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The Egypt–Turkey Free Trade Agreement

Potential Economy-wide Effects

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Contents

Executive Summary	v
1. Background to the Agreement	1
The Euro–Med Context	1
Other Motivations and Benefits	2
2. Main Provisions of Agreement	5
Main Text	5
Schedules of Concessions	6
Rules of Origin	8
3. Egypt–Turkey Trade and Investment	13
Trade	13
Investment	17
4. Global Analysis Using General Equilibrium Approach	19
Tariff Phase Out	19
Welfare Impacts	20
Trade and Production Impact	21
5. Trade Barriers in Turkey	31
Tariffs	31
Tariff Rate Quotas	31
Import Licences	32
Import Surveillance	35
Export Subsidies	35
Domestic Support	36
Appendix. Trade and Investment Data	

Illustrations

Figures

Figure 3-1. Egyptian Goods Trade with Turkey, 1996-2006	14
Figure 4-1. Change in Egyptian Imports Relative to 2004 Baseline (US\$ Millions)	22
Figure 4-2. Change in Egyptian Exports Relative to 2004 Baseline (US\$ millions)	22

Tables

Table 2-1. Tariff Phase-out for Egyptian Imports of Industrial Products from Turkey, 2007–2020	7
Table 2-2. Tariff Concession Schedule for Turkish Exports of Agricultural and Processed Agricultural Products into Egypt	7
Table 2-3. Tariff Concession Schedule for Egyptian Exports of Agricultural and Processed Agricultural Products into Turkey	9
Table 3-1. Trade Balance between Egypt and Turkey, 1996–2006	13
Table 3-2. Top 20 Egyptian Exports to Turkey in 2006 and Turkish Pre-FTA Tariffs on Egyptian Goods	14
Table 3-3. Turkey’s MFN Tariff Schedule Summary	15
Table 3-4. Top 20 Egyptian Imports and Pre-FTA Tariffs on Turkish Goods, 2006	16
Table 3-5. Egypt’s MFN Tariff Schedule Summary	17
Table 4-1. Egyptian Phase-Out Schedule by Sector, 2007–2020	20
Table 4-2. Turkish Phase-Out Schedule, by Sector, 2007–2008	20
Table 4-3. Welfare Impacts, GDP and Income (in 2004 US\$)	21
Table 4-4. Egyptian Textile and Apparel Trade as Percent of Production, 2004	24
Table 4-5. Estimated Impacts on Egyptian Textile and Apparel Production and Trade	24
Table 4-6. Egyptian Motor Vehicles and Equipment Trade as Percent of Production, 2004	25
Table 4-7. Estimated Impacts on Egyptian Motor Vehicle and Equipment Production and Trade	25
Table 4-8. Weighted Average Egyptian Tariffs on Mining and Metal Products	26
Table 4-9. Egyptian Mining and Metals Trade as a Percent of Production, 2004	26
Table 4-10. Estimated Impacts on Mining and Metal Production and Trade	27
Table 4-11. Egyptian Chemical, Wood Products and Other Manufactures Trade as Percent of Production, 2004	28
Table 4-12. Estimated Impact on Chemical, Wood Product, and Other Manufactures’ Production and Trade	28
Table 4-13. Estimated Impacts on Egyptian Services Production and Trade	30
Table 5-1. Turkey’s Export Subsidies	35
Table 5-2. Turkey’s Market Price Supports, 2001	36

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Executive Summary

The Egypt–Turkey Free Trade Agreement (FTA) came into effect on March 1, 2007. The agreement covers all goods trade, including products in chapters 1 through 97 of the Harmonized System. The agreement provides for unlimited market access for only a few agricultural products (chapters 1–24). Agreement partners have instead offered limited product level access in the form of tariff rate quotas for selected products and agreed to discuss agricultural trade in the future. Therefore, the agreement’s primary impact is on nonagricultural products in chapters 25-97, with the exception of certain processed agricultural goods that appear in those chapters. Services trade will be discussed in future bilateral meetings, taking into account international developments and progress in the WTO negotiations.

