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Policy Report for the EAGA Olive Commodity Council

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REPORT TO THE OLIVE COMMODITY COUNCIL

INTRODUCTION

This *Report to the Olive Council* is the outcome of a consulting assignment commissioned by the ALEB Project on behalf of the Olive Commodity Council of the Egyptian Agribusiness Association. The assignment involved the services of a single consultant, Dr. Donaldo Hart, who spent approximately three weeks in Cairo from March 3 - 20, 2003. The focus of the assignment was policy and regulatory issues representing real or potential obstacles to the growth of the Egyptian olive industry, with emphasis on international competitiveness.

The assignment comprised three methodologies: documentary research, direct personal interviews, and meetings with the Olive Council. Documentary research was both electronic—exploring a diversity of web sites relevant to the task—and physical, reviewing reports prepared within ALEB. Structured interviews were held at EAGA, the U.S. Embassy, with the Government of Egypt (notably the WTO Department of the Ministry of Foreign Trade) a local research institute, and within ALEB itself. The consultant held two meetings with the Council, of which the second was a highly fruitful interactive workshop.

The main objective of this *Report to the Council* is to present those policy issues which have been identified as of concern to its members, to place them in their global or domestic context, and to recommend specific or general actions in respect of them.

A secondary objective, which constitutes a response to an appeal from the Council, is to provide the underlying principles and main components of a domestic awareness campaign. While this objective digresses from the policy focus of the paper, it is not irrelevant: the Government of Egypt has a role to play in many of the policy issues, and the awareness campaign includes the government as one of its target audiences.

All the policy issues discussed in the paper were identified by the consultant in consultation with members of the Olive Council. The context and analyses are grounded in fact, but the recommendations are the consultant's alone, and do not necessarily represent the opinion or point of view of the ALEB Project.

TRADE POLICY ISSUES

DUMPING FROM THE EU

Issue
There is a perception that the EU is "dumping" olive oil both in Egypt and in the Gulf Cooperative Council region. If true, the effect would be to make Egyptian olive oil uncompetitive in its home as well as in regional markets.

Trade Policy Context
Dumping and anti-dumping (AD) response measures are treated in Article VI of the GATT. The code formalizing anti-dumping was negotiated during the Uruguay Round and is entitled the Agreement on Implementation of Article VI. It both defines dumping and describes the nature of AD measures, their justification, and their statutes of limitations. Contrary to popular belief, the WTO does not prohibit dumping; it allows measures to counteract its effects.[1]

The GATT defines dumping as offering a product for sale in export markets at a price below normal value. The WTO allows three methods of calculating whether or not dumping is occurring. By far the most common, preferred, and straightforward method of calculating "normal value" is through price comparisons between sales in the home market and those in the complaining export market. In the absence of this method, the complainant may use a price differential involving its market and a third market, and, in the absence of that alternative, there remains a complex method of calculating production costs as a basis for price comparisons.

In order for a WTO member to initiate AD actions under WTO rules, the complaining member must demonstrate both that dumping is occurring *and* that it is causing, or threatening to cause, material damage to a domestic import-competing industry (firm or sector). The demonstrations must be presented in clearly substantiated economic terms.

Analysis
In the case of olive oil, Egypt would have to demonstrate that EU producers are exporting at prices significantly lower than their home market sales and that by so doing they are causing material harm to the Egyptian—or to third-country—industries.

There is little if any evidence of significant price differentials. In fact, a rapid survey of retail markets in Cairo will show that local olive oil continues to undersell the imported brands. This is also an indication that material harm is not occurring. Not only, therefore, is it likely that there is no AD case to be made, it is highly probable that no dumping of olive oil from the EU is occurring at all. This opinion is shared by the WTO office of Egypt's Ministry of Foreign Trade.

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[1] The economic perspective on dumping is radically different from the trade perspective, since the tendency of dumping is to enhance consumer welfare in the importing country. The exception is in *predatory* dumping which aims at constructing a monopoly in the receiving market. From the point of view of consumer economics, therefore, under-priced dumping of olive oil could actually benefit the Egyptian consumer. While this is not the case, it is always advisable to remember that so-called dumping has two sides.

