters would be well served if more attention were paid to how EU customs classifies the products they wish to sell. An EU importer, agent or specialized firm could handle this requirement for the exporter. Ideally, products need to be reviewed by a customs specialist to insure they are properly classified. This can make a big difference in the duty paid, and it is best done in Brussels with a description or sample of the product. Also, the product should be checked with DG 21, Customs regarding quotas, and if they are open to all suppliers or only specific countries, as well as the basis for filling them. Furthermore, exporters need to check if marketing windows apply. Alternatively, these issues could be checked in any member state. While these principles can be extended to exports to any destination, they are especially true when trying to export to the EU.

Several frozen fruits and vegetables were mentioned by the food processors interviewed as being good prospects for export to the EU. Contrary to popular opinion here, it seems these commodities generally are considered as “fresh” rather than processed products under the harmonized system, and are found in the EU’s combined nomenclature, Schedule of Customs, Section II Chapters 7 and 8. An example would be frozen strawberries, i.e. individually quick frozen (IQF). Since frozen strawberries are considered as “fresh”, they are subject to the same duties, marketing limitations (windows), etc. as those applied to fresh strawberries. However, frozen French fried potatoes falls under Section IV, Chapter 20, and are considered as “processed,” thus they would not be subject to the same duties, quotas, etc. as “fresh” potatoes. One possible explanation for the difference in product classification is that French fried potatoes go through more than one stage of processing. Given the complexity of tariff classification, in part because the multitude of variations which can exist when defining a single product, it is very important that an exporter understands how his product is classified. Besides differences in duties, which impact cost structures and price quotations, there may be quantitative and seasonal restrictions which could be even more restrictive in terms of market access and sales opportunities.

Another key point to remember is that while improved market access is the first and most important step, that by itself does not mean increased sales will follow automatically. Nor does it follow just because Egypt can or does produce certain products, that improved access will enable them to be sold in Europe. Without going into detail, many other obvious, but key steps must be successfully implemented including: surveying and selecting a market; finding a client (i.e. importer/agent), selling at competitive prices, producing to market standards and requirements, undertaking end user promotion, etc. Clearly each step requires extensive research, can be quite time consuming and requires patience. Building a good export market is a long-term exercise that requires tenacity.

With these qualifications in mind, the following list of fruit and vegetable products emerged from interviews with the trade and other sources as having good export potential to the European Union. It is assumed their comments are based on intuition, rather than actual market surveys, and that some of the barriers mentioned earlier are eliminated or sufficiently modified to permit new or additional sales to take place. Again, it should be remembered that, even though the study originally was intended to encompass the processed sector, most of the products shown below will be classified as “fresh” by EU customs officials. In a certain sense, other than the very important duty and quota considerations mentioned earlier, the distinction between fresh and processed horticultural products is not particularly significant. Of course, food processors tend to think of most frozen fruits and vegetables as processed, even though the EU does not. While canned products fit the processed definition better, the general per capita consumption trend of these items in Europe is stable at best, and in many instances is declining. Consequently, Egyptian exporters should take this factor into consideration, especially if substantial new investment is required. That said, existing production lines for canned products, if not fully utilized at present, clearly could benefit from increased domestic horticultural production. However, interviews with a limited number of local traders did not suggest a strong interest in this sector, especially for export to the EU. As previously stated, generally, “fresh” horticultural products fall under Chapters 7 and 8 of the harmonized code; whereas processed ones come under Chapter 20.

Fruit: no canned fruits were mentioned.

- frozen strawberries (individually quick-frozen – IQF).
- raisins (by dehydration).
- jams, primarily strawberry, but also mango, guava, apricot and peach.

Vegetables: frozen, as opposed to canned vegetables, were mentioned most often as having the best potential.

- frozen French fried potatoes, artichoke hearts, sweet corn, green beans (sugar snap, runner, etc.), green peas (snow), okra, asparagus, spinach, grape leaves, broad beans, cauliflower, green peppers, carrots and mixed vegetables.
- dehydrated onions (primarily), but also small quantities of garlic, parsley, dill, and tomato.
- sun dried tomatoes.
- dried herbs and aromatic blends.

Frozen concentrates: mango, guava, orange and lemon.

Nectars: mango, guava, orange and lemon.

Pulp: mango, guava, orange, lemon and tomato.

Fruit juices: mango guava, orange, lemon, pineapple, blackberry, cocktail, grapefruit, apricot, peach, apple and tomato.

3.0 Partial Equilibrium Impact Analysis

*(by Dr. James Cassing, University of Pittsburgh and
Ms. Nabila Al Iskandarani, American University in Cairo)*

This section quantifies for some agricultural products of particular interest to Egypt the potential gains from the tariff preferences which would be embodied in a partnership agreement with the EU. While the estimates presented below provide some guidance for the value of enhanced trade preferences which go beyond the existing 1977 Comprehensive Cooperation Agreement concluded with the EU, and revised in 1987, it is important to understand that we are not primarily focused on providing an estimate of the value of a partnership agreement for the agricultural sector, although we will address this issue and, in fact, provide such an estimate for the products of interest. This is because our approach is fundamentally partial equilibrium and focused at the product sector level. This is a valid way to evaluate the impact of tariff preferences. But the overall gain from a free trade partnership arises in a general equilibrium context and apparently owes more to Egyptian trade liberalization than to EU liberalization. As is well understood and much documented, the gains to Egyptian exporters (and consumers) are generated through Egyptian “concessions” which would reduce the substantial anti-export bias now built into the structure of economic incentives in Egypt and allow the true comparative advantage industries to flourish. These economy-wide gains are indeed likely to be large since the EU receives half of all Egypt’s exports and generates 40% of Egypt’s imports (Egypt’s total 1996 trade with the EU totaled 35% of Egypt’s GDP.) and because Egyptian import competing industries are highly protected. (For more on this anti-export bias and the implicit tax on potential exporters, see Nathan Associates, 1998a).

This part of the study is organized as follows. The next section (3.1) provides a brief review of the current EU policy toward Egyptian exports, the proposed Euro-Med Agreement, and the status of the negotiations as of September 1999. Section 3.2 then presents the methodology employed in the analysis. We also present specific mathematical functional forms amenable to estimating the effects of trade preferences and, for the log linear specification, compute the qualitative comparative statics in order to highlight which parameters in the model are more or less likely to merit scrutiny through sensitivity analysis. Section 3.3 calibrates the model’s parameters to the data and our best understanding of current EU trade policy and the standing EU offer. This section provides estimates of potential effects and net welfare gains or losses for Egypt, the EU, and the rest of the world. Some alternative parameterizations are offered and discussed by way of sensitivity analysis. We also provide some estimates of potential “general equilibrium” effects based on some earlier analysis of “tariff incidence.” In this section, we further try to identify which parts of the current offer are likely to enhance or diminish prospects for some of the most promising of Egypt’s agricultural based export industries and to estimate the loss of not accepting a partnership in light of the Agreements already negotiated with some competitors -- Morocco, Tunisia, and Israel. Finally, Section 3.4 offers some conclusions, recommendations, and more general insights drawn from the estimates.

3.1 Current Trade Policy and the Status of the Negotiations

European agricultural policy generally is complex and probably highly distortionary. Policy treatment in the foreign trade sector is no exception with a plethora of barriers, both

tariff and non-tariff, administered in a far from transparent manner. The barriers themselves range from tariffs, tariff rate quotas, and minimum “entry prices” -- a legacy of the now GATT-illegal “reference price system” which the EU used to regulate import prices of fruits and vegetables and which was distinct from the more notorious Common Agricultural Policy (CAP) -- to unduly strict enforcement of sanitary and phyto-sanitary (SPS) standards. There have also been challenges in the World Trade Organization (WTO) to EU interpretations of “good science” as proscribed in the WTO Technical Barriers to Trade (TBT) sub-agreement. By all accounts, EU agriculture is substantially protected from foreign competition.

With regard to agricultural exports of interest for Egypt and other Mediterranean Basin countries -- fruit, vegetables, and preparations of these products -- the trade laws are particularly complex. This probably owes to a mix of historically high imports of these goods from these countries, some former colonies, and to the political complication due to the accession of Greece, Portugal, and, in particular, Spain to the EU. Because the growing seasons of some member countries differ somewhat from those of some non-member countries, for example, the EU has instituted “seasonal windows” which allow imports of certain crops at more favorable tariff rates than at other times of the year.

Beyond the complexities of EU policy confronting all potential exporters to the region, for many cultural, political, and historical reasons, the EU has a number of formal special relationships with non-member Mediterranean Basin countries. Economically, these currently relate principally to preferential market access guaranteed through the 1977 Comprehensive Cooperation Agreement. In the case of Egypt, that agreement offers limited, non-reciprocal preferential access to the EU market by removing all tariffs on certain specific industrial products and reduced tariffs, although subject to rigid quantitative and seasonal restrictions, on many agricultural exports. (For a thorough review, see UNCTAD, 1996.)

Currently, the EU is pursuing a strategy of closer bilateral ties with the Mediterranean Basin countries through a series of negotiated association agreements, so-called Euro-Med Agreements. Some of Egypt’s competitors -- Morocco, Tunisia, and Israel -- have already reached agreements. Of relevance, beyond a series of financial, cultural, and technical sub-agreements, the Agreements will allow staged-in bilateral free trade for most industrial products and limited bilateral preferential access for agricultural based products. (For a nice review of these and other regional agreements for Egypt, see Nathan Associates, 1998b, and some of the references therein.)

In Egypt’s case, agreement is still in abeyance. There is apparent concern both with the potential impact on the heavily protected industrial sector, even though the liberalization is staged over twelve and sometimes more years, and with the limited access embodied in the latest EU offer of preferences to the EU market for agricultural products of Egyptian export interest. Roughly, the EU has not offered much access for many agricultural products, especially “fresh” products, beyond what Egypt already has. This, in turn, owes partially to the political difficulties in granting access to products like citrus which are important to farmers in Southern Europe, and partially to the framework agreed to in Barcelona which proscribed that access for agricultural products would be negotiated on an historical basis, but Egypt was historically a small exporter. Now the export potential has greatly expanded, and the Government of Egypt (GOE) rightfully wants to gain more favorable preferential access. For some products of interest, for example strawberries, the EU offer actually imposes a tariff rate quota for the first time and thus the offer is nearly as restrictive as the current agreement.

Technical Appendix B shows the recent exports of Egypt (total and to the EU) for 63 important products, current duties (including the 1977 existing preferences), seasonal windows, and out-of-quota tariffs, as well as the current EU offer for these products and the so-called “quota coverage” of the current offer based on 1997 export data. Generally, the current offer is more generous than the 1977 Agreement, but not overly so and not always. In particular, 29 of the products listed were not included in the 1977 Agreement and will now get limited preferential treatment, usually subject to seasonal windows when it is relevant to the product in question. This group includes fresh strawberries, canned and dried vegetables, molasses, frozen fruits and nuts, and canned fruits. Also, eight of the products are offered increased tariff rate quotas (TRQs), although for some from a small initial base -- e.g., melons (HS Code 08071900) increases from 120 to 1000 tons -- and others are offered a new TRQ which we expect to quickly bind with the new preferences in light of developments in the sector -- e.g., leguminous vegetable (HS 070820) increases from the current TRQ of 7680 tons to 20,000 tons. Every product which already enjoyed unlimited access at the preferential rate retains that access. Products which confront entry prices are still not excepted from these barriers and seasonal windows are widened for four of the products, but narrowed for three products in the group. In terms of “quota coverage”—the ratio of the stated quota to the quantity of total Egyptian exports to the EU—most products subject to a TRQ have a coverage greater than unity based on 1997 export data. This suggests that most of the TRQs are non-binding. In fact, however, exports of several products to the EU are expected to exceed the new TRQ offers during the first year of the Agreement and thus the new quotas soon will be binding.

The Agreement also contains many more highly processed commodities, some 181 products. Gains in preferential access to EU markets for these processed agricultural commodities are somewhat mixed, with a long list of commodities continuing to have full preferential treatment, but with no new concessions above those already given in the 1977 Agreement. This applies to a list of about 130 commodities. Another list of 44 commodities will receive a 30 percent reduction in duties, there being no reduction in the agriculture component. This list also remains unchanged from the 1977 Agreement. A final list of seven commodities offers a 50 percent reduction in tariffs but contains a very restrictive set of quotas. Concessions on this list are new. (See Appendix C.)

3.2 Methodology

The analytical component of the analysis employs a partial equilibrium model of preferential access to a market. (See Blackhurst, 1972; Tersas, 1998.) We then calibrate the model to the data and use it to simulate the effects of actual or proposed concessions for products of interest to Egypt and the EU. The analysis is static, but the model can accommodate the staging of concessions over a period of years by properly discounting future gains or losses. When we apply the methodology in Section 3.3, we analyze the value of trade preferences relative to three benchmarks: no preferences (MFN), current preferences (the 1977 agreement), and, no enhanced preferences for Egypt but Euro-Med preferences for other countries in the area. We also draw on an earlier analysis to roughly approximate the additional gains taking into account general equilibrium terms of trade changes.

3.2.1 Overview

The model consists of a number of specific functional forms aimed to capture supply and demand conditions, as well as the effects of specific counterfactual shifts in EU trade barriers confronting Egypt or other trading partners, such as other Euro-Med agreements, and changes in other conditions such as improvements in Egyptian production and distribution efficiency. Figure 1 illustrates the model geometrically. For any commodity of interest, e.g. strawberries, D_{EU} represents the EU import demand and S^*_{ROW} and S^* the supply from the non-EU rest of the world excluding Egypt, and from Egypt, respectively. The “*” denotes that the current level of protection confronting exporters is included in the supply curves and the absence of the asterisk denotes that Egypt has received a trade preference. The sum of the supply curves represents world export supply to the EU.

Initially, equilibrium prices and quantities are those associated with point B in the figure. In particular, P_1 is the price in the EU market inclusive of taxes or other constraints and P_4 is the price net of taxes and so, after allowance for transport or other shipping costs, the price received by exporters. The distance AB represents Egypt’s exports to the EU. After a trade concession to Egypt, the new equilibrium prices and quantities are those associated with point G. Now, Egyptian exporters see their export price rise as to P_2 , since EU trade taxes have been lowered, while the ROW will receive a lower price such as P_5 unless the ROW export supply is infinitely elastic.