Turkey is to implement its commitments as soon as the agreement comes into effect. Egypt is provided 12 years to phase out its tariffs for its most sensitive industrial products, with graduated and briefer phase-outs for other industrial products.

The impacts of the Egypt-Turkey FTA are expected to be modest, adding about 1/10th of one percent to total economic welfare in Egypt. Trade between the two countries has been expanding from relatively low levels and can be expected to grow as a result of trade liberalization under this agreement. Egyptian imports from Turkey are expected to increase as a result of the full implementation of the trade agreement in 2020 by nearly US\$ 500 million in 2004 constant dollar terms. This would equal a doubling of Egyptian imports from Turkey relative to 2004 trade. However, the rise in Egyptian imports from Turkey will largely come from a decrease in Egypt’s imports from other countries, resulting in a net total increase in Egyptian imports of US\$ 100 million. The trade diversion effect dominates much of Egypt’s trade impacts resulting from the FTA. Egyptian exports to Turkey are expected to rise by less than US\$ 50 million annually but will be matched by a similar increase in Egyptian exports to other countries.

When tariffs on motor vehicles are eliminated, the Egyptian sector will only be modestly affected by an expected rise in Turkish imports. Even so, Turkey’s gain will result primarily from trade diversion and a movement in Egypt away from motor vehicle imports from the rest of the world. The more significant effects on the mining, minerals, and metals sector will be mitigated by the fact that current imports from Turkey are less than 1 percent of Egyptian production. The overall effect of the FTA on the chemical, wood product, and manufactures sector will be less than one percent of Egyptian production for these products.

Gains in Egypt’s textiles and apparel imports and exports are expected to be modest—a rise in domestic production of less than 1 percent when the agreement is fully in force in 2020. Gains in services trade will be an indirect result of tariff reductions in agricultural and nonagricultural goods, with construction and transportation and communication experiencing by far the greatest gains. The FTA’s impact on Egypt’s energy sectors is expected to be negligible.

Although the FTA will have only modest impacts, it offers opportunities for significant gains in the future, particularly in agricultural trade. Indeed, current Egyptian tariffs on agricultural imports from Turkey (6.5 percent on a weighted average basis) are significantly lower than Turkey's tariffs on agricultural imports from Egypt (37.1 percent). To ensure that trade benefits are captured, however, Egyptian operators must be instructed in the agreement's provisions and the demands and regulatory requirements of the Turkish market.

The extent to which the agreement will be able to remove nontariff barriers (NTBs) is not clear. The report outlines some known NTBs in Turkey (pre-FTA) and we will, as the agreement is implemented, report on whether such NTBs are being reduced and what their effect is on Egyptian exports. The joint committee set up by the agreement is expected to play a major role in resolving issues related to NTBs and in ensuring a smooth implementation of FTA rules and provisions.

In the past few years, inward investment has increased substantially as a result of these and other FTAs signed by Egypt. Though investment in Egypt is still impeded by institutional and other constraints—regional political instability, bureaucracy, and shortages in skilled labor in certain sectors—recent policy reforms contributed to a fifteen-fold increase in foreign direct investment from 2001 to 2006: FDI reached US\$9 billion in the first three quarters of Egypt's 2007 fiscal year, compared with US\$6.1 billion for all of 2006. On July 11, 2007, Egypt became the first Arab and first African country to sign the Organisation for Economic Co-operation and Development (OECD) Declaration on International Investment and Multinational Enterprises. With this promising development, the positive impact of the Egypt–Turkey FTA on investment could easily surpass its impact on trade.

1. Background to the Agreement

Egypt and Turkey began the first of six rounds of trade negotiations in 1998, signing a final draft of the Egypt–Turkey Free Trade Agreement on December 27, 2005. The ratified FTA came into effect on March 1, 2007 in a context governed by the Euro-Med process.

