

TRIP REPORT—IRVING WILLIAMSON

To: Gary Robbins
Cc: Tanna Price, Bethany Pinegar
From: Irving A. Williamson and Randa Mustafa
Date: 6/2/2004
Re: Irving Williamson Trip to Cairo May 8-12, 2004

This Memorandum summarizes my trip to Egypt during the period May 8-12, 2004. It consists of the following sections:

Section A lists persons I met with during my trip

Section B summarizes key findings

Section C summarizes next steps

Section A: Meetings

Ms. Randa Mustafa, Communications Specialist/Egypt-Liaison, U.S. - Egypt Business Council, Chemonics

Ms. Jaqueleene Ibrahim, Executive Secretary, U.S.-Egypt Business Council, Nile Clothing Company

Mr. Edward Yagi, Commercial Attache, U.S. Embassy

Mr. Jim Martin, First Secretary, Finance/Investment Affairs, U.S. Embassy

Mr. Jerry Mallory, First Secretary, Economic and Political Affairs, U.S. Embassy

Ms. Sahar Tohamy, Senior Macro Economist, Assistance for Trade Reform Project (ATR)

Mr. Tim Bruher, Chief of Party, Assistance for Trade Reform Project (ATR)

Mr. Adel Danish, U.S.-Egypt Business Council, CEO, Ecceed

Mr. Glenn Rogers, USAID

Mr. Gary Robbins, USAID

Dr. Hossam Badrawi, U.S.-Egypt Business Council, CEO, Nile Badrawi Hospital

Ms. Mona Zulficar, U.S.-Egypt Business Council, Senior Partner, Shalakany Law Firm

Randa Mustafa accompanied me to all meetings with exception of the meetings with Glen Rogers and Gary Robbins at USAID.

Section B: Key Findings

1. Brief Background on Key Relevant Issues

• U.S.-Egypt Business Council's Annual Report

- This report captures the activities of the Council between October 2002 and June 2004. The report jointly produced by the U.S. and Egyptian Council members specifically documents progress the Council has achieved in certain policy areas during this period, and highlights some of the more important challenges that remain ahead.
- Meetings held in Cairo from May 8-12th were primarily to discuss the development of the report with Egyptian members of the Business Council in an effort to ensure that the final document is accurate, balanced, appropriately reflects the viewpoints of all members and provides a basis for a constructive work program for the Council in the short and medium terms.

• U.S.-Egypt Business Council Joint Council Meeting

- At this time a joint Council Meeting is being planned for sometime in July. As mentioned above, the annual report is intended to provide a basis for a constructive work program for the Council. In light of this need, the Cairo meetings sought feedback on potential areas of focus for the forthcoming work program (such as customs reform and ICT sector development) from Council members as well as from USAID personnel and US Embassy officials.
- The meetings also gave me the opportunity to make a first-hand assessment of current developments in the Egyptian economic domain, the potential impact of recently passed economic reform laws, identification of additional sources of reliable Egyptian economic indicators and trade data, and future trade and investment promotion prospects.

2. Solicitation of Input/Feedback on Annual Report from Egyptian Council Members

• *Information and Communication Technology (ICT) Sector*

- Statistics: Statistics related to the number of companies working in the ICT field in Egypt were updated. According to MCIT's April 2004 "National Plan Indicators for Communications and Information Technology," the number of companies operating in the field of Information Technology is 1,034 companies (additionally, there are 40 companies operating in the field of communications). We will also need to include statistics on the contribution of Egypt's telecom sector to GDP.

- Voice Over Internet Protocol (VOIP) technology Issue: Adel Danish clarified that the telecommunication issue with the United States was not as much a concern about VoIP technology, but rather about the quality of service received by people in the US who were trying to call or send faxes to Egypt and should regulators do something to protect consumers who are defrauded because they are buying communications services that they are not getting. He contended that certain telecommunication service providers in the US often purchase “lesser quality” services from suppliers at substantially reduced rates yet, turn around and charge their customers top dollar rates for telecommunications services of substantially inferior quality. He says the discount suppliers are often using VoIP technology.
- IPR and the Development of the Software Industry: In response to a query from us, Egyptian Council members noted that the government of Egypt along with U.S. and Egyptian software companies operating in Egypt have played a markedly increased role in terms of collaborating to reduce software piracy and enforcing legislation designed to protect the intellectual property rights of international and local software producers. Software companies are also providing software at reduced rates to Egyptian students and academic institutions to further encourage and develop the practice of using legal software.
- Outsourcing/Offshoring: Egyptian Council members would like the annual report to explicitly express a positive, collective stance on the issue of outsourcing/offshoring. Due to the economic benefits that both the U.S. and Egypt derive from the development of the ICT sector in Egypt, members are concerned that legislation may be adopted in the US that would prevent the outsourcing of IT services by U.S. firms and government agencies to software companies in Egypt.
- Recent Developments in Egypt’s ICT sector: The report should make reference to developments such as the Smart Village (Egypt’s new Information Technology Park), and the recently inaugurated ICT Liaison Office in Chantilly, Virginia, designed to promote increased cooperation and strengthen linkages between Egyptian and American IT firms.
- ***The Pharmaceutical Sector***
 - IPR and Data Exclusivity: Dr. Hossam Badrawi explained that while the Egyptian law governing IPR and data exclusivity for the pharmaceutical sector is in full compliance with international norms and requirements (that is with the WTO Agreement on Trade Related Intellectual Property Rights, TRIPS), actual implementation of the newly enacted law has lagged behind and implementation was not fully TRIPS compliant. The government of Egypt is currently addressing issues related to more effective enforcement.
 - Pricing Policy: Dr. Badrawi restated the need for a pricing formula procedure jointly developed by the government and the pharmaceutical industry that will regularly review and adjust pharmaceutical prices to appropriately reflect inflation and foreign exchange rate fluctuations while ensuring affordable medicine to the poor. He noted that the government is currently engaged in on-