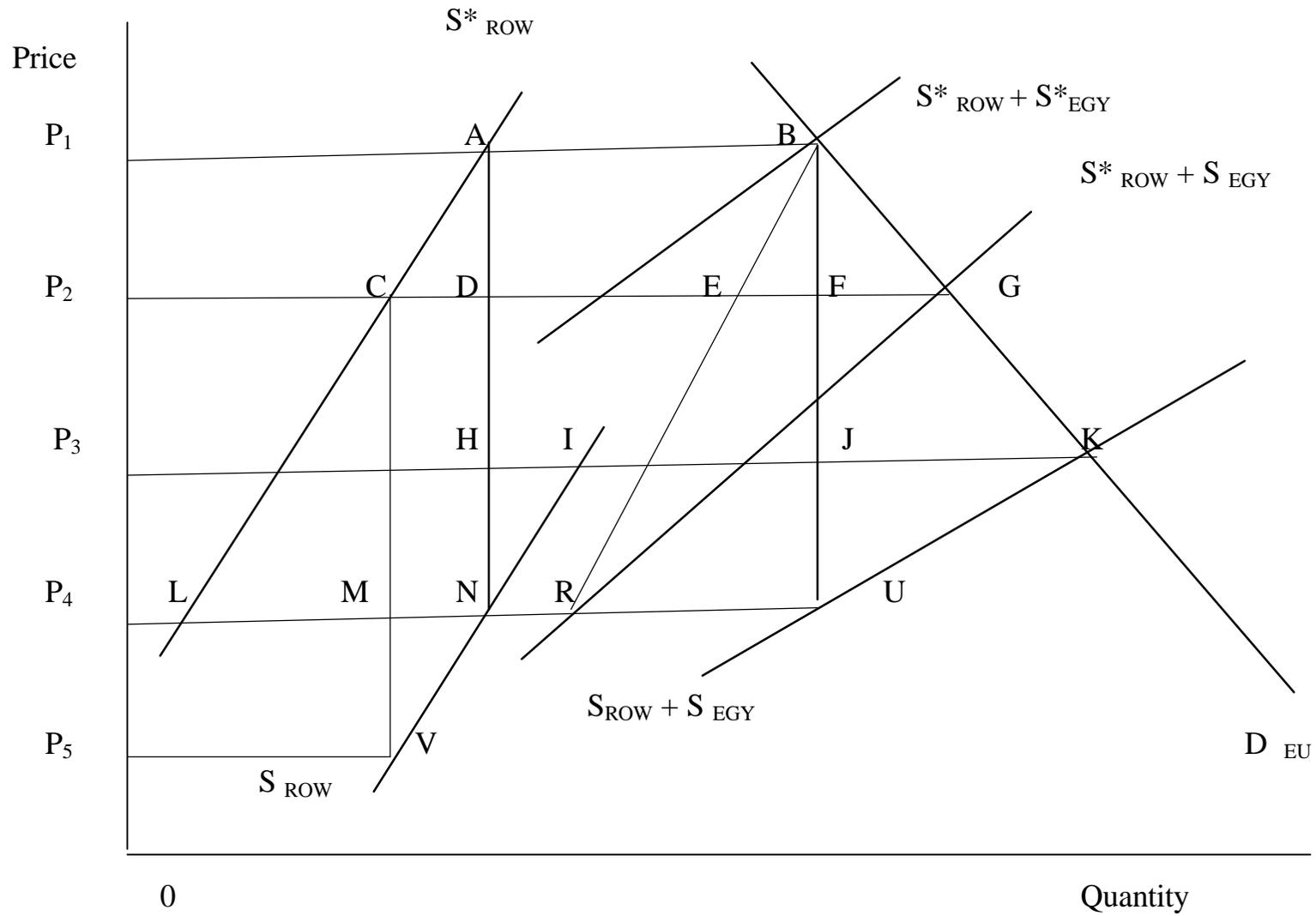
Note that Egyptian exports to the EU will increase for three reasons. Higher f.o.b. prices for Egyptian producers will increase the incentive to produce more for the EU market and export more to Europe. Lower internal c.i.f prices in the EU will increase the quantity demanded and reduce the quantity supplied domestically in the EU for these goods. The latter effect turns out to be small, as might be expected given Egypt’s export volume relative to the size of the EU market. Finally, and this is unique to preferential trading arrangements such as a Euro-Med Agreement, Egypt’s goods will displace some of the exports of current non-preferred countries. This is the “trade diversion” aspect inherent in a discriminatory PTA, but here such diversion works to the advantage of Egyptian exporters.

In the geometry it is now also possible to calculate and to illustrate changes in welfare as well. In Egypt, the welfare gain is given by area DFUN, due to the higher price received on previous exports, plus area EGR, the increase in producer surplus on additional exports. For the EU, the welfare changes are captured by area BFG, a net increase in consumer surplus, plus area P_4MVP_5 representing lower expenditure on non-Egyptian exports, but minus area CFUM due to the higher net expenditure on Egyptian goods. The EU net benefit is ambiguous. The area P_4NVP_5 reflects an unambiguous loss to Egypt’s competitors due to the trade diverting effects of the preferences. We can also investigate net employment effects in Egypt by assuming a constant labor-output ratio in production and constant input-output coefficients when the product is a “processed” good.

Operationally, the demand and supply schedules are modeled as linear or possibly log linear when appropriate. In order to calibrate the model, we will use trade data from EuroStat, UNCTAD (PC-TAS), CAPMAS, assorted Egyptian studies and reports, and customs treatment data from the *Official Journal of the EU* and internal GOE sources. The study requires three elasticities of demand or supply. These will be parameterized based on

Figure 1

The Welfare Effects of Economic Integration



existing studies in Egypt and other countries as well as from interviews and field studies of various sectors.

In the next section, we provide the specific functional forms with which the model is calibrated to the data. We also derive a number of comparative statics results which yield some qualitative conclusions and serve later to guide our sensitivity analysis of estimates to changes in relevant parameters.

3.2.2 The Simple Analytics of Preferential Trading Arrangements (PTA)

This section provides an analytical and operational algorithm for investigating the economic consequences of trade policy preferences by the EU for Egypt. The model is presented in both a log linear and linear form and the qualitative effects of parameter changes are derived. This focuses our attention on which parameters are relevant and so guides both data requirements and priority sensitivity analysis. The concluding section shows how to calibrate the model to the data and run calibrated simulations of policy changes (e.g., concessions) or exogenous changes in the economic parameters (e.g., lower transport costs for Egyptian exports to the EU). The model is partial equilibrium and static -- a so-called “computable partial equilibrium” (CPE) model -- but it can be used to analyze changes through time by positing events to take place in successive time periods and to approximate general equilibrium analysis through a proper interpretation of the demand and supply curves as in Corden (1996).

The “Overview” above provides a geometric presentation of the model. Here we provide the mathematical description of that geometry.

3.2.3 The Model -- Log Linear Specification

The model posits competitive markets for imports into the EU from Egypt and the rest of the world (ROW). Functional forms are posited to be as follows for the product in question (e.g., onions, fresh or chilled -- CN 0703100).

$$\text{EU Demand: } Q_D = aP^\delta$$

$$\text{ROW Supply: } Q_S^{\text{ROW}} = bP_{\text{ROW}}^\epsilon$$

$$\text{where, } P_{\text{ROW}} = (P - T_R)/(1 + t_R)$$

$$\text{Egypt Supply: } Q_S^E = cP_E^e$$

$$\text{where, } P_E = (P - T_E)/(1 + t_E)$$

and where δ , ϵ , and e represent the EU price elasticity of demand for imports and the ROW and Egyptian price elasticities of supply of exports to the EU, respectively. T_i and t_i , $i = R, E$, denote the specific and ad valorem component of EU import treatment for ROW and Egypt, respectively. T_i may also embody the “tariff wedge equivalent” of EU “seasonal windows” for agricultural crops and will include per unit transport costs. $a, b, c > 0$ are shift parameters for demand and supply.

$$\text{Competitive Market Equilibrium: } Q_D = Q_S^{\text{ROW}} + Q_S^E$$

3.2.4 The Equations of Change

The model is solved by substituting the demand and supply specifications into the market equilibrium condition and solving for P . Then the price equations can be used to recover P_E and P_{ROW} . Quantities depend on prices, so these may now be recovered as well.

In order to calculate analytically the effects of policy or other parameter changes, we take logs of the equilibrium solution and differentiate. Using “*” to denote the proportional change in a variable, e.g. $X^* = dX/X$, we can solve for the change in price in the EU as a function of the changes in parameters:

$$P^* = \frac{[a^* - (1-s)b^* - sc^* + (1-s)\epsilon T_R T_R^* / (P - T_R) + (1-s)\epsilon t_R^* + se T_E T_E^* / (P - T_E) + set_E^*]}{[(1-s)\epsilon P / (P - T_R) + se P / (P - T_E) - \delta]} \quad (1)$$

where, $s = Q_S^E / Q_D$ and $(1-s) = Q_S^{ROW} / Q_D$, Egypt’s and ROW’s share, respectively, of EU imports.

Denote by H the denominator of the expression (1). In particular, $H > 0$ and captures the supply and demand responsiveness to parameter changes. The parameters are the policy variables, initial equilibrium price, and the elasticities. Changes in a , b , and c relate to shifts in demand and supply conditions in the EU, ROW, and Egypt respectively (e.g., $a^* > 0$ would capture an increase in the EU demand for imports of the commodity).

Prices in Egypt and ROW may be recovered by logarithmically differentiating the price equations to get:

$$P_E^* = PP^* / (P - T_E) - T_E T_E^* / (P - T_E) - t_E^* \quad (2)$$

and similarly for P_{ROW}^* . Of course, P^* is endogenous and so (1) must be substituted into (2) to get the reduced form.

Finally, quantities are recovered by substituting into the relevant demand and supply schedules. Employment effects, as well as “upstream” and “downstream” effects, may be calculated using information on input-output coefficients. Welfare changes may be derived in terms of changes in consumer surplus, producer surplus, and revenues or quota rents.

3.2.5 Qualitative Results

While the model can be calibrated to the data and used to perform various simulation exercises, it is worth noting some of the qualitative properties of the model. In particular, consider the effects on EU and Egyptian prices of trade concessions.

From (1), and holding all other parameters constant, trade concessions which result in lower barriers to Egyptian exports -- $T_E^* < 0$ and/or $t_E^* < 0$ -- lead to a lower price for consumers in the EU -- $P^* < 0$. The extent of the decline will depend on the magnitude of the concessions as well as on the elasticities and some other parameters.

As for the consequences for Egyptian producers, other things equal, and substituting (1) into (2), yields the effects of concessions on prices in Egypt:

$$P_E^* = T_E / (P - T_E) [seP / (P - T_E) H - 1] T_E^* + [Pse / (P - T_E) H - 1] t_E^* \quad (3)$$

Write this expression as:

$$P_E^* = [T_E / (P - T_E)] (R - 1) T_E^* + (V - 1) t_E^* \quad (4)$$

Comparison of the terms in the numerators and denominators of R and V respectively reveals that $0 < R < 1$ and $0 < V < 1$. It follows that the coefficients on the policy variable are negative, and so EU trade concessions -- $T_E^* < 0$ or $t_E^* < 0$ -- result in $P_E^* > 0$, a rise in the Egyptian producer price. This, of course, reflects the removal of part of the wedge between the EU market price, which includes the effects of trade barriers, and the Egyptian producer price.

Now, from the price equation for ROW, if the market price in the EU falls, and if the favorable policy treatment is only extended to Egypt, the price received by non-Egyptian exporters to the EU must fall -- $P_{ROW}^* < 0$.

3.2.6 Calibration, Simulation, and Sensitivity Analysis

Actually simulating the results of various policy or other experiments entails inserting the actual data for the parameters. With respect the elasticities, in particular, it would be useful to experiment with a range of estimates in order to ensure the robustness of any simulation results. However, in a separate paper, we have shown that the simulations are not likely to vary wildly within a reasonable range of elasticities around unity.

3.2.7 The Model -- Linear Version

While it is less interesting analytically, and probably not appropriate for very large changes in parameters of interest, there is a linear version of the model which is easy to work with, suggestive, and reasonably accurate for modest changes in policy or other parameters.

The linear model is given by the demand and supply specifications along with market equilibrium as follows.

$$\text{EU Demand: } Q_D = f - gP$$

$$\text{ROW Supply: } Q_S^{\text{ROW}} = h + kP_{\text{ROW}}$$

$$\text{Egypt Supply: } Q_S^E = r + wP_E$$

where f, g, h, k, r, w are constants and the price relationships between P, P_{ROW} , P_E , and the policy variables, including transport costs, T_i and t_i , $i = \text{ROW, E}$, are as in the log linear specification.

$$\text{Competitive Market Equilibrium: } Q_D = Q_S^{\text{ROW}} + Q_S^E$$

It is then a simple matter to substitute into the equilibrium conditions and solve for prices in terms of the parameters. Quantities, of course, depend on these prices. Simulations entail calibrating the linear model to the data and calculating the effects of parameter changes of interest. Welfare calculations in terms of changes in consumer surplus, producer surplus, and revenue or quota rents are straight forward in this linear specification and the workplan geometry may be used for guidance, being careful to net out transport costs.

Estimating the Slope Coefficients

The slope coefficients may be recovered from knowledge or estimates of the relevant elasticities. For example, if the EU demand elasticity is posited to be unity, then

$$\delta = (P/Q_D)dQ_D/dP = -1$$

This gives

$$dP/dQ_D = P/Q_D$$

where the left-hand side (LHS) of the equation is the slope coefficient and the right-hand side (RHS) is observable in the data.

3.2.8 Welfare Calculations

Welfare changes may be calculated using the actual and simulated data. Suppose that a trade concession, or other parameter change, which lowers the Egyptian supply curve occurs. Denote by upper-case letters the prices and quantities of the actual data to which the model is calibrated and by lower case letters the prices and quantities calculated from the simulation exercise. Subscripts denote countries and lack of subscripts denote totals in the EU market.

Then, in Egypt, using the Egyptian supply schedule, the change in welfare is given by:

$$\Delta W_E = (p_E - P_E)Q_E + 0.5(p_E - P_E)(q_E - Q_E)$$

In the EU, using the total ROW and E supply schedule, as well as the individual supply schedules and the EU demand schedule, the net change in welfare is given by:

$$\Delta W_{EU} = 0.5(P - p)(q - Q) + (P_{ROW} - p_{ROW})(q_{ROW}) - (p_E - P_E)Q_E$$

Finally, the change in welfare in ROW is given by:

$$\Delta W_{ROW} = - (P_{ROW} - p_{ROW})q_{ROW} - 0.5(P_{ROW} - p_{ROW})(Q_{ROW} - q_{ROW})$$

Note that for this exercise of trade concessions to Egypt but not to the ROW, Egypt unambiguously gains, ROW unambiguously loses, and results for the EU are qualitatively ambiguous. Of course, once the data is supplied, the actual projected changes in welfare can be simulated.

Other simulation exercises and welfare calculations would proceed similarly.

3.3 The Effects of Tariff Preferences for Selected Commodities

This section provides estimates of the value of EU trade preferences for Egypt under a variety of scenarios and within the context of the model presented above. We begin with a series of partial equilibrium estimates derived on the assumption that the terms of trade are not affected by any changes except those due to the EU preferences extended to Egypt. Thus, we abstract from the more dramatic effects which would be induced by liberalization of Egypt's import barriers. In a subsequent section, we go on to address this general equilibrium issue.

The study is restricted to 17 products in the fresh and processed fruits and vegetables sector which have been identified as potentially very competitive exports into the EU market. These product groups are potatoes, onions and shallots, garlic, cucumbers, beans, artichokes, dates, citrus fruit, grapes, watermelon/papayas, strawberries/raspberries, molasses, juices other than citrus, citrus juices, other fruits and vegetables, vegetables provisionally preserved, frozen vegetables, and dried onions. (The HS Codes are reported in the Appendix.) Most of these products are currently subjected to trade restrictions, although some of the exports receive limited preference treatment in line with the 1987 revisions of the 1977 EU preference agreement, typically in the form of tariff rate quotas (TRQ). Notably, grapes, artichokes, citrus, and some more specific sub-groups -- e.g., peaches and nectarines -- also are subject to the EU entry price system. Seasonal windows currently exist or are proposed in the latest EU offer.