THE EURO–MED CONTEXT

In November 1995, European and Mediterranean countries signed the Barcelona Declaration, agreeing to establish a free trade area by 2010 and regional as well as bilateral partnerships on trade, economic, and security matters. Thus, in 2001, Egypt and the EU signed the Egypt-EU Association Agreement, providing each reciprocal market access in industrial and selected agricultural products; and Egypt and Turkey recently signed their own FTA. In addition, trade between the EU and Turkey is governed by a Customs Union, and Turkey is seeking to become a full member of the EU.

In part, bilateral trade agreements within the context of the Euro–Med partnerships, such as that between Egypt and Turkey, are motivated by Pan-Euro Med rules of origin that permit *three-way* or *diagonal cumulation*. Most agreements provide for *two-way* or *bilateral* cumulation, which permits the reciprocal use of inputs from countries party to an agreement. Diagonal cumulation allows partners to count inputs of third-parties—countries not party to an agreement—in meeting the rule of origin. Thus, Egypt may use inputs from Turkey in its exports to the EU and still retain market access benefits under the Egypt–EU Association Agreement. Likewise, Turkey may use inputs from Egypt and still claim duty free access to the EU.

Egypt-Turkey FTA and the Egypt-EU Association Agreement

Many aspects of the Egypt-Turkey FTA resemble the Egypt–EU Association Agreement, with entire sections adopted from it. Its rules of origin are identical to those governing each country’s agreements with the EU (e.g., the “one list” is included), allowing them both to benefit from Pan-Euro Med rules of origin. In addition, the tariff phase period out for Egypt’s nonagricultural goods is nearly identical to that granted to Egypt by the EU in recognition of Egypt’s developing country status. The Association Agreement specifies four categories of goods at the product level, delineating a phase-out period of 3 years, 9 years, 12 years, and 15 years. These schedules have been largely incorporated, and on a product-specific basis, into the Egypt-Turkey FTA with specified years—2008, 2014, 2017, and 2020—to phase out tariffs on the four categories of goods. (The only differences between the Egypt-EU and Egypt-Turkey agreement lists are three HS codes related to electrical engines and generators, which were moved from the third to the fourth list.)

In this manner, Pan-Euro Med rules of origin enable a regionwide market that goes beyond simple bilateral trade flows, leveraging the industrial infrastructure of neighboring countries and others in the region. To participate in diagonal cumulation with the EU, partners must (1) have concluded an FTA with the EU and with each other, though the agreements need not be identical; (2) follow

identical rules of origin in the cumulation process; and (3) notify the EU of intent to cumulate with other free trade partners, and obtain EU approval.

Although these rules of cumulation offer more trade opportunities, seizing these opportunities will require that Egypt and its partners implement a regional integration strategy. Diagonal cumulation provisions will provide benefits only to the extent that governments and industry take the final steps. Egypt and Turkey have significant work ahead to leverage the full advantages of the Pan-Euro Med rules of origin. These include the following:

- Raising producers' awareness of the advantages and documentation requirements of diagonal cumulation.
- Improving customs cooperation between partner countries.
- Reducing nontariff barriers by simplifying standards and testing rules and procedures.
- Spreading knowledge of regional materials and sourcing.
- Standardizing and automating verification procedures, including certificates of origin.
- Enabling local legislation and regulations to encourage investment in new cost-competitive capacities.

Should Egypt choose not to pursue a regional strategy, industries and governments in neighboring countries might still very well do so themselves. If so, Egypt's exports to the EU would face heightened competition as other preferential suppliers in the Pan-Euro Med area gain from productivity and specialization efficiencies (costs, services, and quality) and new investments.