Recommendations

1. *The Olive Council should not attempt to pursue AD actions.*

2. *Begin regular, analytic monitoring of relevant information.* This monitoring should not be limited to market prices: it should include tariff rates of importing countries, quotas, subsidies, SPS conditions, and potential technical barriers to trade. Monitoring and analyzing market information is a classic service that associations provide members.

EU SUBSIDIZATION OF OLIVE OIL

Issue

The EU provides high subsidies to olive oil producers. These subsidies cover many of the costs of European producers, allowing them to maintain high profits even while selling at low prices. The Egyptian producers, who benefit from no subsidies, find themselves at a distinct competitive disadvantage with the Europeans.

Trade Policy Context

The WTO's approach to subsidies and actions to offset their effects on local industry are found in the Agreement of Subsidies and Countervailing Measures. In the present case, one must refer to the Agreement on Agriculture, especially the sections dealing with market access, domestic support, and export competition.

At its simplest, WTO rules discourage subsidies that cause trade diversion, that negate the trade liberalization effects of the multilateral trading system (MTS). Broadly satisfactory negotiations in agriculture have never been concluded, although there are bound agreements specific to products, and bound agreements for reductions.

The economic literature and the trade history on the subject of subsidies are long and complex. The disputes over agricultural support have often been divisive and bitter throughout the GATT, and many issues remain unresolved. The EU, through its Common Agricultural Policy (CAP) has been overwhelmingly the greatest offender in this domain, although few trading nations can proclaim innocence of trade distorting measures in the agriculture sector. Agriculture subsidies in the OECD countries have caused enormous economic loss to developing and least developed nations, and the subject is prominent in the Doha agenda.

Analysis

EU production support to olive growers is well documented.[2] Since, the support is distributed among all producers in member state—but only up to a specified production limit—its impact on foreign suppliers would be a matter for some analysis. The reason behind the complexity lies in the fact that the EU is at once the largest producer, consumer, importer, and exporter of olive oil in the world, and a significant percentage of its imports is destined for re-export after mixing with domestic oil.

[2] See the excellent ALEB document, "Olive Oil Situation and Outlook Report 2002."

In a global situation where olive production is increasing in various non-traditional countries (Australia, Argentina, the U.S.), EU subsidies are intended to shelter its olive producers from devastating competition. But the EU's agricultural subsidies have proved hugely expensive for the European consumer; they are contested even from within the Union, and they will prove unsustainable in an imminently expanded membership. Unfortunately for competing nations, however, the olive subsidies—as is generally the case in its CAP—are bound in the EU's negotiations in the WTO's Agreement on Agriculture.

Does this mean that they cannot be brought to the Dispute Settlement Body as a complaint? It does not. It is possible to introduce a complaint to the DSB even when tariffs have been bound if the complaining member can demonstrate material damage being caused to its industry. The DSB would then mandate a period of negotiations between the two parties. If discussions subsequently foundered, the DSB could authorize countervailing duties for the complainant.

In the present instance, if the Egyptian olive industry, after study, felt it has a case to present, it would ask the GOE to raise the issue in Geneva. Such a case, however, is unlikely to bring the desired results—and the GOE for that reason alone would be unlikely to present it. The first obstacle to the case is the simple fact that it falls under the Agreement on Agriculture, an area where the major trading partners, with the EU in the lead, have been historically intractable. Secondly, the EU's subsidies have been notified and bound—a fact which weakens dispute arguments. Finally, if Egypt introduced the case alone, the EU would argue that none of the other olive producing countries of the region brought complaint, and Egypt benefited from the same access to the EU market and dealt with the same problems as the other Mediterranean countries—several of them much larger producers than Egypt.

Recommendations

1. *Do not attempt a formal complaint over EU olive subsidies at this time.*

2. *Conduct a study of the issue.* The study need not be extensive, but should look precisely at the subsidies from the perspectives of total volume, approximate volume per country, ratios of subsidy per producer, per volume of imported and exported product, and so forth. The study should examine the total EU export of olive product into the Egyptian market, as well as into countries which are Egypt's potential export markets.

3. *Join forces with other producers in the Egyptian agriculture sector.* The olive sector is hardly alone in being hurt by EU protectionism and subsidies.