We begin with estimates of the effects of the EU offer relative to no preferences at all (MFN), and then discuss the potential "value" of the offer relative to existing preferences. We also provide estimates of the loss which Egypt would incur in these product lines if the status quo is maintained for Egypt, but Tunisia, Morocco, and Israel gain additional preferences, as they already have. Additionally, we add in the general equilibrium effects of terms of trade changes due to Egyptian import liberalization in line with the Euro-Med Agreement and discuss some alternative approaches.

The data has been gleaned from a number of sources and cross-checked as much as possible. We have used EuroStat and PC-TAS for unit values, used as prices, and also to obtain quantities. We have checked these prices against ATUT and ALEB studies, and have discussed them with exporters; and so we have some confidence in the numbers. Of course, these prices are just averages over time and so deviate, sometimes substantially, from important seasonal or yearly fluctuations. We are less concerned about these fluctuations, however, since the unit values do reflect actual exports from Egypt and are the actual market prices in that sense. The EU trade restrictions and the current preferences offered Egypt in the draft EU Euro-Med Agreement are derived from *The Official Journal of the European Communities* (August, 1998), UNCTAD (1997), *Eurostat* (various issues), and internal documents of the GOE.

We have calibrated the data to the linear version of the model, having found that the log-linear version yielded nearly identical results. We initially set the important supply and demand elasticities to unity, somewhat as an initial reference, but also based on a number of empirical studies. There is some reason to believe, based on discussions with ATUT and ALEB as well as on some recent econometric work, that both elasticities may well exceed

unity. (For a review of older and newer supply elasticity studies, see especially McKay, Morrissey, and Vaillant, 1999.) Accordingly, we provide a number of alternative elasticity parameterizations in order to analyze the sensitivity of our results to these parameters.

3.3.1 Estimates of the Effects of EU Offered Trade Preferences for Egypt

Table 1 presents the baseline case of the effects of offered preferences relative to MFN treatment with all elasticities set to unity (using absolute values for negative demand elasticities). Most preferences are inconsequential, or non-existent in the 1977 Agreement. Therefore, the estimates in Table 1 reflect the value of the current offer for all commodities in our study except potatoes, onions and shallots, garlic, dates, and possibly beans, cucumbers, and certain citrus. (These cases are discussed below.)

The effects are all qualitatively in the direction predicted by the model and quantitatively somewhat similar across sectors. The effect of trade preferences for Egypt on the EU internal price is small, because Egypt is a small part of that market even with increased exports, but the effect on the Egyptian f.o.b. price is large – with increases ranging from 1.8% to 30%. This, in turn, engenders a substantial export supply response, except for molasses, dates, and garlic, ranging up to nearly 40% for strawberries. Of course, these increases are from fairly small export quantities to begin with, except for a few traditionally important products such as potatoes.

In terms of welfare, taken as the sum of changes in producer and consumer surplus, Egypt's annual gains are in excess of one million dollars for potatoes, beans, and citrus fruit. But again, these gains are small because the model is initially calibrated to very low levels of exports and conservative supply and demand elasticity parameterizations. We know from field interviews that some potential exports—e.g., strawberries—will far exceed our initial quantity calibrations in the very near future and so we may be substantially underestimating future gains. Also, these gains occur annually, so the discounted present value of the future stream of gains would be much larger. Finally, these are not the general equilibrium gains due to an overall Euro-Med Agreement, but the gains which would be attributable to preferential access for the products in question with other policy variables unchanged.

The model predicts that welfare should fall in the rest of the world (ROW) and that the welfare change is qualitatively ambiguous for the EU, owing to the net gains from consumer and producer surplus being somewhat offset by lost tariff revenue. In fact, we find that the welfare losses tend to be small for the ROW for most products, undoubtedly because Egypt does not gain a large overall share of the EU market and because the EU internal prices do not fall much. The EU tends to lose a small amount due to the preferences for most, but not all, products. Again, this is because the small internal price effects of Egyptian preferences in the EU do not confer much benefit to the EU consumers relative to producer and revenue losses.

Sensitivity Analysis

Tables 2, 3, 4 and 5 report the sensitivity of these findings to alternative elasticity parameterizations. All permutations of elasticities set at unity and five are presented as well as both elasticities at 1.5. Essentially, the positive and normative estimates presented above are fairly robust and not particularly sensitive to altered elasticities, with the notable exception of the quantity of Egyptian exports to the EU. Internal prices in the EU are never much affected

and the price f.o.b. increases to Egyptian exporters stay about the same, as do welfare changes in the ROW and the EU. However, higher supply elasticities for Egypt do substantially alter Egypt's export response to the trade preferences, increasing the export volume change owing to the preferences by nearly five-fold for many products and substantially for all. Welfare increases for Egypt rise, but remain in the same range in absolute terms, although some of the percentage increases appear to be large.

The dramatic increase in Egyptian exports when the supply elasticity is high, while not surprising, may be of considerable relevance in reality. This is because the increased supply to the EU market comes from three very different sources. Part of the increased exports derive from increased domestic supply in Egypt due to the policy induced producer price increases and part comes from product diverted from the domestic Egyptian market. But there could also be product diverted from other markets to the now more lucrative, protected EU market into which Egypt is given preferential access. This component may indeed contribute to a large supply elasticity and is certainly a valid component of any welfare changes.

The Estimated Effects of the Latest EU Euro-Med Agreement Offer

In order to assess how much the latest EU offer would affect Egypt relative to what is already extended by way of the 1977 Agreement with the 1987 amendments, we tried to apportion the part of the effects reported above attributable only to the new (1999 draft Agreement) EU concessions. This is easy for some commodities, which essentially begin with only MFN treatment anyway, or have very limited preferential access through TRQs (e.g., artichokes). However, an assessment of the effects of the latest offer of additional preferences is difficult for other commodities—those which are to be extended preferences in the form of wider seasonal windows in addition to enlarged TRQs (such as fresh or chilled onions).

The estimates in Tables 1 - 5 of Technical Appendix A are valid estimates of the effects of the latest EU offer for commodities extended little or no preferential treatment under the 1977 agreement and now offered duty free access to the EU at no or non-binding TRQs. This group would include frozen vegetables, fresh garlic, vegetables provisionally preserved, cucumbers, onions, beans, artichokes, juices (except citrus), molasses, and strawberries, at least for low supply elasticity assumptions so that new TRQs do not bind. Beans and peas currently receive a preferential tariff of no duty up to a fairly restrictive TRQ of 7680 tons, although this quantity of exports has only recently become relevant. The out-of-quota concessionary rate of 4.8% plus some other charges in the new EU offer and the seasonal window of 1/11 - 30/4 would not change, but the latest offer of a 20,000 ton TRQ is significant.

However, it is important to note that for much of this group -- strawberries, citrus, beans, cucumbers, and some vegetables—our estimates show the enlarged quota preferences would be nearly filled with even modest supply response assumptions, and so we provide, in this sense, an upper bound estimate of the gains for Egypt in these products. For example, the quota for strawberries and beans offered by the EU would be exceeded almost immediately. While this would not substantially deter exports of these two products into the EU, even though it would reduce profit margins and so have some negative effect, for other products like galia melons the margins are not large enough to support exports once the tariff is imposed.

The effects we estimate for the other products (10 of 17) are mostly attributable to already existing preferences. The treatment of watermelons, for example, is unchanged from current preferences. An exception is potatoes for which the increase in the TRQ to 250,000 tons (in year 3 of the agreement) and reduction in out-of-quota duty to 5.3%, from the current TRQ of 109,607 tons and 7.9% duty, generates more than half of the gains reported in the tables. Ignoring the effect of concessions in potatoes, we would conclude that a significant portion of the effects reported in Tables 1 - 5 are attributable to the 1977/87 agreement.

3.3.2 General Equilibrium Terms of Trade Effects of the EU Offer

The estimates provided above include the price effects induced in Egypt and the EU by the preferential treatment offered in the new Euro-Med Agreement proposal (1999 draft). However, the overall agreement is much more comprehensive, providing for the general elimination of Egypt's industrial tariffs within 12 years for most products. Exceptions are not many, but include, for example, some special treatment for automobiles and retention of the EU's quirky "agricultural component" of the industrial tariffs, mostly aimed at protecting the EU sugar producers.

While Egypt currently confronts few industrial tariffs in the EU owing to the 1977 agreement, Egypt itself has a highly distorted foreign trade sector as a result of substantial tariff and non-tariff barriers (NTB) protection. Also, the "cascading" of the tariff structure probably enhances the distortionary effects of the tariffs in favor of industries that have a comparative disadvantage, as reflected in estimates of the effective rates of protection for Egypt. (See Nathan Associates and Chemonics International, 1998; Nathan Associates, 1998a; World Bank, 1998.)

Substantial protection of the import-competing sector (through high import duties) has the effect of "taxing" the other sectors of the economy -- including any would-be exporters -- as these sectors must compete for capital and other inputs without the extra premium available in the protected sector. This is the so-called "anti-export" bias which is so prominent in the Egyptian economy. If the Euro-Med Agreement eventually eliminates industrial tariffs, it will also ease this implicit tax on exports. Since current industrial protection is high, the implicit export tax is high. If the protection were to be removed, then the comparative advantage industries could be expected to benefit substantially by the removal of this invisible tax on exporters. While the incidence of the tax will vary across industries, it has been estimated that the part of the implicit tax which falls on exporters is on average about 20% (Nathan Associates, 1998a).

If we assume that agriculture-based product exporters are confronted with the implicit 20% tax on current exports, then an elimination of the Egyptian import duties would effectively remove this tax. This is the main potential source of gains for the export sector, including agriculture-based exports in particular, and for the Egyptian economy more generally. The gains from dismantling protection could be quite large precisely because Egypt is a small, highly protected economy.

In order to quantify the potential gain from the overall Euro-Med Agreement arising both from EU liberalization and Egyptian liberalization, we recalculate the effects of the trade preference for our products of interest on the assumption that each sector further benefits

from the removal of the implicit export tax. We retain the assumption of unitary demand and supply elasticities. These calculations are presented in Table 6.

In particular, comparing these results with those reported in Table 1, the general equilibrium simulation results in substantially increased exports from Egypt to the EU, sometimes increasing exports to the EU three-fold as compared to additional preferences from the EU alone. Overall Egyptian welfare improvement related to the products studied also increases, although not nearly as dramatically as the increase in export quantities. This latter result probably derives in the part from the historically low export base for the food and agriculture sector.

The large relative increase in exports thus translates into a relatively small increase in total welfare. Beyond that, all of the increase in welfare arises from producer surplus. Consumer surplus does not increase and may even decline.

The results presented in Table 6 suggest that net welfare gains from lowering domestic tariffs are positive but smaller than gains from removing European barriers to trade. However, it is to be expected that welfare gains to Egyptian non-agricultural industry that would arise from tariff reductions would be substantial, although measurement of such gains was beyond the scope of the present study.

While our approach to approximating the overall, general equilibrium consequences of a Euro-Med Agreement for certain agricultural products is casual, it does serve to emphasize the reality that Egypt's benefits from freer trade are bound to be generated as much from Egypt's own deregulation of import barriers as from any concessions offered by trading partners. To this extent, unilateral reductions in import barriers are likely to induce important increases in Egyptian export activity. Moreover, Table 6 presents the impact of reduced "export taxes" only on the 17 agricultural commodities selected for study. The subsequent growth of exports of industrial commodities and other agricultural commodities directly effected by the tariff reductions should be quite significant.

3.3.3 Other General Equilibrium Considerations: Adjustment Costs and Dynamic Aspects of Policy Implementation

The previous section makes the point that for the agricultural commodities studied, and more generally all potential export industries, Egypt is likely to gain from an Agreement both because the EU lowers its trade barriers *and* because Egypt lowers its import barriers, thus removing an implicit tax on exports estimated to be near twenty percent. A number of studies have documented this anti-export bias and the substantial costs to the Egyptian economy associated with encouraging import-substitution and discouraging exports. Other studies have addressed the potential gains of reform in terms of higher growth and real income, along with increased exports. Indeed, in light of such costs and potential gain, the GOE is pursuing a policy of trade reform and general deregulation of the economy (Nathan Associates, 1998a).

However, because protection is so high and has persisted for so long, many import-competing industries have grown quite large at the expense of the now diminished export industries, even though the protected sectors use resources inefficiently when outputs are valued at world trading prices. Consequently, as the Agreement results in reduced protection,

the Egyptian economy will change structurally. Generally, import-competing industries will contract while exporting industries like fresh and processed food will expand. Since in Egypt the potential export industries tend to be relatively labor intensive, and because reform typically leads to higher rates of growth and investment, net jobs available are likely to increase, relieving somewhat the current levels of unemployment.

Nonetheless, it must be acknowledged that some projections of the magnitude of the economic restructuring that will ensue indicate that changes in some industries' outputs could be large. (See, for example, various computable general equilibrium studies such as Konan and Maskus (1998), as well as estimates for agricultural products in this study.) If some industries contract faster than the natural "separation rate" for labor and others expand faster than the growth rate of appropriately skilled new job entrants, then there will be pressure for the wage rates in the economy to change. If, in turn, these wage rates are downwardly inflexible in the contracting sectors, then involuntary unemployment could result as previously protected industries are confronted with lower output prices and so, in order to reduce costs, shed marginal labor so as to raise the productivity of the labor that remains.

While the degree of flexibility of wages in particular, and of the Egyptian labor market more generally, is an empirical issue, the possibility of transitional unemployment does deserve attention. The essential question surrounding tariff reductions in this respect is: How much restructuring of the economy in a given time period is required and how quickly can the export industries expand relative to the timing of the contraction of the import-competing sector? Additionally, there is an issue of labor market fluidity: Are workers geographically mobile if need be, and do their skills transfer across industries? For new entrants into the labor force, this tends not to be an issue. But for displaced workers, occupational and perhaps geographic mobility is at the heart of labor market adjustment costs. (See, for example, Hudson Institute, 1978.)

Estimating Adjustment Cost

There are a number of studies which attempt to estimate the costs to an economy of moving from one general equilibrium output configuration to another. (For recent adjustment cost surveys, see Matusz and Tarr (1998), and UNDP (1999).) While all factors of production, not just labor, may bear the costs of adjusting, we focus here on labor and, to some extent, industry specific capital.

Concerning the creation of jobs in the export sector, there is some evidence that the export supply response to price changes can be fairly rapid with the implication that employment increases rapidly in these sectors (McKay, Morrissey, and Vaillant, 1999). Also, there is some presumption that import-competing industries that lose tariff protection may not contract violently and so jobs may not in fact just disappear overnight. This is because as output prices decline in protected sectors, firms write down their capital values but continue to operate so long as they can cover the variable costs of production. For this reason, labor is released only at approximately the rate of depreciation in the capital stock, which can take many years and may be satisfied by retirements and natural separations (Cassing, 1978).) Of course, owners take a capital loss and so can be expected to resist tariff cuts in the political arena by inferring dire consequences of reduced protection. But this is the rhetoric of the

protectionist and policy-makers can legitimately ask how long should society continue to subsidize the owners of inefficient firms.