Exhibit 1-1. Rules of Origin: The Fine Print of Trade Agreements

Rules of origin are a pivotal part of preferential trade arrangements and agreements in restricting the use of inputs used in goods. In apparel trade, for example, EU rules of origin require double or triple transformation necessitating the spinning, knitting, weaving, dyeing, finishing, and making up of garments by the parties to the agreement. Similarly, to be eligible for preferential treatment fabrics and yarns must consist of fibers that originate from the parties to the agreement. Many exceptions exist, reflecting diverse industrial production processes. The EU maintains a "One List" of requirements. Rules of origin are not limited to textiles and apparel and are often significant in any good with multiple levels of value added, such as autos or machinery and equipment manufactures.

Many producers face difficulty meeting rules of origin so the actual benefits of preferential access vary by country

and product. Egyptian apparel producers interviewed in 2003 indicated that many do not benefit much from arrangements with the EU because they use cheaper, higher quality imported yarns and fabrics in their exported apparel rather than inputs from the EU.

Rules of origin can hinder Egypt's indirect exports to the EU. If Turkey wanted to claim preferential access for its apparel destined for the EU, it would generally be prohibited from buying Egyptian yarns and fabrics. But now that Egypt and Turkey implemented the requirements of the Pan-Euro Med Protocol of Origin, Egypt's fabrics and yarns could receive indirect market access to the EU (assuming Egypt's products were competitively priced and met quality standards). And Turkish fabrics and yarns could be converted to apparel in Egypt, which would enjoy relief from duties when they are shipped to the EU.

OTHER MOTIVATIONS AND BENEFITS

In addition to the obligation of the Barcelona Declaration, the Egypt–Turkey FTA was motivated by a number of factors. The FTA not only provides Egyptian industrial exports with total and immediate free access to the large Turkish market, but also facilitates access to the EU market.

Egyptian exporters face stiff challenges in accessing that market even with the Egypt–EU Partnership Agreement. The Egypt–Turkey FTA is expected to help exporters meet the EU’s strict regulations and standards by integrating Turkish and Egyptian industries and by enabling Egyptian exporters to benefit from Turkey’s experience in the EU. Just as important, the FTA is expected to increase confidence in the Egyptian economy and further position it as a hub to other African, European, and Arab countries. It is expected to generate substantial investments in Egypt and Turkey, which will help generate additional employment opportunities in the two countries. And most generally, the heightened competition of freer trade usually boosts productivity and improves standards of living.

In Chapter 2 we summarize the main provisions of the Egypt–Turkey FTA. Chapter 3 describes trade and investment between Egypt and Turkey. Chapter 4 describes the potential economy-wide impact of the FTA on Egypt’s economy, covering exports and imports, employment, and overall welfare, using the GTAP Computable General Equilibrium Model. It also examines the FTA’s impact on specific sectors. The report concludes by examining trade barriers facing Egyptian exporters in the Turkish market (Chapter 5).

2. Main Provisions of Agreement

The Egypt–Turkey FTA has four major components: the main text, Protocol I, Protocol II, and Protocol III. Protocol I relates to the abolition of customs duties and charges having equivalent effect on imports between Egypt and Turkey. Protocol II relates to the exchange of concessions in basic agricultural, processed agricultural, and fishery products between Egypt and Turkey. Protocol III relates to the definition of the “originating products” and methods of administrative co-operation. The full text of the agreement, including attachments, can be accessed through the Trade Agreements Sector website (<http://www.tas.gov.eg/English/Trade%20Agreements/Countries%20and%20Regions/Europe/turkey>).

MAIN TEXT

The main text of the Agreement consists of 39 articles. Its key provisions include the following:

- **Articles 4 and 6** abolishes Customs duties and charges having equivalent effect on *imports*, and all quantitative restrictions on imports and measures having equivalent effect in accordance with the provisions of the Agreement, and stipulates that no new measures on *imports* may be introduced and that those already applied may not be increased in trade between the parties.
- **Articles 7 and 8** abolishes customs duties and charges having equivalent effect on *exports*, and all quantitative restrictions on imports and measures having equivalent effect in accordance with the provisions of the Agreement, and stipulates that no new measures whatsoever on *exports* may be introduced, and that those already applied may not be increased in trade between the parties.
- **Article 20** lays down the system of Pan-Euro-Med cumulation of origin, which governs the application of the harmonized preferential rules of origin between the two countries.
- **Article 23** governs the rights and obligations of the parties with respect to subsidies to be administered by Articles VI and XVI of the GATT 1994, the WTO Agreement on Subsidies and Countervailing Measures, and the WTO Agreement on Agriculture.
- **Article 28** outlines means of promoting investment and technology flows between the two countries to achieve economic growth and development.
- **Article 29** establishes a framework for achieving gradual liberalization in trade in services in accordance with the provisions of the WTO General Agreement on Trade in Services (GATS).

Articles that outline preventive and defensive measures include the following:

- **Article 14** allows Egypt to take exceptional measures to protect infant industries or sectors that face difficulties in the form of increased customs duties. In this case Customs duties applicable on imports from Turkey into Egypt may not exceed 25 percent ad valorem and must maintain an element of preference for products originating in Turkey. The total value of imports of

products subject to these measures may not exceed 20 percent of total imports of industrial products from Turkey, as defined in Article 3, during the last year for which statistics are available. These measures can be applied for a period not exceeding five years.

- *Articles 15 and 16* allow parties to take measures against dumping or to apply safeguard measures in accordance with WTO Agreements.
- *Article 17* allows both parties to take measures in case of serious shortage in an essential product to the exporting country that leads to serious difficulties.
- *Article 19* allows either party to take measures in case of balance of payments difficulties in accordance with relevant WTO and IMF articles.

Through *Articles 30 and 31*, the FTA establishes an Egyptian–Turkish Joint Committee with representatives to administer the FTA, resolving problems arising during implementation and discussing the possibility of further concessions.

SCHEDULES OF CONCESSIONS

Protocols I and II attached to the main text provide the schedules of concessions. Protocol I covers the abolition of customs duties and charges having equivalent effect on imports between Egypt and Turkey; Protocol II covers the exchange of concessions in basic agricultural, processed agricultural, and fishery products.

Industrial Products

Industrial products (HS 25 to HS 97) are treated in accordance with Protocol I. One part covers Egypt's exports to Turkey and the other covers Egypt's imports from Turkey. Industrial products originating in Egypt shall enjoy an immediate removal of all customs duties and other charges having equivalent effect, when the FTA enters into force. Therefore, all Egyptian exports of industrial products will enjoy free access to Turkey.¹ Customs duties on industrial products originating in Turkey shall be gradually abolished according to the four lists attached to the protocol.

- *List 1* covers raw materials that are important as inputs for most industries. This list enjoys 75 percent reduction from the Most Favored Nation (i.e. non-preferential) duty from the day of entry into force of the agreement. Products on the list will enter Egypt duty-free in the second year of entry into force of the agreement (i.e., 2008). The list consists of about 2,070 HS tariff lines, including aluminum ores, sodium chloride, sulphur, wood, parts of machines, aluminum oxide, and copper alloys. Egypt's MFN duties on those products are 0, 2, 5, or 10 percent.
- *List 2* covers intermediate goods. Tariff phase-out for these products will start in 2008. Egyptian imports will enjoy duty-free access starting in 2014. The list consists of about 1,204 HS tariff lines, including carbon, chemical preparations, papers, glasses fibers, tubes and pipes of vulcanized rubber, insecticides, and vacuum flask. Egypt's MFN duties on those products are 2, 5, 10, 20, or 30 percent.
- *List 3* covers final goods for which tariff phase-out will begin in 2010 and end with complete liberalization in 2017. The list consists of nearly 1,650 HS lines, including apparel, textiles,

¹ Products in Annex I of the FTA are treated as agricultural or processed agricultural products and are not considered industrial products even though some are classified between chapters 25 and 97 of the HS.

shoes, iron and steel, and electrical equipments and machines. Egypt's MFN duties on those products are 2, 5, 10, 20, or 30 percent.