going public-private dialogue with both international and local pharmaceutical companies, and indicated that the dialogue with the government would be more effective if the industry would more narrowly define its position and move along a continuum rather than re-start discussions of the entire issue from the very beginning each time a dialogue with the government takes place.

- ***Overall Edits/Draft Revision:***

- General edits and draft revisions to the annual report and FTA Roadmap document were carried out in coordination with Mona Zulifcar, Randa Mustafa and Jackie Ibrahim (all revised input is currently being incorporated into the subsequent draft of the annual report). Additionally, the report section entitled “Why a U.S.-Egypt FTA” is in the process of being further developed, with input from two newly acquired sources on the subject (provided by MOFT and the Assistance to Trade Reform (ATR), a USAID-funded project).

3. Feedback on Report and Council’s Work Plan from Non-Business Council Members

- ***Meetings at the U.S. Embassy:***

- Discussions with the Commercial Attaché focused on U.S. companies’ perceptions of customs, trade, and investment issues in Egypt, in addition to the degree to which the Egyptian business environment was supportive and conducive to foreign trade and investment. According to Mr. Yagi, Egypt has not particularly regressed over the past ten years, but the pace of transformations and improvements in the business environments of other nations has accelerated so rapidly that Egypt is falling behind in relative terms. To illustrate, during the past three years there have been a total of only two new investments in Egypt by U.S. firms.

Addressing customs problem is key, but this alone will not be sufficient to attract more foreign investment to Egypt. If the Council wants to address customs reform, it should avoid duplicating the efforts of USAID and other international donor agencies. The Council can certainly help advocate for customs reform at the highest levels of government; capacity building; extrapolating and building on success stories that have worked in other developing nations; and by engaging the government in dialogue to ensure that the perspective of the private sector, their experiences and recommendations are factored into the new initiatives.

However, Yagi noted that getting the institutional framework is important but more often than not implementation and execution determines actual success or failure. An observation frequently cited is that conflicting interests or viewpoints between ministries often gets in the way of effective implementation even when the rules of the game (the institutional framework) have been set right.

Yagi noted that Egyptian exporters to the U.S. also have concerns about new customs cargo security regulatory requirements, which they view as disruptive to trade.

- Discussions with the Political and Economic Sector of the Embassy centered on the Council's upcoming meeting in DC and ideas for a potential work program. In addition to meetings currently being set up for the DC visit, Jim Martin and Jerry Mallory suggested a meeting with the incumbent Assistant Secretary of State for Consular Affairs to discuss the Council's visa-related concerns. In addition to working groups on customs reform, and ICT development, Martin and Mallory suggested that the Council may consider an additional working group on services.
- ***Meetings at USAID:***
 - Meetings at USAID focused on studies it had had commissioned on customs delays, how such studies would be most useful and what role might the Council play with regards to customs reform. The Council's overall work program was also discussed.
- ***Meeting at ATR:***
 - This meeting with members of the ATR staff focused on disparities in local economic data (trade data in particular). UNCTAD's new internet site was mentioned as another source for trade data.
 - The meeting also discussed the progress Egypt has made in reviewing its standards and applying them in a WTO consistent manner and the status of customs reform.

4. Next Steps:

- Review, revise and refine the Council's Annual report as per input received from the Egyptian Council members, and others
- Re-Draft the "Why a U.S. Egypt FTA" section of the report
- Circulate revised draft to all Council members and USAID for final approval
- Decide on quantities and venues for report distribution
- Production of the final Annual Report document in advance of the joint Council's meeting in DC