4. *Encourage the GOE, through the Ministry of Foreign Trade, to press for alleviation of EU subsidies within the Doha negotiations and especially in the forthcoming Ministerial Meeting in Cancun.*

EGYPTIAN DUTIES ON INTERMEDIATE GOODS

Issue

Egyptian Customs impose a 40 percent duty on imported glass bottles. As these bottles constitute an essential intermediate good for retail sales, the duty is punitive to the local olive oil, and even table olive industry. For exporters of retail product, the duty constitutes an anti-export bias and significantly diminishes the Egyptian product's price competitiveness on foreign retail shelves.

Trade Policy Context

Presumably Egypt's 40 percent duty is not in contravention of its bound agreements. As a developing country, in any case, Egypt enjoys leeway under the Enabling Clause and the Integrated Framework provisions, designed to mitigate the costs of WTO compliance for developing economies. So long as no other WTO member contests this tariff rate, it remains purely a domestic issue.

Analysis

Since Egypt has a substantial glass industry, the duty on imported bottles is obviously a protectionist measure. Whether the measure creates or diminishes welfare for Egyptian society is the subject of an economic study and is mentioned here only as a reference to the economic considerations around protection.[3] The duty is of great concern to the olive producers, who point out the apparent irony that only a 5 percent duty (levied on food products) applies to olive oil imported in excellent quality glass bottles—such that theoretically they could re-sell the imported oil in local bottles and use the original containers for export.

Although they unanimously regret the 40 percent duty, the Olive Council members do not speak with a single voice about the option of local supply. Some apparently believe that the domestic industry lacks capacity to produce glass containers of a quality demanded by consumers in Europe and the U.S.—especially of high-end consumers. Others suggest that the Egyptian glass industry is capable of producing the requisite quality containers but cannot do so dependably, consistently, and in appropriate quantities. Some members seem to feel that procurement could be done successfully from local manufacturers.

Wherever the truth lies, the fact is that the high duties on imported bottles affect domestic retail sales more than export sales. The reason for this is that exporters can import bottles through one of two means that will exempt them, wholly or partially, from customs taxes. (These avenues are discussed in detail in the following section.) For domestic sales of olive oil and bottled table olives, the producer will either have to be satisfied with Egyptian-made bottles, or he will have to deal with the cost of customs duties in his calculations of margin.

As Egypt is a member of various free trade agreements, one avenue for importers may be recourse to goods produced by another member of an FTA. Jedda, for example, is cited as the locus of a very high quality glass industry, and both Saudi Arabia and Egypt are members of the Greater Arab Free Trade Area (GAFTA). This alternative, however, may not prove viable for reasons discussed in the section on Free Trade Agreements below.

Recommendations

1. *Establish a committee to study and present conclusions on the subject of glass bottles*. This should be an ad-hoc committee of short duration. If the Olive Council is to function effectively to the benefit of its members, it must begin to assume some joint efforts in the common interest. At a minimum, the study should allow Council members to articulate the matter of intermediate goods, and specifically glass bottles, with a uniform voice.

2. *Analyze the stakeholder universe*. At first glance, the Egyptian glass industry is a negative stakeholder, in the sense that any reduction in present tariffs would also

[3] See the previous footnote on the economic perspective on dumping.

diminish its protection from external competition. The olive industry must ask if there is any quid pro quo which would make the glass lobby amenable to tariff reductions. Voluntary, firm-level agreements for increased local procurement do not violate national treatment[4] under the GATT and might constitute an approach to negotiations. But collaborative stakeholders may also be enlisted. Who else is directly affected by the 40 percent duty? Would they participate in a policy advocacy effort to push for change to the rate?

3. *Construct a price analysis at different duty rates.* Using actual or hypothetical figures, show how the duty affects the competitiveness of olive oil or table olives with imports from Europe. Even for informal discussions with the Government, representatives of the industry should be able to cite such information spontaneously. For serious advocacy, the analysis will have to be based on real, not hypothetical figures. So as not to disclose entirely private corporate information, the analysis can stop at the gross profit margin, using only the figures for gross sales and direct inputs.

4. *Move towards an advocacy campaign gingerly.* Because export sales are far less affected by the duty than domestic sales, and the local market can probably be satisfied with locally produced bottles, the Council's arguments fall short of being strongly compelling. The Council must, therefore, wait for the right moment, garner collaboration from other stakeholders, and mount a clear and persuasive argument before suing for change.