- *List 4* includes mainly vehicles and some electrical engines and generators. Tariff phase-out will occur from 2011 to 2020. The list includes only 23 HS lines. Egypt's MFN duties on those products are 10, 30, 40, or 135 percent.

Tariff reductions for Egyptian imports are summarized in Table 2-1.

Table 2-1. Tariff Phase-out for Egyptian Imports of Industrial Products from Turkey, 2007–2020

List	07	08	09	10	11	12	13	14	15	16	17	18	19	20
1	75%	100%	-	-	-	-	-	-	-	-	-	-	-	-
2	-	10%	25%	40%	55%	70%	85%	100%						
3	-	-	-	5%	10%	25%	40%	55%	70%	85%	100%			
4	-	-	-	-	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

Agricultural, Processed Agricultural, and Fishery Products

Concessions on agricultural, processed agricultural, and fishery products are outlined in Protocol II. The two parties have agreed to grant each other concessions either as tariff rate quotas (TRQs) or tariff reductions on agricultural, processed agricultural, and fishery products. The two parties exchanged the same concessions on processed agricultural products.

Protocol II has two tables of concessions. Table A includes agricultural and processed agricultural products originating in Turkey that will be subject to TRQs and/or reduced duties when exported to Egypt. Table B includes agricultural, processed agricultural, and fishery products originating in Egypt that face TRQs and/or reduced duties when exported to Turkey. Thus, Egyptian exports of agricultural products have better market access opportunities into the Turkish market than Turkish exports of similar products into the Egyptian market. Moreover, Egyptian fishery exports, except HS 0301, face a 50 percent MFN duty reduction when entering the Turkish market, while some live plants will access the Turkish market on a duty-free basis. Although limited, the products listed in Tables A and B (Tables 2-2 and 2-3) are important for both countries. Nevertheless, the two countries may discuss expanding those concessions at a later date through the joint committee.

Table 2-2. Tariff Concession Schedule for Turkish Exports of Agricultural and Processed Agricultural Products into Egypt

CN Code	Product Description	Quantities (tons)	Tariff Reduction from MFN Duties (%)
0802.21	Hazelnuts or filberts (<i>Corylus</i> spp)	2,000	100
0802.22			
0804.20	Figs	500	100
0809.20	Cherries (including sour cherries)	500	100
0813.10	Dried apricots	500	100
1507.90.91	Soya-bean oil, semi-refined in bulk	10,000	100
1512.11	Crude sunflower or safflower oil	20,000	100
1512.19.91	Sunflower seed oil, semi-refined in bulk		

CN Code	Product Description	Quantities (tons)	Tariff Reduction from MFN Duties (%)
1515.21	Crude maize (corn) oil and its fractions	10,000	100
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, other than edible fats or oils or their fractions of heading 1516	1,000	100
1704	Sugar confectionery (including white chocolate), not containing cocoa	2,000	15
1806	Chocolate and other food preparations containing cocoa	1,000	15
1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagna, gnocchi, ravioli, cannelloni; couscous, whether or not prepared	1,000	15
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	1,000	15
2001.10	Cucumber and gherkins, prepared or preserved by vinegar or acetic acid	1,000	15
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	500	15
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	500	15
2102.10	Active yeasts	3,000	15

RULES OF ORIGIN

Protocol III outlines the rules of origin under the FTA. Both parties will apply the Pan-Euro-Med rules of origin, which allow goods produced from materials originating in any Euro-Med countries to enter the EU market with preferences. As the Egypt–Turkey FTA enters into force, Egypt and Turkey can benefit from cumulation of origin under the Pan-Euro-Med rules of origin, establishing originating integrated industries and exporting resulting goods into the EU. These cumulation opportunities will likely expand with the entry into force of other Agreements by both Egypt and Turkey with other Euro-Med countries under the auspices of the Barcelona Declaration.²