To the extent that labor is in fact displaced, studies of labor market adjustment in developing countries suggests that labor practices matter for the speed of adjustment and that “safety nets” or job retraining can ease adjustment costs and reduce resistance to labor force reallocation (Lawrence, 1996; Burtless, 1998). This suggests that Egyptian policy-makers may want to review the adjustment experience of particular industries or the economy overall to various price shocks, not necessarily tariff-induced.

Finally, there is some reason to believe that trade reform itself will lead to an economic structure requiring minimal factor reallocation. This is because there is mounting evidence that lower import barriers stimulate growth rates and attract direct foreign investment. Also, trade reform seems to be associated with higher labor productivity which creates more jobs. This has been substantiated empirically for a number of countries (Jayanthakumaran, 1998) including Egypt (Handoussa, Nishimizu, and Page, 1986).

Policy Options

Another way to minimize any adjustment costs arising from trade reform is to devise “factor friendly” policies regarding the sequence and speed of reform. Krueger (1997), for example, finds that reducing import tariffs on inputs used in the export sector early on in the sequence of liberalization is conducive to more job creation in that sector. Also, she finds that a deliberate, widely publicized, and well articulated statement of the timing of tariff removal encourages investment and, to that extent, further creates attractive job opportunities. (On the other hand, speaking of reform and not actually acting has the opposite effect of discouraging investment and impairing government credibility.)

As for the speed of dismantling tariffs, there is some presumption that faster is better. While it seems inadvisable to simply eliminate protection overnight and unannounced, there is a strong empirical case for moving reforms ahead expeditiously (Krueger, 1997). Partially, this is for political resolve reasons.

However, there are three potentially important economic reasons for moving policy reform along quickly, beyond maintaining political resolve. First, adjustment costs increase the longer adjustment is delayed. This is because as ever increasing amounts of new labor and capital seek employment, they will be attracted to the protected sectors of the economy in the absence of reform. Consequently, the amount of adjustment required due to tariff reductions will every year entail more resource reallocation and potentially more transitory unemployment. Also, the political constituency against reform will continue to grow, while the constituency for exporting remains underrepresented.

Second, of course, delayed reform defrays the benefits of freer trade and so employment and incomes stagnate. Why not move the growth and other benefits of global engagement forward in time? Also, there is a strong theoretical argument that foreign direct investment which takes advantage of high tariff walls lowers the standard of living of Egyptians every year -- the so-called Brecher-Diaz-Allejandro Theorem.

Finally, the current global economic environment is one conducive to outward-looking trade reforms. The world economy and the EU in particular are again growing robustly and welcoming a more integrated world economy. Accessing world markets could become more difficult in the future if there is an economic downturn. Furthermore, evidence shows that many trade reforms are in fact forced by an internal economic crisis (Krueger, 1997), but why should Egypt wait for a crisis to move forward?

While the adjustment costs associated with freer trade, including from the Agreement, might deserve more careful scrutiny, the arguments and evidence against delaying tariff reductions appear to be compelling.

3.3.4 The Effects of Other Euro-Med Agreements on Egypt, if Egypt Declines the EU Offer

In estimating the potential consequences of a Euro-Med Agreement for Egypt, most studies compare the counterfactual of a partnership agreement with the status quo. In fact, of course, the world is constantly changing in a number of ways irrespective of Egyptian policy and some of these changes impinge on the value of a Euro-Med Agreement. One such development is that several of Egypt's economic competitors have signed, or may in the near future sign, partnership agreements with the EU, and the preferential treatment they thereby obtain will impact on the Egyptian economy. Beyond this, EU enlargement in the future will confer benefits on some of Egypt's competitors that again could have profound repercussions for certain industries. For example, Morocco, Tunisia, and Israel have entered into partnership agreements with the EU and some of the preferences secured will come at the expense of non-preferentially treated exporters. Similarly, EU enlargement may soon include Poland. In some products—e.g., frozen strawberries—Egypt may thereby be severely disadvantaged, even with Euro-Med preferential treatment.

In this section, we attempt to address at least the spirit of this consideration by estimating, for the products on which we have focused, the consequences of the Moroccan, Tunisian, and Israeli agreement for Egypt, if Egypt does not also enter into an agreement. Thus, Egypt would continue to compete in the EU market with existing policy treatment, but exporters would be impacted by the effects of the other countries' preferential access. In large part, the negative ramifications for Egypt would derive from downward pressure exerted on EU market prices and on the trade diversion from relatively non-preferred Egyptian exporters to favored Euro-Med Agreement partners.

In deriving our estimates, which we offer as largely illustrative and hopefully suggestive, we assume that the effect of such a scenario is simulated by Egypt remaining as part of the rest of the world (ROW) and the new agreement partners as inducing economic effects similar to what Egypt's agreement analyzed in isolation above would engender. Thus, we take the downward internal price effects already estimated due to a Egyptian agreement and attribute these instead to non-Egyptian agreements. Then, we calculate for Egypt the consequences of these price changes for exporters, assuming only the EU concessions for Egypt currently in place. Table 7 summarizes our estimates of this scenario, using elasticities parameterized at unity.

The welfare losses imposed on Egypt by preferences given to other countries are not very large. For example, they are almost US\$90,000 per annum for potatoes compared with

the current situation. However, Egypt would also, in the case of potatoes, lose over US\$6 million per year of net welfare benefits by not signing its own agreement (See Appendix A, Table 1). Of course, the negative affect on exports would be larger, but these losses are somewhat offset by gains to Egyptian consumers from having products excluded from the EU market and diverted back to the local Egyptian market. However, the welfare and other effects are understated, possibly substantially, for two reasons. First, we have assumed very conservative elasticity parameterizations, and so supply responses are limited. Second, and potentially more important, we have calibrated the model to the historically low levels of Egyptian exports to the EU -- 1997 data. In fact, by all accounts, the prospects for Egyptian agriculture-based exports are most promising and so the loss of preferential treatment to competitors may be significantly higher than we estimate.

3.4 Conclusions and Recommendations

Egypt clearly has something to gain from a Euro-Med Agreement with respect at least to the products and sectors upon which we have focused in this study. And, similar experiences could be expected in others of Egypt's comparative advantage sectors. The main insight, however, that emerges from this study is that while Egypt has much to gain from trade liberalization, including that obtained from a deeper economic integration with the EU, the gains will almost certainly owe more to Egypt liberalizing its own import trade barriers rather than to other countries offering increased access to markets of Egyptian export interest. The reason for this, of course, is that Egypt is significantly more protective of its own import competing industries than are other countries, including the EU. Thus, while the EU trade barriers confronting Egyptian comparative advantage goods, such as from agricultural-based industry, are formidable, many of the problems confronting Egyptian exporters reside in Egyptian policy, not in the policy of trading partners. This is good, not bad, from a policy standpoint in that the potential gains from greater globalization of the Egyptian economy are available by unilaterally altering Egypt's trade policies, with or without the cooperation of the EU or the rest of the world.

More specifically, we have estimated that there is value, for the industries considered here, from the latest EU-offered Euro-Med Agreement concessions—but not much. This is partly because the EU has not been very generous with its offer, but also because Egypt continues to punish exporters through the anti-export bias of current trade policy. Thus, several policy alternatives recommend themselves.

First, Egypt could pursue unilateral reductions in its import trade barriers, including the non-tariff barriers to trade (NTBs) inherent in its overly burdensome system of standards and quality control. This policy would almost certainly confer large gains on the general population of Egypt. And, while there is much made at the policy formation level and in the popular press of “adjustment costs,” it bears repeating the well-known empirical regularity that the longer protection is in place, the higher are the adjustment costs, as increasingly more capital is lured into industries that have little or no comparative advantage. Also, the political constituency for continued protection grows ever stronger as protected sectors expand at the expense of would-be export sectors.

Furthermore, it may be appropriate to recall that foreign direct investment (FDI), seemingly such a lucrative source of employment for a developing economy such as Egypt, is exploitative to the extent that it is attracted due to the financial lure of protected markets—

“tariff jumping”—as opposed to genuine economic opportunity which creates good jobs, not merely jobs supported by artificially distorted prices, in the society. This is because the foreign capital is paid more than the real value of what it produces, when its product is valued at undistorted world prices.

It would be of use to policy makers to estimate the magnitude of economic restructuring necessary to adjust to the new incentives after tariffs change. However, any studies of potential adjustment costs should be supplemented with estimates of the increased costs caused by delay, due to the continued flow of new labor and capital into protected sectors thus increasing the future costs of adjustment to a given tariff change.

Nonetheless, with the policy option of unilateral liberalization always open, Egypt clearly cannot afford to ignore the European market, especially not with respect to agriculture-based products. With a number of other Mediterranean-Basin countries actively pursuing enhanced preferential access to the EU market, Egypt must be wary not to further disadvantage its export sector. Certainly the proposed agreement at least offers a few cracks in the formidable wall of EU agricultural protection. While Egypt could continue to negotiate for more favorable treatment, it now appears unlikely that the negotiations can be re-opened at this time, although if an agreement is reached with the EU there is a provision for a “third year review” of the concessions. And, significantly, we estimate that the elimination of the Egyptian import barriers within 12 years, which would be mandated by the Agreement, may be a larger benefit to Egyptian exporters than the EU agricultural concessions taken in isolation.

Finally, there is a third option beyond unilateral or bilateral liberalization. Egypt could aggressively posture itself as an advocate of more liberal access to the EU agricultural market in a multilateral setting beginning with the WTO Ministerial in Seattle in November, 1999. In this forum, Egypt is likely to find powerful allies who will support and advocate the interests of Egyptian exporters, albeit for their own reasons. Of course, in order for such a strategy to have any credibility in a world forum, Egypt would need to continue actively to pursue its own policy of deregulation, embracing freer trade and more open markets.

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Technical Appendix A
Partial Equilibrium Results

Table 1
Change in Endogenous Variables
(Supply and Demand Elasticity is Equal to Unity)

Commodity	Concession-Induced Change to Variables					
	EU Price (US \$/ton)	Egyptian Price FOB (US \$/ton)	Egyptian Exports (annual) (tons)	Welfare Egypt Per Annum (US \$)	Welfare rest of World Per Annum (US \$)	Welfare European Union Per Annum (US \$)
Potatoes (Fresh or Chilled)	-0.69	+39.74 (13%)	+20,716.3 (14.5%)	+6,094,254	-2, 801,397	-3,444,811
Onions & Shallots (Fr/Chl)	-0.49	+34.41 (11%)	+1,762.7 (20.3%)	+329,384	-405,343	+61,641
Garlic (Fr/Chl)	-1.28	+132.00 (11.1%)	+249.6 (9.3%)	+372,477	-126,996	-242,979
Cucumbers (Fr/Chl)	-0.02	+209.15 (14.9%)	+12.1 (23%)	+12,140	-11,993	-659
Beans (Fr/Chl)	-6.24	+112.42 (11.6%)	+1541.2 (11.2%)	+1,636,455	-72,604	-905,217
Globe Artichokes (Fr/Chl)	-1.10	+164.71 (12%)	+55.4 (12.3%)	+78,845	-40,615	-38,391
Dates (Fresh or Dried)	-0.10	+138.40 (10.6%)	+14.3 (6.7%)	+30,329	-4,713	-25,127
Citrus fruit (Fresh or Dried)	-0.29	+98.88 (24.2%)	+3,988.6 (38.4%)	+1,224,955	-11,638,914	-145,215
Grapes (Fresh or Dried)	-0.34	+261.81 (16.9%)	+349.6 (25.9%)	+398,684	-379,318	-36,486
Watermelon, Papayas	-0.13	+77.58 (10.3%)	+177.6 (39.3%)	+41,955	-1,031,302	+984,167
Strawberries, Raspberries	-0.54	+669.17 (25%)	+218.7 (39.9%)	+439,879	-422,405	-49,870
Molasses	-0.05	+4.86 (1.8%)	+377.1 (0.5%)	+370,140	-191,293	-181,586
Juices other than Citrus	-0.02	+164.43 (30%)	+57.8 (22.9%)	+46,188	-15,648	-30,195
Juices other fruits or vegetables	-0.16	+175.39 (28%)	+47.4 (24.6%)	+38,008	-14,885	-23,119
Vegetables prov. preserved	-0.63	+202.50 (25.9%)	+147.0 (23%)	+144,482	-57,292	-87,140
Vegetables frozen	-0.10	+388.04 (25%)	+120.5 (19.8%)	+260,084	-81,538	-175,536
Dried Onions	-2.37	+30.11 (13.81%)	+778.2 (12.9%)	+193,068	-78,229	-113,430

Table 2
Change in Endogenous Variables
(Demand Elasticity of EU = 5 Supply Elasticity of Egypt = 5)

Commodity	Concession-Induced Change to Variables					
	EU Price (US \$/ton)	Egyptian Price FOB (US \$/ton)	Egyptian Exports (annual) (tons)	Welfare Egypt Per Annum (US \$)	Welfare rest of World Per Annum (US \$)	Welfare European Union Per Annum (US \$)
Potatoes (Fresh or Chilled)	-1.04	+39.39 (12.86%)	+90058.1 (62.98%)	+7,406,267	-4,177,048	-2,159,180
Onions & Shallots (Fr/Chl)	-0.30	+34.60 (11.1%)	+4753.2 (54.69%)	+382,939	-5,248,801	-78,937
Garlic (Fr/Chl)	-2.88	+130.40 (10.96%)	+1454.5 (53.93%)	+446,519	-285,348	-95,860
Cucumbers (Fr/Chl)	-0.024	+209.15 (14.9%)	+40.0 (76.9%)	+15,058	-12,226	-426
Beans (Fr/Chl)	-9.64	+109.02 (11.21%)	+7577.1 (54.96%)	+1,915,977	-1,115,577	-477,335
Globe Artichokes (Fr/Chl)	-1.60	+164.21 (11.98%)	+264.6 (58.66%)	+95,780	-59,152	-21,854
Dates (Fresh or Dried)	-0.50	+138.00 (10.56%)	+109.8 (51.80%)	+36,834	-23,534	-8,194
Citrus fruit (Fresh or Dried)	-0.20	+98.97 (24.25%)	+12073.6 (116.16%)	+1,626,156	-789,856	-433,395
Grapes (Fresh or Dried)	-0.24	+261.91 (16.88%)	+1095.9 (81.05%)	+496,568	-272,992	-125,234
Watermelon, Papayas	-0.04	+77.67 (10.3%)	+234.0 (51.77%)	+44,194	-33,030	-5,491
Strawberries, Raspberries	-0.34	+669.37 (24.99%)	+646.9 (118.05%)	+583,329	-265,239	-167,828
Molasses	-0.08	+4.83 (1.77%)	+6698.7 (8.82%)	+383,122	-299,335	-72,967
Juices other than Citrus	-0.04	+164.41 (27.99%)	+340.8 (135.24%)	+69,447	-36,014	-15,243
Juices other fruits or vegetables	-0.29	+175.26 (27.95%)	+258.1 (133.74%)	+56,444	-27,106	-14,278
Vegetables prov. preserved	-1.13	+202.00 (25.86%)	+793.7 (124.01%)	+209,441	-102,775	-52,795
Vegetables frozen	-0.17	+387.94 (24.99%)	+733.7 (120.28%)	+378,959	-192,093	-92,433
Dried Onions	-3.76	+28.72 (13.17%)	+3882.3 (64.46%)	+228,731	-123,690	-59,346