CUSTOMS EXPORT AND RE-EXPORT FACILITIES

Issue

Although the Egyptian olive and olive oil producers have suffered from high duties on principal intermediate goods, they can benefit from two clearance mechanisms legislated as part of the GOE's export promotion effort. These are still imperfect mechanisms, and thus they fail to deliver the full range of benefits they are intended for. The tax rebate is not working in favor of the industry at all.

Trade Policy Context

WTO rules are silent on the use of drawback and temporary admissions. These mechanisms constitute a legitimate component of domestic trade policy.

Articles 98 and 102 of the Egyptian Customs Law cover temporary admissions and duty drawback respectively.

Analysis

Under *temporary admissions*, goods destined for re-export are allowed into the country without payment of duty. Importers of intermediate goods must nonetheless put up a deposit, which has the effect of a guarantee, equivalent to the full value of duties and fees on the goods. The importer completes a special form, which includes all relevant information on the goods, referencing bills of lading, invoice, content, value, intention to re-export, and so forth. Upon re-export of the goods used in the manufacturing process, the importer receives his deposit.

[4] Like Most Favored Nation, National Treatment constitutes one of the fundamental principles of the WTO and is found in all three of the main agreements. It means that once foreign goods have entered the market, they must be treated equally with locally produced goods (or services).

Drawback functions somewhat differently. In this case, the manufacturer pays all duties and taxes on the imported goods. He is not required to complete a special form, presenting only the normal documents required for the release of goods from customs. For a period of one year, the importer has the option of re-exporting the goods and receiving as drawback the value of duties and taxes paid. The goods must constitute part of a final manufactured product. In order to qualify for drawback, a customs agent must be present during the process of manufacture. A second authority determines the value of the drawback.

Both facilities are well known internationally and used in some form by most exporting countries. Drawback is the more common. International best practice does not, however, ordinarily require a guarantee of full value for temporary admissions, and in leading exporting countries the guarantee may be determined through risk-assessment mechanisms. Under present conditions of monetary instability, moreover, devaluation of the Egyptian Pound during the period between deposit and restitution may represent a significant cost to the manufacturer owing to loss the currency value.

Under the drawback mechanism, this cost is exacerbated by the alleged lethargy of customs in returning the duties and fees, a process which takes up to six months merely for processing—once the manufacturer has effected export operations and presented his request.

A third export facility is the tax rebate introduced by the GOE in 1999. Under this system, which uses specific rates for different industries, exporters receive a percentage of the FOB value of their exported product. For the olive industry, the rate is 8 percent. While at first glance this may appear to be an export subsidy, it does not fall under GATT criteria as such, as it is not industry specific, is not intended to benefit a particular commodity, and is not destined to support production. It is simply a rebate, available to most if not all industries as part of a national export promotion program.

The Olive Council has raised the principal defect of the present program. In order to qualify for the rebate, exporters are required to deposit 100 percent of their export earnings on any given shipment in a local bank in Egyptian pounds. Once again, the reigning uncertainties in the money markets efface all benefit from the rebate. Because the pound is floating, and because there is no spot price in the market, the spread in the banks is quite large (described as from 5.69 to 5.89 as of March 15), and the spread between bank rates and parallel market rates is as high as 12 percent. By depositing his export earnings in pounds to receive an 8 percent rebate, the exporter actually suffers a loss in the range of 4 percent.

In sum, each of the facilities described here represents pro-export domestic trade policy. While they contain nothing innovative, they are positive measures. With improvements to both implementation and to requirements, they could become even more effective means for enhancing the export competitiveness of Egyptian products—not the least of which are table olives and extra virgin olive oil.

Recommendations

1. *Use corporate strategy to determine which of the facilities to use for the import of bottles and other packaging goods*. If a company knows precisely the number of units its will re-export, it should opt for the temporary admissions regime, since restitution of the guarantee is said to be more straightforward than restitution under drawback. If it is unsure, it will avoid paying a surtax on non-exported goods by having them released under drawback.

2. *Consider joint importation of bottles.* Some of the olive producers export 30 percent or less of their oil. In such cases, if they are importing bottles, they will either have to bring in mixed orders—meant both for domestic as for export sales—and forego temporary admissions, or they will have to make separate orders in quantities that will raise prices. Combined orders could address that problem.