Definition of Originating Products

Protocol III of the Egypt–Turkey FTA defines originating products as products that are either wholly obtained in Egypt within the meaning of Article 5 or “products obtained in Egypt incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in Egypt within the meaning of Article 6.” The definition of these “sufficient” operations is presented in Annex II. The annex contains a complete list of operations that are considered as conferring origin to a non-originating raw material for all

² Since the Pan-Euro-Med Rules of Origin are quite complex, we encourage interested readers to read Protocol III at <http://www.tas.gov.eg/English/Trade%20Agreements/Countries%20and%20Regions/Europe/turkey>

Table 2-3. Tariff Concession Schedule for Egyptian Exports of Agricultural and Processed Agricultural Products into Turkey

CN Code	Product	Quantities (tons)	Tariff Reduction from MFN Duties (%)
Chap. 3	Fish and crustaceans, molluscs and other aquatic invertebrates (excl. 0301)	Unlimited	50
0602	Other live plants (including their roots), cuttings and slips; mushroom spawn (excl. 0602.90.91, 99)	Unlimited	100
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared	15	100
0701.90	Other potatoes, fresh or chilled	400	100
0703.20	Garlic, fresh or chilled	100	100
0705	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium spp.</i>), fresh or chilled	600	100
0706	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled		
0709	Other vegetables, fresh or chilled (excl. 0709.90.31, 39)		
0710	Vegetables (uncooked or cooked by steaming or boiling in water), frozen (excl. 0710.80.10)		
0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption (excl. 0711.20, 40)		
0712	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared		
0804.10	Dates, fresh or dried	5000	100
0804.50	Guavas, mangoes and mangosteens, fresh or dried	1000	100
0810.10	Strawberries, fresh	200	100
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries	100	100
0910	Ginger, saffron, turmeric (<i>curcuma</i>), thyme, bay leaves, curry and other spices	100	100
1006.20	Husked (brown) rice	30000	100
1006.30	Semi-milled or wholly milled rice, whether or not polished or glazed	10000	50
1202	Groundnuts, not roasted or otherwise cooked	500	100
1704	Sugar confectionery (including white chocolate), not containing cocoa	2000	15
1806	Chocolate and other food preparations containing cocoa	1000	15
1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared	1000	15
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	1000	15
2001.10	Cucumber and gherkins, prepared or preserved by vinegar or acetic acid	1000	15
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	500	15
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit	500	15
2102.10	Active yeasts	3000	15

products. Those operations might involve one or a combination of the following types of criteria:

- A minimum percentage of value-added that has taken place in Egypt
- A specific process that must have taken place in Egypt
- Restrictions stating that specific inputs must be wholly obtained in Egypt
- Change of tariff heading.

Cumulation Concept

In the context of the Pan-Euro-Med zone, cumulation means that

products that have obtained originating status in one partner country may be used with products originating in another partner country without prejudice to the preferential status of the finished product. In the case of cumulation the working or processing carried out in each partner country on originating products does not have to be 'sufficient working or processing' within the meaning of Article 6 in order to confer on the finished product, the origin of the partner country but it must go beyond the minimal operations in Article 7.³

As indicated earlier, in bilateral cumulation materials are imported from a country to which the finished product will be exported (e.g. Turkish materials processed in Egypt for export to Turkey). But with diagonal cumulation, materials are imported from a country other than the country to which the finished product will be exported (e.g., Turkish materials processed in Egypt for export to the EU).