Table 3
Change in Endogenous Variables
(Demand Elasticity of EU = 1.5 Supply Elasticity of Egypt = 1.5)

Commodity	Concession-Induced Change to Variables					
	EU Price (US \$/ton)	Egyptian Price FOB (US \$/ton)	Egyptian Exports (annual) (tons)	Welfare Egypt Per Annum (US \$)	Welfare rest of World Per Annum (US \$)	Welfare European Union Per Annum (US \$)
Potatoes (Fresh or Chilled)	-0.64	+39.79 (12.99%)	+26,684.0 (18.67%)	+6,220,649	-6,358	-611,722
Onions & Shallots (Fr/Chl)	-0.21	+34.69 (11.13%)	+1390.4 (16%)	+325,607	-451,589	-145,493
Garlic (Fr/Chl)	-1.98	+131.30 (11.03%)	+423.9 (15.72%)	+381,944	-196,175	-179,330
Cucumbers (Fr/Chl)	-0.02	+209.15 (14.90%)	+15.5 (29.73%)	+1,617	-12,226	-461
Beans (Fr/Chl)	-7.135	+1115.20 (11.47%)	+2271.2 (16.47%)	+2,854,574	-830,639	-796,938
Globe Artichokes (Fr/Chl)	-1.095	+164.71 (12.02%)	+76.4 (16.94%)	+80,575	-40,744	-38,397
Dates (Fresh or Dried)	-0.4	+138.10 (10.57%)	+33.8 (15.96%)	+31,614	-18,828	-12,443
Citrus fruit (Fresh or Dried)	-0.143	+99.03 (24.26%)	+3462.6 (33.31%)	+1,200,768	-592,427	-574,636
Grapes (Fresh or Dried)	-0.14	+262.01 (16.89%)	+293.2 (21.75%)	+391,600	-15,599	-364,091
Watermelon, Papayas	-0.025	+77.68 (10.30%)	+71.9 (15.91%)	+37,904	-23,740	-13,825
Strawberries, Raspberries	-0.238	+181.78 (33.17%)	+181.8 (33.17%)	+427,718	-186,652	-226,918
Molasses	-0.063	+2048.10 (2.7%)	+2048.1 (2.7%)	+373,739	-226,335	-146,429
Juices other than Citrus	-0.026	+100.30 (39.61%)	+100.3 (39.8%)	+49,679	-27,321	-21,231
Juices other fruits or vegetables	-0.197	+76.45 (39.61%)	+76.5 (39.61%)	+40,545	-18,636	-20,417
Vegetables prov. preserved	-0.765	+225.31 (35.2%)	+225.3 (35.2%)	+152,307	-70,223	-77,402
Vegetables frozen	-0.074	+177.50 (29.1%)	+177.5 (29.1%)	+271,144	-81,538	-175,534
Dried Onions	-2.80	+29.68 (13.61%)	+1166.5 (19.37%)	+196,073	-92,375	-97,921

Table 4
Change in Endogenous Variables
(Demand Elasticity of EU = 1 Supply Elasticity of Egypt = 5)

Commodity	Concession-Induced Change to Variables					
	EU Price (US \$/ton)	Egyptian Price FOB (US \$/ton)	Egyptian Exports (annual) (tons)	Welfare Egypt Per Annum (US \$)	Welfare rest of World Per Annum (US \$)	Welfare European Union Per Annum (US \$)
Potatoes (Fresh or Chilled)	-2.88	+37.55 (12.2%)	+82595.0 (57.8%)	+6,920,183	-11,632,622	+4,704,282
Onions & Shallots (Fr/Chl)	-0.84	+34.06 (10.9%)	+4489.8 (51.7%)	+372,477	-694,261	+399,290
Garlic (Fr/Chl)	-7.98	+125.30 (10.5%)	+1,346.0 (49.9%)	+422,262	-789,516	+371,225
Cucumbers (Fr/Chl)	-0.02	+209.15 (14.9%)	+26.5 (50.9%)	+13,646	-11,643	-1,008
Beans (Fr/Chl)	-24.84	+93.82 (9.6%)	+6280.9 (45.6%)	+1,588,038	-2,867,311	-1,462,185
Globe Artichokes (Fr/Chl)	-4.595	+161.21 (11.8%)	+250.2 (55.5%)	+92,873	-170,264	+778,216
Dates (Fresh or Dried)	-1.5	+137.00 (10.5%)	+107.2 (50.6%)	+36,386	-70,891	+34,455
Citrus fruit (Fresh or Dried)	-0.573	+98.60 (24.15%)	+11192.8 (107.7%)	+1,576,653	-2,270,009	+696,554
Grapes (Fresh or Dried)	-0.741	+261.41 (16.85%)	+1055.3 (78.3%)	+490,314	-823,893	+333,016
Watermelon, Papayas	-0.09	+77.62 (10.29%)	+216.0 (47.8%)	+43,467	-82,572	+39,265
Strawberries, Raspberries	-1.038	+668.67 (24.96%)	+608.5 (111.04%)	+569,871	-815,279	+245,434
Molasses	-0.24	+4.67 (1.7%)	+6449.4 (8.5%)	+369,850	-872,567	+502,185
Juices other than Citrus	-0.096	+164.35 (27.98%)	+312.9 (124.2%)	+67,129	-93,338	+25,664
Juices other fruits or vegetables	-0.78	+174.77 (27.88%)	+172.7 (89.5%)	+48,821	-73,461	+30,241
Vegetables prov. preserved	-3.09	+200.04 (25.6%)	+725.8 (113.4%)	+200,623	-282,639	+82,849
Vegetables frozen	-0.474	+387.64 (24.97%)	+676.4 (110.89%)	+367,561	-523,725	+156,570
Dried Onions	-9.18	+23.30 (10.69%)	+3011.1 (49.99%)	+175,415	-298,573	+133,977

Table 5
Change in Endogenous Variables
(Demand Elasticity of EU = 5 Supply Elasticity of Egypt = 1)

Commodity	Concession-Induced Change to Variables					
	EU Price (US \$/ton)	Egyptian Price FOB (US \$/ton)	Egyptian Exports (annual) (tons)	Welfare Egypt Per Annum (US \$)	Welfare rest of World Per Annum (US \$)	Welfare European Union Per Annum (US \$)
Potatoes (Fresh or Chilled)	-0.17	+40.26 (13.15%)	+18,538.3 (12.96%)	+6,130,155	-689,389	-5,360,673
Onions & Shallots (Fr/Chl)	-0.06	+34.84 (11.18%)	+950.6 (10.94%)	+319,354	-48,856	-259,296
Garlic (Fr/Chl)	-0.58	+132.70 (11.15%)	+295.5 (10.95%)	+377,495	-57,340	-306,895
Cucumbers (Fr/Chl)	-0.02	+209.15 (14.9%)	+14.8 (28.44%)	+12,422	-12,226	-426
Beans (Fr/Chl)	-2.04	+116.62 (11.99%)	+1617.9 (11.74%)	+1,702,064	-237,470	-1,397,321
Globe Artichokes (Fr/Chl)	-0.30	+165.51 (12.08%)	+52.6 (11.66%)	+78,996	-10,812	-65,148
Dates (Fresh or Dried)	-0.10	+138.40 (10.59%)	+22.0 (10.38%)	+30,864	-4,707	-25,131
Citrus fruit (Fresh or Dried)	-0.04	+99.13 (24.29%)	+2442.2 (23.5%)	+1,151,405	-148,121	-923,745
Grapes (Fresh or Dried)	-0.04	+262.11 (16.9%)	+214.5 (15.91%)	+381,436	-52,001	-309,051
Watermelon, Papayas	-0.01	+77.70 (10.3%)	+44.8 (9.91%)	+36,861	-5,161	-30,488
Strawberries, Raspberries	-0.04	+669.67 (25%)	+120.1 (21.92%)	+407,193	-29,472	-344,938
Molasses	-0.005	+4.90 (1.8%)	+1311.7 (1.7%)	+375,476	-47,462	-325,954
Juices other than Citrus	-0.006	+164.44 (28%)	+66.2 (26.27%)	+46,882	-6,209	-36,906
Juices other fruits or vegetables	-0.06	+175.49 (28%)	+51.6 (26.75%)	+38,400	-5,446	-299,366
Vegetables prov. preserved	-0.23	+202.90 (26%)	+159.3 (24.9%)	+146,020	-20,796	-114,408
Vegetables frozen	-0.07	+388.04 (25%)	+174.5 (28.6%)	+270,561	-81,538	-175,534
Dried Onions	-0.83	+31.65 (14.52%)	+855.8 (14.21%)	+204,170	-27,439	-166,868

Table 6
General Equilibrium Terms of Trade Effects
(Demand & Supply Elasticities are Equal to Unity)

Commodity	Concession-Induced Change to Variables			
	EU Price (US \$/ton)	Egyptian Price FOB (US \$/ton)	Egyptian Exports (annual) (tons)	Welfare Egypt Per Annum (US \$)
Potatoes (Fresh or Chilled)	-1.46	+38.97 (12.72%)	+44,339.7 (31%)	+6,436,474
Onions & Shallots (Fr/Chl)	-0.49	+34.41 (11%)	+2,585.7 (29.75%)	+343,545
Garlic (Fr/Chl)	-4.67	+128.61 (10.81%)	+787.3 (29.2%)	+397,490
Cucumbers (Fr/Chl)	-0.02	+209.15 (14.9%)	+13.4 (25.67%)	+12,272
Beans (Fr/Chl)	-15.76	+102.89 (10.6%)	+3,984.7 (28.9%)	+1,623,433
Globe Artichokes (Fr/Chl)	-2.49	+163.31 (11.92%)	+135.8 (30.11%)	+84,740
Dates (Fresh or Dried)	-0.85	+137.65 (10.53%)	+61.6 (29.04%)	+33,419
Citrus fruit (Fresh or Dried)	-0.29	+98.88 (24.2%)	+4,915.7 (47.29%)	+1,270,791
Grapes (Fresh or Dried)	-0.34	+261.81 (16.9%)	+473.9 (35.16%)	+414,956
Watermelon, Papayas	-0.13	+77.58 (10.3%)	+220.6 (48.81%)	+43,623
Strawberries, Raspberries	-0.54	+669.17 (25%)	+267.4 (48.8%)	+456,183
Molasses	-0.61	+4.30 (1.58%)	+16,246.8 (21.39%)	+404,155
Juices other than Citrus	-0.04	+164.41 (27.99%)	+112.6 (44.68%)	+50,688
Juices other fruits or vegetables	-0.27	+175.28 (27.96%)	+64.3 (33.33%)	+39,466
Vegetables prov. preserved	-1.10	+202.02 (25.86%)	+259.8 (40.60%)	+155,536
Vegetables frozen	-0.17	+387.94 (24.99%)	+243.9 (39.98%)	+283,953
Dried Onions	-5.56	+26.93 (12.35%)	+1,822.7 (30.26%)	+186,742

Table 7

Consequences of Non-Agreement

Commodity	Welfare Loss Egypt (US \$)
Potatoes (Fresh or Chilled)	-87,140
Onions & Shallots (Fr/Chl)	-3,821
Garlic (Fr/Chl)	-3,103
Cucumbers (Fr/Chl)	-1
Beans (Fr/Chl)	-76,387
Globe Artichokes (Fr/Chl)	-440
Dates (Fresh or Dried)	-19
Citrus fruit (Fresh or Dried)	-245
Grapes (Fresh or Dried)	-394
Watermelon, Papayas	-51
Strawberries, Raspberries	-236
Molasses	-3,981
Juices other than Citrus	-3
Juices other fruits or vegetables	-24
Vegetables prov. preserved	-317
Vegetables frozen	-36
Dried Onions	-12,377

Technical Appendix B

Conditional E.U. Agricultural Offers to Egypt, 1977 and 1999

Technical Appendix B. Conditional E.U. Agricultural Offers to Egypt, 1977 and 1999 .

Possibility for a review after 3 yrs

	HS Code	Description	Existing Preferences 1977				EU Proposal 3/2/1999 (6/99)				Trade Statistics (1997)		
			Quantity	Duty	Calendar	O.Q. Reduction	Quantity	Duty	Calendar	O.Q. Reduction c]	Total Exports	Total Exports to EU	Quota Coverage
1	0601	Bubs	NI 1)	NI	NI	NI	500 a]	0%		0			—
2	0602	Cuttings & Slips	NI	NI	NI	NI	2000 a]	0%		0			—
3	060310	Fresh cut and exotic flowers	NI	NI	NI	NI	3,000 of which 1,000 are exotic b]	0%	1/10-15/4	0			
4	0604-99	Branches & other plants	NI	NI	NI	NI	500 a]	0%		0			
5	0701-9051	Early Potatoes	109,670	0%	1/1-31/3	40%	Year (1) 130,000 (2) 190,000 (3) 250,000	0%	1/1-31/3	60%	232,949	190,549	0.7
6	070200	Tomatoes	unlimited	0%	1/2-31/3	0%+34.70ECU	unlimited	0%	1/11-31/3	0	12353	86	unlimited
7	070310	Fresh or chilled onions	12,120	0%	1/2-31/3	60%	15,000 a]	0%	1/2-15/6	60%	103,951	14,559	1,0
8	0703-2000	Garlic, fresh or chilled	NI	NI	NI	NI	3000 a]	0%	1/2-15/6	50%	4,883	2,520	1.2
9	070410	Cauliflower	NI	NI	NI	NI	1500 a]	0%	1/11-15/4	0	71	0	
10	0704-9000	Cabbage	NI	NI	NI	NI	1500 a]	0%	1/11-15/5	0	0.425	0	
11	0705-1100	Cabbage Lettuce	NI	NI	NI	NI	500 a]	0%	1/11-31/3	0	12	5	100,0
12	0706-1000	Carrots, Turnips	NI	NI	NI	NI	500 a]	0%	1/1-30/4	0	1075	0	
13	070700	Cucumbers & Gerkins	120	0%	1/1-29/2	100% if EP 67.9 ECU	500 a]	0%	1/1-29/2	0	0.15	0.15	3000
14	070820	Leguminous vegetables Green Beans + Peas	7680	0%	1/11-30/4	60%	20000 a]	0%	1/11-30/4	0	6,200	0	
15	0709-2000	Asparagus	unlimited	0%	1/11-29/2	100%	unlimited	0%	1/11-29/2	0			unlimited
16	0709-3000	Aubergines	NI	NI	NI	NI	unlimited	0%	1/11-29/2	0	20	4	unlimited
17	0709-4000	Celery	NI	NI	NI	NI	unlimited	0%	1/11-29/2	0			unlimited
18	0709-7000	Spinach	NI	NI	NI	NI	unlimited	0%	1/11-29/2	0			unlimited
19	070910	Fresh or chilled Artichokes	120	0%	1/10-31/12	100%	unlimited	0%	1/11-29/2	0	2914	1308	unlimited
20	0709-51	Mushrooms (other than Agaricus)	NI	NI	NI	NI	unlimited	0%	1/11-29/2	0			unlimited