3. *Advocate for continual improvements to the instruments.* As a Council, and possibly in tandem with other agricultural or food groups, the olive producers should provide accurate, well-founded feedback and recommendations to the Government. These recommendations may emanate from the Awareness Campaign described in a section below. Improvements may include:

   - Adoption of risk-assessment methodologies separating importers of sound reputation from others, such that the former will be required to deposit only partial guarantees for temporary release of goods;

   - Acceleration of restitution under drawback;

   - Rebate of taxes even for foreign currency deposits, or rebates requiring only partial deposit of export earnings in local currency.

4. *Provide complimentary feedback on the successes of the measures.* Government officials welcome the knowledge that measures instituted have gotten positive results. It will be easier to succeed in lobbying for improvement if the responsible parties feel that former positive efforts have been recognized and acknowledged.

CUSTOMS VALUATION

Issue

The Egyptian Customs Authority continues to use the Brussels Valuation System, despite the fact that the GOE in 2001 accepted transaction valuation as its standard per its WTO commitments, as well as per strong counsel from the World Customs Organization (WCO). The Commercial Section of the U.S. Embassy reports that nearly all complaints they receive about imports have to do with valuation.

Trade Policy Context

Customs valuation falls under Article VII of the GATT and in the WTO has been clarified, modernized, and expanded in the Agreement on Implementation of Article VII. The objective of the Agreement is to establish consistency, fairness, and transparency among all members in how the value of goods is determined. Essentially, it says that the value of imported goods should be determined by the commercial invoice accompanying them. This method is referred to as the GATT Valuation System (GVA) or as "transaction valuation."

Analysis

The overarching advantage of the GVA is that it diminishes the leeway for arbitrary determinations and, by so doing, militates against corruption. Its transparency is advantageous to the entire multilateral trading system. Arbitrary determination of value in customs can easily become a non-tariff barrier (NTB) to trade.

The GVA is being implemented slowly in many developing and least developed countries for several reasons. An ubiquitous if little compelling reason lies in bureaucratic lethargy before change. A more sinister reason is concealed in loss of opportunity for rentseeking activities among customs agents. Stronger reasons for resistance to change, however, come from economic ministries and center on unethical behavior in the corporate sector rather than in customs. In the past, where central banks kept rigid controls on foreign exchange, over-invoicing was common among exporters who sought to retain hard currency earnings in foreign accounts. In today's liberalized environment, under-invoicing for fiscal motives is far more common, and the consequent drain on revenue becomes a legitimate concern of governments, including the Government of Egypt.

Customs authorities that adopt the GVA have recourse to alternative methods for determining value when they have reason to question an invoice. In order of priority, these are:

- the value of identical goods,
- the value of similar goods,
- the deductive method, and
- the computed value method.

Successful implementation of GVA is ultimately, and overwhelmingly, in the interest of commerce as well as of government. The olive industry does not have extensive need of imported intermediate goods, but the one single need it has represents a major concern of the industry. Effective implementation of transaction valuation is in its interest as well.

Recommendations

1. *Educate Council members about the GVA.* Its principles are simple, and they are worth knowing for any enterprise that imports on a regular basis.

2. *Support implementation.* The olive industry can do this in several ways. First of all, it can establish trust for itself in the Customs Authority by maintaining an industry principle of honesty and transparency in its own commercial transactions. Secondly, it can and should challenge arbitrary valuations as they occur. Finally, it can publicly manifest its support, as a Council, for accelerated implementation of the system.

TECHNICAL REQUIREMENTS

Issue
The Olive Council is aware that the North American Olive Oil Association has agreed on standards for extra virgin oil that are more rigorous than those set by the International Olive Oil Council. This is the kind of instrument that may constitute a technical barrier to trade (TBT).

Trade Policy Context
The WTO recognizes that technical norms and standards are essential to all economies as well as to public safety. The GATT Agreement on Technical Barriers to Trade is intended to guard against trade distortions created by standards that are protectionist in disguise, that are discriminatory (in violation of national treatment), or that are not based on scientific evidence and could obstruct liberal trade. Harmonization and mutual recognition of standards in the WTO membership constitute the guiding principles for technical standards.