Possibility for a review after 3 yrs

	HS Code	Description	Existing Preferences 1977				EU Proposal 3/2/1999 (6/99)				Trade Statistics (1997)		
			Quantity	Duty	Calendar	O.Q. Reduction	Quantity	Duty	Calendar	O.Q. Reduction c]	Total Exports	Total Exports to EU	Quota Coverage
21	070990	Courgettes	unlimited	0%	1/12-15/3	100%	unlimited	0%	1/11-29/2	0	163	150	unlimited
22	0709909	Sweet Pepper	unlimited	0%	15/11-30/4	100%	unlimited	0%	1/11-29/2	0	289	208	unlimited
23	0712	Dried vegetables		0%		100%	16000 a]	0%		0	1,343	440	36.4
24	0712-9090	Dried Garlic	1,200	0%		100%				0	50,338	48,268	
25	0710 (except 4000-8061)	Frozen & provisionally preserved vegetables		0%	15/8-30/4	100%	Year (1): 1,000 (2) 2,000 (3) 3,000	0%		0	16902	614	1.6
26	0711 (except 9030-9040)	Canned vegetables		0%	15/8-30/4	100%		0%		0	15	0	-
27	0712	Dried Onions	5,880	0%			16000 a]	0%		0	6,523	3,397	4.7
28	0713	Dried Leguminous vegetables (except seeds)		0%			unlimited	0%		0	12968	1680	unlimited
29	071420	Sweet Potatoes	NI	NI	NI	NI	3000 a]	0%		0	4089	1237	2.4
30	0804-1000	Dates	unlimited	0%		100%	unlimited	0%		0	561	73	unlimited
31	0804-5000	Guavas, Mangoes & Mangosteens	unlimited	0%		100%	unlimited	0%		0	5928	97	unlimited
32	080510	Fresh or dried oranges	7840	8.6 ECU/100kg	1/1-31/3	60%	50,000=34,000 (0% duty)+E.P. Red, (27.1 ECU/100 Kgms)		12/1-31/5	60%	44,301	8,420	5.9
33	080520	Mandarins (incl. tangerines, clementines, similar citrus)	unlimited	0%	1/1-28/2	100% +12.8 ECU	unlimited	0%		0	140	0.961	unlimited
34	080530	Lemons and Limes	unlimited	0%	1/6-31/10	100% +30.9 ECU	unlimited	0%		0	14451	172	unlimited
35	080540	Grapefruit	unlimited	0%	1/1-31/4	100%	unlimited	0%		0	325	171	unlimited
36	080610	Table grapes, fresh	unlimited	0%	1/2-30/6	60%	unlimited	0%	1/2-15/7	0	830	305	unlimited
37	08071100	Watermelons	unlimited	0%	1/4-15/6	100%	unlimited	0%	1/4-15/6	0	1274	251	unlimited
38	08071900	Melon	120	0%	1/1-31/5	100%	1,000 a]	0%	1/11-31/5	0	1879	293	3.4

Possibility for a review after 3 yrs

	HS Code	Description	Existing Preferences 1977				EU Proposal 3/2/1999 (6/99)				Trade Statistics (1997)		
			Quantity	Duty	Calendar	O.Q. Reduction	Quantity	Duty	Calendar	O.Q. Reduction c]	Total Exports	Total Exports to EU	Quota Coverage
39	080820	Pears & Quinces	NI	NI	NI	NI	500 a]	0%		0	2	0	
40	080930	Peaches, including nectarines	NI	NI	NI	NI	500 a]	0%	15/3-31/5	0	611	12	41.7
41	080940	Plums and Soles, fresh	NI	NI	NI	NI	500 a]	0%	15/4-31/5	0			
42	081010	Fresh Strawberries	NI	NI	NI	NI	500 a]		1/11-31/3	0	600	29	17.2
43	08109085	Other fruit, fresh	NI	NI	NI	NI	unlimited	0%		0			unlimited
44	08110812	Frozen fruits and nuts	NI	NI	NI	NI	Year (1): 1,000 (2) 2,000 (3) 3,000	0%		0	486	0.25	4000
45	0812	Canned fruits	NI	NI	NI	NI				0	499	0	-
46	0904	Peppers of the genus piperor ground fruit of the genus capsicum of pimenta	unlimited	0%		100%	unlimited	0%		0			unlimited
47	0909	Various seeds	unlimited	0%		100%	unlimited	0%		0	7147	2402	unlimited
48	0910	Ginger, saffron, thyme, cumin	NI	NI	NI	NI	unlimited	0%		0	597	34	unlimited
49	1006	Rice	32,000	0%		0%	32,000	25% reduction			120,000	0	
50	1209 (except 1100 & 1900)	Seeds, fruits & spores (except beet seed)	unlimited	0%		100%	unlimited	0%		0			unlimited
51	1209 (except 12091100 & 12091900)	Vegetables seeds	unlimited	0%		85%	unlimited	0%		0			unlimited
52	1211	Medicinal & Aromatic plants	unlimited	0%		85%	unlimited	0%		0			unlimited

Possibility for a review after 3 yrs

	HS Code	Description	Existing Preferences 1977				EU Proposal 3/2/1999 (6/99)				Trade Statistics (1997)		
			Quantity	Duty	Calendar	O.Q. Reduction	Quantity	Duty	Calendar	O.Q. Reduction c]	Total Exports	Total Exports to EU	Quota Coverage
53	1212	Locust beans, seaweeds & other alga, sugar beet cane & other veg. Products	unlimited	0%		100%	unlimited	0%		0			unlimited
54	151560	Joboba oil		0%		100%					0.36	0	-
55	1515-5011	Sesame oil	NI	NI	NI	NI	1000 a]	0%			2	0	
56	1515-90	Other vegetable fats & oils	NI	NI	NI	NI	500 a]	0%			52	23	21.7
57	1703	Molasses	NI	NI	NI	NI	350000 a]	0%			25384	10655	32.8
58	2009	Fruit Juices	NI	NI	NI	NI	1000 a]	0%					
59	20019010	Mango chuttney	NI	NI	NI	NI	unlimited	0%					unlimited
60	2007	Jam & Marmalade, fruite jellies	NI	NI	NI	NI	1000 a]	0%					
61	200811	Peanuts / peanuts+C66B utter		0%		100%	3000 a]	0%					
62	2302	Residues derived from the stifting or other working cereals of leguminous plant	unlimited	0%		36%	unlimited	0% ⁶ reduction					unlimited
63	5301	Flax	NI	NI	NI	NI	unlimited	0%					unlimited

1) NI means "not included" in the 1977 Agreement

a) To increase 3%peryear following the first year of the Agreement

b) Subject to condi ions set by an exchange of letters

c) Reduction of over quota tariff beyond reductions given in 1977

d) Except sweetcorn which retained 12.90 ECU/100kg

Technical Appendix C

Concessions for Processed Agricultural Products

Technical Appendix C: Concessions for Processed Agricultural Products

Tables (1) - (3) of this Appendix list the processed agricultural commodities that receive preferential treatment by the EU under this Agreement. These are additional to those agricultural commodities presented in Technical Appendix C, above. There are certain definitional problems. The EU, for example, does not consider frozen fruits and vegetables to be “processed”. They are treated as “fresh” for tariff and quota purposes. Dried fruits and vegetables are also considered fresh, as are jams and preserves. This is of course an important distinction, as the industrial component of “processed” agricultural products receive 100 percent tariff reduction under the agreement. On the average over the commodities in Tables (1) - (3), the agricultural component equals about 70% of the total CIF value.

There are three classes of processed agricultural products for purposes of the Partnership Agreement:

- (1) Those having 100% of duties removed [Table (1)]
- (2) Those that have the duty on the industrial component reduced to zero but retain the duty on the agricultural component [Table (2)]; and
- (3) Those that have the duty on the industrial component reduced to zero and have the duty on the agricultural component reduced by 30 percent [Table (3)]. This latter group is also subjected to a tariff quota, as indicated in the table.

The concessions on commodities listed in Table (1) are not new, as Egypt already had preferential treatment under the old (1977/87) partnership agreement. There is therefore no additional benefit to the Egyptian economy.

The total duties on the commodities listed in Table (2) have been reduced by 30%, which equals the duty on the industrial component. This is also not an additional concession to Egypt as preferential treatment was available in the 1977/87 agreement.

Items in the Table (3) receive approximately a 50% reduction in duties amounting to a 100% reduction in duty on the industrial component and a 30% reduction on the agricultural component. However, a very small tariff quota is also applied, limiting the potential benefit. The items in Table (3) are potentially of importance to the Egyptian economy, as there would appear to be ample opportunity for expansion at competitive prices. Unfortunately, the EU has imposed a very limiting quota.

Technical Annex C. Concessions for Processed Agricultural Products

Table (1)

CN-Code	Description	Applicable Duties
0505	Skins and other parts of birds, with their feathers or down, feathers and parts of feathers (whether or not with trimmed edges) and down, not further worked than cleaned, disinfected or treated for preservation; powder and waste of feather or parts of fea	
050510	Feathers of a kind used for stuffing; down:	0%
05051090	*Other	0%
05059000	*Other	0%
050900	Natural sponges of animal origin:	
05090090	*Other	0%
09030000	*Mate'	0%
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety Cichorium Intybus Sativum) of a kind used pri	
12122000	Seaweeds and other algae	0%
1302	Vegetables saps and extracts; pectic substances, pectinates and pectates agar-agar and other mucilages and thickeners, whether or not modified derived from vegetable products:	
13021200	*Of liquorice	0%
13021300	*Of hops	0%
13021400	*Of pyrethrum or the roots of plants containing rotenone	0%
130219	*Other	0%
13021930	*Intermixtures of vegetable extracts, for the manufacture of beverage or of food preparation	0%
	*Other	
13021991	*Medicinal	0%
130220	*Pectic substances, pectinates and pectates:	
13022010	*Dry	0%
13022090	*Other	0%
	*Mucilages and thickeners, whether or not modified derived from vegetable products:	
13023100	*Agar-agar	0%
130232	*Mucilages and thickeners, whether or not modified derived from locust beans, locust bean seeds or guar seeds	
13023210	*Of locust beans or locust bean seeds	0%
1505	Wool grease and fatty substances derived therefrom (including lanolin)	
15051000	Wool grease, crude	0%
15059000	Other	0%
15060000	Other animal fats and oils and their fractions, whether or not refined, but not chemically modified	0%

CN-Code	Description	Applicable Duties
1515 151560 15156090	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified: *Jojoba oil and its fractions *Other	0%
1516 151620 15162010 15179093	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinized, whether or not refined, but not further prepared: *Vegetable fats and oils and their fractions: *Hydrogenated castor oil, so called "opal-wax" *Edible mixtures or preparations of a kind used as mould release preparation	0% 0% 0%
151800 15180010 15180091 15180095 15180099	Animal or vegetable fats and oils and their fractions, boiled, oxydezed, dehydrated, sulphurized, blown, polymerized by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading N 1516; inedible mixtures or preparations o *Linoxyn *Fixed vegetable oils, fluid, mixed, for technical or industrial uses other than the manufacture of foodstuffs for human consumption *Other Animal or vegetable fats and oils and their fractions *Other *Inedible mixtures or preparations of animal or of animal and vegetable fats and oils and their fractions *Other	0% 0% 0% 0% 0%
15200000	Glycerol (glycerin) crude; glycerol waters and glycerolizes	0%
1521 152110 15211090 152190 15219010 15219099	Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or colored: *Vegetable waxes: *Other *Other *Spermaceti, whether or not refined or colored *Beeswax and other insect waxes, whether or not refined or colored *Other	0% 0% 0% 0% 0%
152200 15220010	Degras; residues resulting from the treatment of fatty substances or animal or vegetable wax: Degras	0%
170290 17029010	*Other, including invert sugar: *Chemically pure maltose	0%
1704 170490 17049010	Sugar confectionery (including white chocolate), not containing cocoa: *Other *Liquorice extract containing more than 10% by weight of sucrose but not containing other added substances	0%

CN-Code	Description	Applicable Duties
1803	Cocoa paste, whether or not defatted:	
18031000	*Not defatted	0%
18032000	*Wholly or partly defatted	0%
18040000	Cocoa butter, fat and oil	0%
18050000	Cocoa powder, not containing added sugar or other sweetening matter	0%
1806	Chocolate and other food preparation containing cocoa	
180610	*Cocoa powder, containing added sugar or other sweetening matter	
18061015	*Containing no sucrose or containing less than 5% by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose *Other:	0%
19019091	*Containing no milk fats, sucrose, isoglucose, glucose or starch or containing less than 1,5% milk fat, 5% sucrose (including invert sugar) or isoglucose, 5% glucose or starch, excluding food preparations in powder form of goods of heading Nos 0401 to 040	0%
20019060	*Palm hearts	0%
20081110	*Peanut butter	0%
20089100	*Other, including mixtures other than those of subheading 200819: *Palm hearts	0%
2101	Extracts, essences and concentrates of coffee, tea or mate' and preparations	
210111	*Extracts, essence and concentrates of coffee	
21011111	*Extracts, essence and concentrates: *With a coffee-based dry matter content of 95% or more by weight	0%
21011119	*Other	
21011292	*Preparations: *Preparations with a basis of coffee: *With a basis of extracts, essences or concentrates of coffee	0%
210120	*Extracts, essences and concentrates of tea or mate', and preparations with a basis of these extracts, essences or concentrates or with a basis of tea or mate':	
21012020	*Extracts, essences or concentrates: *Preparations	0%
21012092	*With a basis of extracts, essences or concentrates of tea or mate'	
210130	*Roasted chicory and other roasted coffee substitutes and extracts, essences and concentrates thereof:	
21013011	*Roasted chicory and other roasted coffee substitutes: *Roasted chicory	0%
21013091	*Extracts, essence and concentrates of roasted chicory and other roasted coffee substitutes: *Of roasted chicory	0%
2102	Yeast (active or inactive); other single-cell micro-organisms, dead (but not including vacuoles of N 3002) prepared banking powders:	
210210	*Active yeast:	
21021010	*Culture yeast	0%
21021031	*Bakers' yeast	0%

CN-Code	Description	Applicable Duties
21021039 21021090 210220	*Other *Inactive yeast; other single-cell micro-organisms, dead: *Inactive yeast:	0%
21022011	*In tablet, cube or similar form, or in immediate packing of a net content not exceeding 1Kg	0%
21022019	*Other	0%
21022090	*Other	0%
21023000	*Prepared baking powders	0%
2103	Sauces and preparations therefor; mixed condiments and mixed seasoning; mustard flour and meal and prepared mustard:	
21031000	*Soya sauce	0%
21032011	*Tomato ketchup and other tomato sauces	0%
210330	Mustard flour and meal and prepared mustard:	
21033010	*Mustard flour	0%
21033090	*Prepared mustard	0%
210390	*Other:	
21039010	*Mango chutney, liquid	0%
21039030	*Aromatic bitters of an alcoholic strength by volume of 44,2 to 49,2% vol. containing from 1,5 to 6% by weight of gentian, spices and various ingredients and from 4 to 10% of sugar, in containers holding 0,5 litre or less	0%
21039090	*Other	0%
2104	Soups and broths and preparations therefor;	
210410	*Soups and broths and preparation therefor	0%
21042000	*Homogenised composite food preparation	0%
2106	Food preparations not elsewhere specified or included:	
210610	*Protein concentrates and textured protein substances:	
21061020	*Containing no milk fats, sucrose, isoglucose, glucose or starch or containing by weight less than 1,5% milk fat, 5% sucrose or isoglucose, 5% glucose or starch	0%
210690	*Other:	
21069092	*Other: *Containing no milk fats, sucrose, isoglucose, glucose or starch or containing by weight less than 1,5% milk fat, 5% sucrose or isoglucose, 5% glucose or starch	0%
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar	
22011000	*mineral waters and aerated waters:	0%
22019000	*Other	0%
2202	Waters, including mineral waters and aerated waters	
22021000	*Waters including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	0%
220290	*Other:	
22029010	*Not containing products of Nos. 0401 to 0404 or fat obtained from products of Nos. 0401 to 0404	0%
220300	Beer made from malt:	
22030001	*In containers holding 10 litres or less: *In bottles	0%
22030009	*Other	0%
22030010	*In containers holding 10 litres	0%

CN-Code	Description	Applicable Duties
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances:	
220510	*In containers holding 2 litres or less:	0%
22051010	*Of an actual alcoholic strength by volume of 18% vol. or less	0%
22051090	*Of an actual alcoholic strength by volume exceeding 18% vol.	0%
220590	*Other:	
22059010	*Of an actual alcoholic strength by volume of 18% vol. or less	0%
22059090	*Of an actual alcoholic strength by volume exceeding 18% vol.	0%
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher;	0%
2208	Undenatured ethyl alcohol	0%
24021000	*Cigars, cheroots and cigarillos, containing tobacco	0%
240220	*Cigarettes containing tobacco	
24022010	*Containing cloves	0%
24022090	*Other	0%
24029000	*Other	0%
2403	Other manufactured tobacco and manufactured tobacco substitutes	
24031000	*Smoking tobacco	0%
	*Other	
24039100	*"Homogenized" or "reconstituted" tobacco	0%
240399	*Other	
24039910	*Chewing tobacco and snuff	0%
2403990	*Other	0%

Table (2)

CN-Code	Description	Applicable Duties
0403	Buttermilk, curdled milk and cream	
04031051 to 99	*Yoghurt, flavored or containing added fruit or cocoa	0% + E.A
04039071 to 99	*Other, flavored or containing added fruit or cocoa	0% + E.A
0405	Butter and other fats and oils	
040520	Dairy spreads	
04052010	*Of fat content, by weight, of 39% or more but less than 60%	0% + E.A
04052030	*Of fat content, by weight, of 60% or more but not exceeding 75%	0% + E.A
07104000	Sweet corn (uncooked or cooked by steaming or boiling in water), frozen	0% + E.A
07119030	Sweet corn provisionally preserved	0% + E.A
ex 1517	Margarine:	
15171010	*Margarine, excluding liquid margarine	0% + E.A
15179010	*Other	0% + E.A
17025000	Chemically pure fructose	0% + E.A
ex 1704	Sugar confectionery	0% + E.A
ex 1806	Chocolate and other food preparations containing cocoa other than those of CN code 18061015	0% + E.A
ex 1901	Malt extract, food preparations of flour meal, starch or malt extract	0% + E.A
ex 1902	Pasta	0% + E.A
1903	Tapioca and substitutes therefor prepared from starch	0% + E.A
1904	Prepared foods obtained by the swelling or roasting of cereals	0% + E.A
1905	Bread, pastry, cakes, biscuits and other bakers' wares	0% + E.A
20019030	Sweet corn (zea mays var. saccharata), prepared or preserved by vinegar or acetic acid	0% + E.A
20019040	Yams, sweet potatoes and similar edible parts of plants containing 5% or more by weight of starch, prepared or preserved by vinegar or acetic acid	0% + E.A
20041091	Potatoes in the form of flour, meal or flakes, prepared or preserved otherwise than by vinegar or acetic acid, frozen	0% + E.A
20049010	Sweet corn (zea mays var. saccharata), prepared or preserved by vinegar or acetic acid, not frozen	0% + E.A
20052010	Potatoes in the form of flour, meal or flakes, prepared or preserved otherwise than by vinegar or acetic acid, frozen	0% + E.A
20058000	Sweet corn (zea mays var. saccharata) otherwise than by vinegar or acetic acid, not frozen	0% + E.A
20089991	Yams, sweet potatoes and similar edible parts of plants	0% + E.A
21011298	Preparations with a basis of coffee	0% + E.A
21012098	Preparations with a basis of tea or mate'	0% + E.A
21013019	Roasted coffee substitutes excluding roasted chicory	0% + E.A
21013099	Extracts, essences and concentrates of roasted coffee substitutes excluding those of roasted chicory	0% + E.A
2105	Ice cream and other edible ice, whether or not containing cocoa	0% + E.A
ex 2106	Food preparations not elsewhere specified	0% + E.A
22029091		
22029095	Non-alcoholic beverages	0% + E.A
22029099		

29054300	Mannitel	0% + E.A
290544	D-glucitol (sorbitol)	0% + E.A
35051029	Mixtures of odoriferous substances and mixtures.	0% + E.A
ex 350510	Dextrins and other modified starches	0% + E.A
350520	Glues based on starches or on dextrins or other modified starches	0% + E.A
380910	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs	0% + E.A
382460	Sorbitol	0% + E.A

التقرير النهائي

الصادرات الغذائية المصرية والاتحاد الأوروبي: السياسات التجارية المصرية

معد لأجل

حكومة جمهورية مصر العربية
وزارة الاقتصاد والتجارة الخارجية

مقدم الى

الوكالة الأمريكية للتنمية الدولية

مقدم من

شركة ناثان اسوشيتس إنكوربوريشن

عقد رقم

٠٠-٠٠٠٠١-٩٦-٠٠-C-٢٦٣



أكتوبر ١٩٩٩

الملخص التنفيذي

قامت الدراسة بعمل تحليل كمي لبعض المنتجات الزراعية التي تمثل أهمية خاصة للاقتصاد المصري من منظور المكاسب المحتملة من التفضيلات الجمركية التي من المحتمل ان يتضمنها اتفاق المشاركة بين مصر والاتحاد الأوروبي. وعلى حين تقدم التقديرات، التي سترد فيما بعد، صورة إرشادية عن قيمة زيادة التفضيلات والتي ستفوق ما هو قائم في اتفاق التعاون الشامل لعام ١٩٧٧ بين مصر والاتحاد الأوروبي، والذي تمت مراجعته في عام ١٩٨٧، يكون من الضروري ان نتفهم ان الدراسة لم تركز بداءة على تقدير قيمة اتفاق المشاركة بالنسبة لقطاع الزراعة، بالرغم من انها سوف تتناول هذا الموضوع، وهي في الحقيقة قامت بعمل هذا التقدير للمنتجات ذات الأهمية. ومرد ذلك ان المنهج التي اتبعته الدراسة هو تحليل للتوازن الجزئي، والذي يركز على مستوى القطاع الإنتاجي. ويعتبر هذا المنهج صالحا لتقييم اثر التفضيلات الجمركية. لكن المكاسب الشاملة التي تنتج عن اتفاق مشاركة يقوم على التجارة الحرة تبرز في سياق تحليل التوازن العام، وهو يعتمد بدرجة اكبر على تحرير مصر لتجارتها اكثر مما يعتمد على قيام الاتحاد الاوروبي بالتحرير. وكما هو مفهوم وموثق، نجد ان مكاسب المصدرين المصريين (والمستهلكين كذلك) تتولد من خلال الامتيازات المصرية، والتي يمكن ان تقلل من درجة التحيز الكبير ضد التصدير الموجود الان في هيكل الحوافز الاقتصادية في مصر، الأمر الذي يسمح بانتعاش الصناعات ذات الميزة النسبية الحقيقية. وهذه المكاسب التي تمتد الى جميع جوانب الاقتصاد، من الممكن ان تكون اكبر من ذلك، حيث يحصل الاتحاد الأوروبي على نحو نصف الصادرات المصرية، ويلبي نحو ٤٠% من الواردات المصرية (حيث بلغ إجمالي تجارة مصر مع الاتحاد الاوروبي في عام ١٩٩٦ - الصادرات + الواردات - نحو ٣٥% من الناتج المحلي الإجمالي لمصر). وحيث ان الصناعات المصرية المنافسة للواردات تتمتع بدرجة مرتفعة من الحماية، تكون التجارة على درجة كبيرة من الأهمية، والمكاسب التي تتولد من تحريرها تكون كبيرة. وللحصول على المزيد من المعلومات عن التحيز ضد التصدير والضريبة الضمنية على المصدرين المرتقبين، يمكن الرجوع الى دراسة قامت بها مؤسسة ناثان أسوشيتس علم ١٩٩٨ (من خلال مشروع دبرا).

ويقدم القسم الأول من هذا التقرير عرضاً لعملية التفاوض بين مصر والاتحاد الأوروبي. إن عدم التوازن بين مصر والاتحاد الأوروبي من حيث القوة الاقتصادية، والتأثير الشديد للسياسات الزراعية للاتحاد الأوروبي، والمنهج الذي تستخدمه مصر، قد تم تناول كل ذلك في هذا القسم من الدراسة. وقد تم عرض مجموعة من المقترحات من أجل تحسين استراتيجية التفاوض في المستقبل. ويعرض القسم الثاني تحليلاً للتوازن الجزئي عن المكاسب المتوقع الحصول عليها من الاتفاق، وكان التركيز على قطاع الزراعة والسلع الغذائية. وفي النهاية، تمت مناقشة تحليل التوازن الكلي لمضامين الرفاهة، والتي تنتج عن الصورة الأولية (المسودة) لاتفاق المشاركة.

بيئة السياسات الحالية:

يمكن القول بأن السياسة الزراعية الأوروبية تتسم، بصفة عامة، بالتعقيد، وربما بالتحيز الكبير. والسياسة العاملة في قطاع التجارة الخارجية ليست استثناء من ذلك، فهناك إفراط في العوائق سواء الجمركية أو غير الجمركية، وتدار بشكل يبتعد عن الشفافية. وفيما يتعلق بالصادرات الزراعية ذات الأهمية لمصر وغيرها من دول حوض البحر المتوسط - الفاكهة، الخضراوات، وما يتم تجهيزه منهما - نجد أن قوانين التجارة المنظمة لها تكون معقدة بشكل خاص. وبسبب اختلاف موسم الزراعة في بعض الدول الأعضاء عن غيره في دول أخرى غير أعضاء، قام الاتحاد الأوروبي، على سبيل المثال، بإنشاء ما يطلق عليه "النوافذ الموسمية" والتي تسمح باستيراد محاصيل معينة بمعدلات تعريفية جمركية تشجيعية في هذه الأوقات، قياساً إلى ما تكون عليه في أوقات أخرى من السنة. وأيضاً، هناك بعض الواردات تخضع لما يسمى "الحد الأدنى لأسعار الدخول إلى السوق".

وبعيداً عن التعقيدات المتعلقة بسياسات الاتحاد الأوروبي، والتي تجابه جميع المصدرين المرتقبين إلى الإقليم، وبسبب العديد من العوامل الثقافية، والسياسية، والتاريخية، يرتبط الاتحاد الأوروبي بعدد من العلاقات الرسمية الخاصة مع بعض دول الحوض المتوسط غير الأعضاء في الاتحاد. ومن الناحية الاقتصادية، ترتبط هذه العلاقات أساساً بافضليات لدخول سوق الاتحاد الأوروبي، وذلك من خلال اتفاق التعاون الشامل لعام ١٩٧٧. وبالنسبة للاقتصاد المصري، يقدم الاتفاق معاملة تفضيلية غير تبادلية محدودة لدخول سوق الاتحاد الأوروبي، عن طريق إلغاء كافة التعريفات الجمركية على منتجات صناعية معينة، وتخفيضات جمركية على العديد من الصادرات الزراعية، مع خضوعها لقيود كمية وموسمية صارمة.

وفى الوقت الراهن، يقوم الاتحاد الاوروبى بتطبيق استراتيجية تقوم على روابط ثنائية وثيقة مع دول حوض البحر المتوسط، وذلك من خلال سلسلة من المفاوضات لعقد اتفاقات مشتركة، يطلق عليها الاتفاقات الأوروبية/المتوسطية. وقد قامت بعض الدول المنافسة لمصر فى الإقليم - المغرب، وتونس، وإسرائيل - بالتوقيع على اتفاقات. ومن الأمور وثيقة الصلة بالموضوع، وبعيدا عن سلسلة الاتفاقات الفرعية للتعاون المالى، والثقافى، والفنى، فإن الاتفاقات سوف تسمح بتجارة حرة ثنائية على مراحل، لمعظم المنتجات الصناعية، وتفضيلات ثنائية محدودة لدخول المنتجات الزراعية.

وبالنسبة لحالة مصر، لازال الاتفاق معلق مؤقتا. وهناك اهتمام واضح بكل من الأثر المحتمل على القطاع الصناعى الذى يتمتع بدرجة مرتفعة من الحماية، حتى بالرغم من ان التحرير المقترح يتم على مراحل تستغرق ما يزيد على اثنتى عشرة سنة او تزيد فى بعض الأحيان، مع وجود محدودية لدخول السوق فى العرض الأخير للتفضيلات التى يقدمها الاتحاد الاوروبى للمنتجات الزراعية التى تشكل أهمية فى الصادرات المصرية. ولم يقدم الاتحاد الاوروبى المزيد من فرص دخول السوق للعديد من المنتجات الزراعية أكثر مما تحصل عليه مصر فعلاً. ويعود ذلك، بشكل جزئى، للصعوبات السياسية التى يتضمنها منح المزيد من فرص دخول السوق لمنتجات مثل الموالح، لأنها تشكل أهمية كبيرة للمزارعين فى جنوب أوروبا، وجزئياً بسبب الإطار الذى تمت الموافقة عليه فى برشلونة - أسبانيا، والذى يقضى بأن يكون دخول المنتجات الزراعية خاضعا للتفاوض على أساس تاريخى، وتعتبر مصر، من الناحية التاريخية، مصدرا صغيرا. والآن، وحيث اتسعت آفاق التصدير بدرجة كبيرة، ترغب الحكومة المصرية، ولها الحق فى ذلك، فى الحصول على المزيد من المعاملة التفضيلية لدخول سوق الاتحاد الاوروبى.

وبالنسبة لبعض المنتجات التى تشكل أهمية، كالفراولة على سبيل المثال، نجد أن عرض الاتحاد الاوروبى يفرض عليها حصة تعريفية، وذلك للمرة الاولى، ومعنى ذلك أن عرض الاتحاد الاوروبى من المحتمل أن يكون أقرب الى التقييد قياساً الى الاتفاق الحالى المطبق.