Analysis
The instance in reference does not constitute a TBT. Although it may be true as alleged that the North American Olive Oil Association was persuaded by Italian exporters to set a slightly higher standard (acidity) for the extra virgin classification than world standards call for, it has done so in a wholly non-discriminatory manner. The U.S. requirement that oil have 2 percent or less acidity to be thus classified applies to *all* olive oil, totally irrespective of origin. It applies equally to olive oil produced within the U.S. as to that which is exported, and there is no evidence that the standard would exclude product from any current olive oil exporting country or region.

Recommendations

1. *There is no action to pursue in the case cited.* Furthermore, there is no rumor of TBTs anywhere that would exclude Egyptian olive oil.

2. *Maintain vigilance over international markets.* The fact that no TBT exists today does not imply that none could arise. A TBT could concern packaging as well as chemical content of the olives or the oils. One must remember, however, that new technical or sanitary and phytosanitary (SPS) requirements will not necessarily constitute TBTs. If they can be shown to be mandated, for example, to protect consumer health in a given country, and the new standards are founded on scientific evidence and are applied in a non-discriminatory manner—especially in regard to national treatment—they are unlikely to be considered TBTs by the WTO.

SPS AND RELATED REQUIREMENTS: EU AND US MARKETS

Issue
The Olive Council has raised no objections concerning the various requirements of the two largest import markets for olive oil. Sanitary and phytosanitary *measures for olive oil are very largely controlled by the international association, and these are generally known and available.*[5] *Other requirements in the U.S. and Europe concern foods at large and are not specific to edible oils. But the European and the American approaches to certification are different.*

Trade Policy Context
SPS requirements differ from technical measures in that they are intended only to protect human and animal health and the environment. In the WTO they were originally negotiated as part of the Agreement on Agriculture, and they fall under the Agreement on the Application of Sanitary and Phytosanitary Measures. WTO rules are limited to ensuring that they are not used in ways that cause trade diversion, for example if they are in effect used as a form of protectionism.

The Good Manufacturing Practices (GMP), Good Agricultural Practices (GAP), ISO, and the HACCP framework used in Europe and the U.S. are related to SPS but differ insofar as they represent systems rather than technical specifications. They are used in support

[5] The most important of these documents is the quality control document of the IOOC, entitled *Agreement for the Quality Control of the Olive Oils and Olive-Pomace Oils Marketed in the Countries Where the IOOC Conducts Promotional Activities.* For some reason the document is unavailable electronically. It is a 11-page text with extensive and often very technical attachments. The present writer obtained a hard copy of the document in its entirety from the North American Olive Oil Association at no cost. It was unclear how many of the members in Cairo actually possess this text. It should be among the first documents in the Council's resource center.

of positive SPS regulations. None of them is governed or in any way mandated by the WTO.

Analysis
An olive oil exporter to the U.S. needs no certification, unless the product is specified "organic." Even where the US Department of Agriculture requires a producer to have a HACCP plan, it neither requires nor provides certification. The same applies to GMP, although some private associations have set up a certification system.

In Europe, certification assumes a much more important profile. The RAB and the IRCA are European organizations that accredit third-party organizations as official certification bodies. They can also accredit companies outside of the EU for export into the EU market.

HACCP, which controls for microbial, chemical, and physical contamination demands a series of prerequisites. The advantage of HACCP and GMP is in identifying critical steps to ensure food safety rather than demanding endless inspection, which also requires costly external resources.

Recommendations

1. *Understand and be vigilant of SPS measures as they arise.*

2. *Create a resource center with ready and current information on ISO, GMP, GAP, and HACCP.*

3. *Nurture a vision of the Olive Council as a future certification body.*

4. *Encourage all members to obtain certification for the EU and to develop the necessary plans for U.S. buyers.*[6]

EGYPT'S TRADE ALLIANCES

Issue
The Egyptian olive industry may be able to benefit from free trade agreements for its inputs and supplies.

Trade Policy Context
Regional integration agreements are recognized by the WTO under Article XXIV of the GATT. Such agreements may be free trade areas, customs unions, common markets, or economic unions, each having progressive degrees of integration. They must be "notified" to the WTO, which has formulated a set of rules to curb trade-restrictive aspects of them. When WTO members enter into bilateral arrangements with an FTA that has not been notified—and this is not disallowed—their commerce within that context could be challenged by other members. Many FTAs in existence today—especially among developing countries—are really more politically than commercially motivated.

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[6] The ALEB Project has produced useful studies concerning the U.S. market. The most pertinent of these is entitled "USA Import Market for Olive Oil and Olive Oil Products." It was written in 2000. The research conducted by an ALEB consultant, Zebuel Jones, is invaluable. Both studies also emphasize the importance of brand image and make critical observations on the current status of that image. Neither study, however, includes commentary on the *methodology* of creating an image.

Analysis
Egypt is involved in over twenty trade arrangements. The most significant of these are its WTO membership, the second Egypt-EU Association Agreement, COMESA (the Common Market for Eastern and Southern Africa), and GAFTA—the Greater Arab Free Trade Area. Egypt has had discussions with the U.S. about a bilateral trade agreement, but little progress has been made.

As Egypt benefits from the EU's and the U.S.'s generalized system of preferences, and as it is a WTO member, the country has not felt a significant need for the other FTAs. COMESA belies its name, since as yet it is not even a functioning customs union, much less a common market.[7] GAFTA has no web site, little information in any language other than Arabic, is not notified to the WTO, and is said to have a vast negative list of products ineligible for benefits under the arrangement.

These two last points may be important to the Egyptian olive industry. Olive Council members, in discussing alternatives available to them for procurement of glass containers, mentioned the possibility of ordering from Saudi Arabia under GAFTA provisions, which theoretically would mean reducing the tariff from 40 percent to zero. Two problems may lie in wait. First, if glass containers fall into the negative list, the FTA provisions would not apply, and customs would duty the shipment at its normal rate. Second, as Egypt is a WTO member, but GAFTA has not been notified, a third party member could raise a complaint against Egypt if it were to divert its procurement to GAFTA.

Recommendations:

1. *Explore the possibility of procurement from Saudi Arabia (or other GAFTA member).* Eligibility of product will have to be ascertained, and—if available—the Council should discuss the matter with the Ministry of Foreign Trade.

2. *Participate voluntarily in forums which advocate for greater Egyptian participation in beneficial regional and bilateral trade agreements.* Mexico's economic surge under NAFTA and the benefits Jordan has received from its bilateral with the U.S. (which mandates Israeli participation) are good examples.

3. *Seek a voice in the Doha Round, and in the upcoming Ministerial in Cancun.* The Council should raise with the WTO Office of the Ministry of Foreign Trade the matters of importance to it. In a scenario in which the olive industry is unlikely to be granted protectionist legislation, further integration and deeper liberalization of trade is almost certainly in its interest.

AN AWARENESS CAMPAIGN

Objectives
The campaign will have a domestic focus. In future, it will be possible to build on the success of the domestic campaign and create one for specific foreign or global markets.

The immediate purpose of the campaign is to raise the profile of domestic olive oil. The two *objectives* of the Campaign may be stated thus:

[7] COMESA has proposed four levels for its common external tariff but has not made them effective. COMESA is surely among the FTA's with a strong political basis, and the same can probably be said Egypt's membership in the agreement.

- *To increase domestic sales by enlightening the local consumer about the value of Egyptian extra virgin olive oil.*
- *To improve the policy environment for the industry by garnering the attention and sympathy of legislators.*

The Audience
The campaign will target three audiences. They are:

- the local consumer;
- the retail merchant; and
- Government officials.

Local consumers are individuals and families and may be of either Egyptian or foreign origin. They reside in Egypt and purchase their food supplies in local markets. Rapid surveys will determine the necessity of market segmentation. And the consumer target should include current consumers of Egyptian olive oil, consumers of imported brands, and potential consumers who currently do not buy olive oil.

Retail merchants are consumers of first instance. In modern supermarkets, point-of-sales inventory through use of bar codes provides invaluable information on turnover, volumes, and consumer preference. Manufacturers and large-scale retailers find mutual collaboration in selling a product through the retailer's merchandising and the manufacturer's advertising and public relations efforts. The campaign will influence retailers' merchandising decisions.