المنتجات الهامة وعلامات المقارنة:

تم قصر تحليل التوازن الجزئى على ١٧ سلعة طازجة أو مصنعة بدرجة خفيفة، من قطاع الفواكه والخضراوات، والتى تم تحديدها باعتبارها أكثر الصادرات تنافسية فى سوق الاتحاد الاوروبى. وتتمثل هذه المجموعات السلعية فيما يلى: البطاطس، والبصل، الكرات (الطمازج أو

المبرد)، الثوم، الخيار، الفول، الخرشوف، البلح، الموالح، الأعناب، البطيخ/الشمام، الفراولة/التوت، المولاس، العصائر غير الحمضية، عصائر الفواكه والخضراوات، والخضراوات المحفوظة حفظاً مؤقتاً، الخضراوات المجمدة، والبصل المجفف. وتخضع معظم هذه المنتجات في الوقت الحالي للقيود التجارية، بالرغم من حصول بعضها على معاملة تفضيلية محدودة في ظل المراجعات التي تمت في عام ١٩٨٧ على الاتفاق التفضيلي مع الاتحاد الأوروبي المبرم في عام ١٩٧٧، والتي أخذت شكل الحصص التعريفية. وتحديداً، نجد ان الأعناب، والخرشوف، والموالح، بالإضافة الى بعض المجموعات الفرعية المحددة، مثل الخوخ بأنواعه، تخضع أيضاً لنظام أسعار الدخول الذي يطبقه الاتحاد الأوروبي.

وتبدأ نتائج الدراسة بعرض تقديرات لآثار العرض المقدم من الاتحاد الأوروبي بالمقارنة بعدم وجود تفضيلات على الإطلاق (معاملة شرط الدولة الأكثر رعاية)، ثم مناقشة القيمة المحتملة للعرض الأوروبي قياساً الى التفضيلات القائمة فعلاً. وبعد ذلك تم تقديم تقديرات للخسارة التي يمكن ان تتحملها مصر في المنتجات المذكورة، في حالة استمرار الوضع الحالي بالنسبة لمصر، مع حصول تونس، والمغرب، وإسرائيل، على التفضيلات الإضافية، لأن هذه الدول وقعت الاتفاقات فعلاً. وأخيراً، تمت مناقشة الآثار المحتملة في ظل نموذج التوازن العام، على تغيرات معدل التبادل الدولي، عند تحرير الواردات المصرية في إطار الاتفاق الأوروبي/المتوسطى، بالإضافة الى مناقشة بعض المناهج البديلة.

ملاحظات على الوضع الراهن للمفاوضات:

إن مراجعة المفاوضات الطويلة والمعقدة (نحو ٥ سنوات) المتعلقة باتفاق المشاركة، تقدم لنا بعض الرؤى العميقة لهذه العملية:

أولاً: السياسة الزراعية المشتركة للاتحاد الأوروبي تملى على المنهج الأوروبي أن يقدم بعض الامتيازات بالنسبة لتجارة السلع الغذائية والزراعية سواء المصنعة أو الطازجة. وقد تمسك الاتحاد الأوروبي بالسياسات الداخلية القائمة اثناء المفاوضات. وقد اصبح واضحاً أن الاتحاد الأوروبي لن يقدم سوى النذر اليسير من الامتيازات بالنسبة لتجارة الزراعية. ومن ناحية أخرى، ومع تقديم مصر للقليل في عروضها الفعلية، فان القيود على المزايا المحتملة للاتحاد الأوروبي لم يتم اختبارها بشكل كاف.

ثانياً: يمكن طرح عدة توصيات تتعلق باستراتيجية التفاوض. وهناك إمكانية لحسن الاستفادة من قدرات القطاع الخاص المصري في مجال التعرف على القضايا والمتطلبات. إن

الجماعات المؤيدة، داخل الاتحاد الاوروبى، سواء من القطاع الخاص أو العام، ينبغي التعرف عليها واستخدامها لمصلحة مصر. وهناك الكثير مما يمكن عمله فى مجال التحليل الاقتصادى، لتقدير قيمة الامتيازات المعروضة خلال المفاوضات. ومع التسليم بالوضع الدفاعى الذى يتخذه الاتحاد الاوروبى فيما يتعلق بالسياسة الزراعية، يمكن لمصر أن تجد طرقاً أخرى للمفاوضات التجارية تكون أكثر تميزاً. على سبيل المثال، نجد أن التفاوض فى شكل كتلة واحدة تضم دولاً إفريقية وعربية يمكن أن يشكل قوة اكبر تستطيع الحصول على المزيد من النتائج الإيجابية. إن الوسائل متعددة الأطراف، مثل جولة سيائل القادمة، قد تبرهن على وجود المزيد من المنافع. وإذا استطاعت الوسائل متعددة الأطراف ان تتجح فى تحديث السياسة الزراعية للاتحاد الاوروبى، فقد تصبح مصر قادرة على الحصول على المزيد من الامتيازات الزراعية، حتى دون الإسراع فى تبادل التخفيضات الجمركية فى قطاعات أخرى.

النتائج الرئيسية:

- إن أثر العرض الحالى المقدم من الاتحاد الاوروبى بالإضافة الى التفضيلات الموجودة فعلاً، عند المقارنة بالوضع الذى لا توجد فيه تفضيلات (شرط الدولة الأكثر رعاية) يؤدى الى تخفيض بسيط للأسعار فى الأسواق الداخلية للاتحاد الاوروبى، وزيادة ملموسة فى أسعار الصادرات المصرية ذات الأهمية عند حسابها على أساس فوب FOB (التكلفة حتى توضع السلع على ظهر السفينة ولا تشمل على النولون البحرى والتأمين)، زيادة كبيرة فى كمية الصادرات المصرية بنسبة مئوية من ١٠% الى ٣٠%، برغم صغر مقدارها بالمعيار المطلق بسبب انخفاض القاعدة التصديرية الحالية.
- بمعيار الرفاهة، حيث تعرف بأنها مجموع فائض المنتج وفائض المستهلك وأى تغييرات فى حصيلة التعريفات الجمركية، فان التفضيلات تسهم بشكل ايجابى للاقتصاد المصرى بالنسبة لجميع الصادرات الزراعية محل الاعتبار، بالرغم من ان ثلاثاً فقط من الفئات السلعية تسهم بأكثر من مليون دولار أمريكى سنوياً. وكانت البطاطس هى أكبر الفئات حيث بلغت ما يزيد على ٦ مليون دولار أمريكى سنوياً. وتميل الرفاهة فى باقى العالم نحو الانخفاض، وإن كان بقدر ضئيل، كما أن التغييرات فى رفاهة الاتحاد الاوروبى غامضة، ويعتمد ذلك على السلعة محل الاعتبار.
- العرض الحالى المقدم من جانب الاتحاد الاوروبى يتضمن الشرط الأكبر من المكاسب المذكورة عاليه بالنسبة للخرشوف، الفراولة، المولاس، العصائر من غير الموالح، والخضراوات ذات الحفظ المؤقت، والخضر المجمدة. ويصح ذلك بشكل اساسى بالنسبة للقول، والخيار، والموالح. وينبغي ملاحظة أن بعض المنتجات مثل الفراولة، وبعض

العصائر سوف تخضع الآن لحصة تعريفية، وهي لم تكن موجودة من قبل. وفي تقديرنا، أن هذه الحصص التعريفية سوف تكون ملزمة في القريب العاجل، ولذلك سوف تكون المكاسب ضئيلة.

- هناك منتجات أخرى سوف تكون استفادتها ضئيلة عند دخول أسواق الاتحاد الأوروبي في ظل التفضيلات الجديدة المقدمة من الاتحاد الأوروبي، مثل البطاطس، البصل، الكرات، الثوم، البلح، ويرجع ذلك الى ان تفضيلات عام ١٩٧٧ كانت كبيرة. وهناك بعض المنتجات لا تستفيد شيئاً فوق ما هو قائم فعلاً، ومثال ذلك البطيخ.
- هناك زيادة كبيرة في الصادرات المصرية تنتج عن آثار التوازن العام للاتفاق الشامل، والذي يشمل على التخلص من القيود المرتفعة على الاستيراد في مصر. ومن المتوقع أن تزيد الصادرات بنحو ثلاثة أضعاف، قياساً الى المنافع الناجمة عن التفضيلات التجارية عندما تؤخذ بشكل منفصل. وسوف تتأثر الأسعار الداخلية في الاتحاد الأوروبي بقدر ضئيل، على حين تزداد الرفاهة المصرية، بالرغم من ان المكاسب في الرفاهة كانت اصغر نسبياً بالنسبة للزيادة في الصادرات.
- وفي حالة قيام المغرب، وتونس، وإسرائيل، بتنفيذ الاتفاقات مع الاتحاد الأوروبي، وتختلف مصر عن التوقع، فقد ينجم عن ذلك خسارة للمصدرين المصريين، بالإضافة الى خسارة شاملة في الرفاهة قياساً الى الوضع المتوقع، إذا وقعت مصر على الاتفاق.

التوصيات والسياسات البديلة:

إن النتيجة الرئيسية التي يمكن استخلاصها من هذا التحليل، أنه على حين تحصل مصر على الكثير من المكاسب من تحرير التجارة، ويتضمن ذلك درجة أكثر عمقا من التكامل مع الاتحاد الأوروبي، فإن المكاسب التي يتم الحصول عليها تعود الى كل من تحرير التجارة المصرية، ومن تحرير تجارة الاتحاد الأوروبي. وجملة القول، وفي ضوء عدم قيام الاتحاد الأوروبي، في الوقت الحالي، بفرض اي تعريفات جمركية صناعية على مصر - مع وجود بعض الاستثناءات، تتضمن المكون الزراعي المراوغ لمنتجات زراعية مصنعة محددة - نجد أن الاتحاد الأوروبي لا يقدم الكثير في واقع الأمر، في مجال الدخول التفضيلي للعديد من المنتجات الزراعية ذات الأهمية بالنسبة لمصر. لذلك، وفي ضوء اهمال المكاسب المحتملة من الجوانب الأخرى للاتفاق، مثل التمويل، والمعونة الفنية، وما الى ذلك، يكون من الضروري أن تنظر مصر الى السياسات الأخرى البديلة.

- يجب على مصر ان تقوم بعمل تخفيضات من جانب واحد، وبشكل منتظم، فى قيودها التجارية، وأن تستمر فى عملية التحرير الإصلاحي اقتصادها المحلى. ويجب الاستناد إلى استراتيجية مبنية على التحليل، حتى تستطيع تجنب أو تقليل أى آثار سلبية على الرفاهة، يمكن أن تتجم عن صور عدم كمال السوق.
 - تستطيع مصر أن تحاول الحصول على معاملة أكثر تحرراً من الاتحاد الأوروبى بالنسبة للمنتجات الزراعية التى تتمتع فيها بميزة نسبية فى ظل المفاوضات الراهنة، بالرغم من صعوبة إعادة فتح التفاوض مع الاتحاد الأوروبى عند هذه النقطة.
 - ينبغى على مصر أن تدعم وضعها للحصول على معاملة أكثر تفضيلاً للصادرات ذات الأهمية بالنسبة لها، متضمنة المنتجات الزراعية، وذلك من خلال الاجتماع الوزارى لمنظمة التجارة العالمية، والذى يعقد فى مدينة سياتل فى نوفمبر القادم. فى هذا الاجتماع يمكن لمصر أن تجد حلفاء أقوىاء لمجابهة الاتحاد الأوروبى عند المطالبة بفرص أكبر لدخول أسواقها الزراعية.
 - قد لا تستطيع مصر تحمل مستتبعات إهمال سوق الاتحاد الأوروبى بأية حالة، ولذا ينبغى عليها أن تولى الاهتمام لحصول دول أخرى فى حوض البحر المتوسط على معاملة تفضيلية لدخول أسواق الاتحاد الأوروبى على حساب مصر. ويصدق نفس الوضع بالنسبة لدول شرق أوربا، حيث من المنتظر إبرام العديد من اتفاقات المشاركة مع الاتحاد الأوروبى، بالإضافة إلى أن توسع الاتحاد الأوروبى أمر غير مستبعد.
- وينبغى توجيه بعض الاهتمام للنققات المحتملة المصاحبة لعملية التكيف، والتى يمكن أن تتجم عن أى تغييرات فى التعريفات الجمركية. واستناداً إلى درجة مرونة سوق العمل فى مصر، يصبح وجود البطالة الإجبارية خلال فترة التحول ممكناً من الناحية النظرية. وعلى حين يكون الموضوع تطبيقياً، فإن البحوث والدراسات الحديثة تشير إلى مجموعة من الأسباب توضح أن الفترة الانتقالية الناشئة عن تخفيض التعريفات الجمركية قد لا يترتب عليها مثل هذا النوع من البطالة. وفى ضوء ذلك، يجب توجيه الاهتمام نحو تتابع وتوقيت إجراء التخفيضات الجمركية.
- يحتاج الأمر إلى إجراء المزيد من التحليل لقيادة عملية تحرير التجارة وعمليات التكيف الهيكلى، سواء وقعت مصر على اتفاق المشاركة مع الاتحاد الأوروبى أو لم توقع. ومن الضرورى القيام بتعديل هيكل التعريفات الجمركية بشكل منتظم، من أجل تقليل أو تجنب الآثار السلبية المحتملة الناجمة عن كفاءة عمل الأسواق.

- قد يكون من المفيد أن يتوافر لدى صانعى السياسة تقديرات عن حجم عمليات إعادة الهيكلة الضرورية للتكيف مع الحوافز الجديدة بعد تغيير التعريفات الجمركية.

وفى حين يكون الإبطاء فى عملية إصلاح التعريفة الجمركية أحد خيارات السياسة، فإن هناك افتراض مسبق بأن عملية التخلص من التعريفات الجمركية بشكل متعمد وسريع، كانت هى الأكثر نجاحاً فى العديد من الدول الأخرى. وبعيداً عن الحفاظ على الإصرار السياسى على عملية الإصلاح، فهناك ثلاثة أسباب أخرى تدعوا إلى التحرك السريع هى:

أولاً: إن تكاليف عملية التكيف التى تنجم عن خفض معين فى التعريفة الجمركية سوف تزيد سنوياً، ويرجع ذلك إلى دخول وحدات جديدة من عنصرى العمل ورأس المال إلى الصناعات المنافسة للواردات، والتى تتمتع بدرجة مرتفعة من الحماية، بدلاً من التوجه إلى الصناعات التصديرية الديناميكية الجديدة.

ثانياً: إن التأخير فى عمليات الإصلاح يعنى ببساطة، تأجيل الحصول على المنافع، وهناك حجة تقول بأن الاستثمار الأجنبى المباشر يودى إلى تخفيض الدخل الحقيقية للمصريين، إذا اتجهت تدفقات هذا الاستثمار نحو القطاعات التى تحميها التعريفة الجمركية.

ثالثاً: إن البيئة الاقتصادية العالمية الحالية تساعد على تدعيم الصادرات المصرية، وهى بيئة يمكن أن تتغير فى المستقبل.

- ينبغى أن يتم استكمال أى دراسات تتعلق بالتكاليف المحتملة لعملية التكيف، بتقديرات تتعلق بتكاليف التأخير فى القيام بذلك، بسبب اتجاه وحدات جديدة من عنصرى العمل ورأس المال للدخول فى القطاعات التى تتمتع بالحماية، الأمر الذى يودى إلى زيادة التكاليف المستقبلية لعملية التكيف الناجمة عن تغير معين فى التعريفة الجمركية.