Government officials decide policy that affects manufacturers' business. Because the government is made up of individuals, who in their private lives are also consumers, this target audience converges with the others. Furthermore, procurement officers, in their public capacity, also buy product. Insofar as they are already at their maximum procurement of olive oil, the competition for their attention will be inter-firm; insofar as they purchase other vegetable oils, or even foreign olive oils, the campaign will strive to affect their decisions in favor of the entire industry.

The Brand Image
A common tendency to conceive of *brand* as only a visual image or a verbal message is misleading in a serious way. A proprietary brand includes logos and tag lines, but what it conveys to the consumer is far deeper and requires patient, thorough development. It should evoke in the mind of the consumer (including current non-consumers) all those positive aspects that the owner of the brand wishes to be associated with his product. In the case of olive oil, for example, the IOOC has already achieved remarkable progress in making the worldwide consumer think of olive oil as a healthful and elegant alternative to other edible oils.

Before the Olive Council launches the campaign, it must develop at least the basis for its brand. The logo and principal tag line will be important, but what precedes them is the overall message that the Council wants to deliver. Why should the Egyptian consumer buy olive oil, and why should it prefer Egyptian olive oil? National pride is important but insufficient and, in a liberal trading environment, unsustainable. Price is a selling point, but always a risky one to depend on. The product itself must be seen as superior in the perceptions of the audience.

The history of marketing during the past century shows that successful logos have occasionally been developed fortuitously, or by a spontaneous stroke of genius, but the brand has not. Successful and enduring brands have emerged through study, analysis, and consistent adherence to the principles the brand rests upon in the manufacture and sales of the product. Failure to develop a brand image is to forego the chance to shape the public's perception of a product. The Olive Council will have an exciting challenge before it to create a successful brand. It must also bear in mind that developing a brand in isolation from the consumer carries enormous risk of failure. No group or professional consultant, whatever the quality of his or her experience, can assure the appeal of a brand in the absence of formal consumer research.

The most widely used method of consumer research is the focus group. Considered the richest methodology for understanding buyer attitudes and perceptions, focus groups help marketers understand what motivates consumers at a deep level and how to tell a product story that is relevant and meaningful. Once focus group survey results are analyzed, work on the brand is well advanced, and it may be that through these surveys a logo and a tag line have been identified.

The Olive Council will be well advised to conduct preliminary focus groups as a foundation exercise for the Awareness Campaign. The next step is to convey the brand to the public.

Communicating the brand

Variously called the advertising, public relations, or promotional mix, the set of media through which the product message is relayed to the consumer public should be strategic and diverse. Underlying the communications strategy—which is the heart of the Campaign—are several principles:

- Every contact with the public is an opportunity to reinforce the brand image.
- Consistency in the image and the message is essential to success.
- The manufacturer (or the Council) is in control of the public's perceptions of its product.

The Council will have to determine the mix it uses according to its knowledge of the public and its resources. Some of the methodologies for reaching out are:

- An Egyptian Olive Industry Web Site (possibly as a portal for all member companies),
- advertising in print and on radio and television,
- advertising on billboards and public conveyances,
- street festivals,
- trade shows,
- store promotions, and
- seminars for public/private executives.

The important thing to remember is that repetition and consistency, even at a low key, will have a far greater effect than a one-time show, no matter how glamorous.

Summary of Action Steps

For the Olive Council, developing a local awareness campaign should prove challenging, rewarding, and a vacation from the routine of business. If resources are allocated carefully, it should not draw excessively on the finances of member companies. Because logos, tag lines, and other images are proprietary, non-contributors will reap far less than contributors from the campaign—although everyone involved in the Egyptian olive industry should realize some benefit from the activities.

The major, sequential steps in developing the campaign are as follows:

1. Agree on the objectives, the calendar of activities, and the resources available.

2. Conduct adequate research to understand the approximate percentage of domestic versus imported olive oil sales.

3. Conduct a rapid survey of consumer profiles and preferences.

4. Develop at least the basis for a brand. It may be premature to commission a logo, or even to decide on a definitive single tag line, but the essence of the message to the public should be agreed and clearly articulated.

5. Conduct several focus group surveys with consumers.

6. Design a promotional (communications) strategy.

7. Implement the campaign.

8. Conduct periodic monitoring for comparisons against baselines established in the rapid survey and against known data.

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