No Draw Back Rule

In the Pan-Euro-Med zone drawback is generally prohibited in diagonal trade. Article 15 in Protocol III of the Egypt–Turkey FTA provides that non-originating materials used in the manufacture of products originating in Turkey, Egypt, or in one of the other Euro-Med zone countries cannot be subject in Egypt or in Turkey to drawback when those manufactured products are destined for export to the zone. However, Egypt and Turkey may, except for products falling within HS Chapters 1 to 24, benefit from drawback until December 31, 2009 subject to the following provisions:

- A 5 percent rate of customs charge shall be retained in respect of products falling within Chapters 25 to 49 and 64 to 97 of the Harmonized System, or such lower rate as is in force in Egypt or Turkey;
- A 10 percent rate of customs charge shall be retained in respect of products falling within Chapters 50 to 63 of the Harmonized System, or such lower rate as is in force in Egypt or Turkey.⁴

Thus, the protocol allows Egyptian exporters to benefit from drawback in purely bilateral trade between Egypt and Turkey (until 2009 and not including HS chapters 1-24). In diagonal trade the Egyptian exporters may apply for preferential proof of origin and pay duties on imported parts or they may not apply for preferential proof of origin and benefit from drawback on imported parts. The decision depends on the preferential margin on the exported product and the rate of duty on imported materials.

³ A User's Handbook to the Rules of Preferential Origin used in trade between the European Community, other European Countries and the countries participating to the Euro-Mediterranean Partnership, p 10.

⁴ Egypt-Turkey Free Trade Agreement, Protocol III, Article 15, paragraph 7.

Proof of Origin

To benefit from tariff concessions granted in preferential agreements, products must be originating and exporters must have proof of origin. To enable operators to fully benefit from the system it is necessary to submit either a movement certificate EUR.1; a movement certificate EUR-MED; or an invoice declaration given by the exporter on an invoice, a delivery note, or any other commercial document that describes products in sufficient detail to enable identification. An invoice declaration may be made out by an approved exporter or by any exporter for any consignment consisting of one or more packages containing originating products whose total value does not exceed EUR 6,000.

3. Egypt–Turkey Trade and Investment

TRADE

Egypt’s trade with Turkey was on an upward if fluctuating trend even before the FTA took effect. In 2006, Egyptian exports to Turkey had more than tripled since 1996 and imports rose by slightly less than 50 percent during the same period.

Egypt’s trade with Turkey accounts for 2.6 percent of Egyptian goods exports and 2 percent of imports. In 2006, exports to Turkey amounted to \$363 million, making Turkey the eleventh largest market for Egyptian exports. Also in 2006, Egyptian imports from Turkey were valued at \$367 million, making Turkey Egypt’s fifteenth largest supplier. Egypt’s trade deficit with Turkey widened from 1998 through 2002, largely because of increased imports from Turkey, then narrowed substantially in 2003 and 2004 as Egyptian exports increased. In 2005 the deficit again widened, and, then, in 2006 narrowed dramatically, an improvement that was due mainly to increased imports of machinery, petroleum oils, motor cars, and iron and steel products (Table 3-1).

Table 3-1. Trade Balance between Egypt and Turkey, 1996–2006

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exports to Turkey	115	97	118	97	85	78	78	144	235	334	362
Change from 1996	100%	84%	102%	84%	74%	67%	67%	125%	204%	290%	313%
Imports from Turkey	253	174	489	358	202	247	223	178	246	623	391
Change from 1996	100%	69%	193%	141%	80%	98%	88%	70%	97%	246%	155%
Trade Balance	-138	-78	-371	-261	-117	-170	-145	-34	-11	-289	-29
Change from 1996	100%	43%	-169%	-89%	15%	-23%	-5%	75%	92%	-109%	79%

SOURCE: CAPMAS.

Exports

Egyptian exports to Turkey increased over the last three years (Figure 3-1). The top 20 Egyptian exports to Turkey in 2006 are depicted in Table 3-2, with petroleum oils ranking at the top of the list with \$153 million. Other top Egyptian exports to Turkey consisted mainly of industrial goods including chemicals, textiles, steel, and cement. Rice is the only agricultural product (within the agreement definition) on that list with exports to Turkey valued at \$39 million. Thirteen percent of Egyptian rice is exported to Turkey.

Figure 3-1. Egyptian Goods Trade with Turkey, 1996-2006

The top 20 Egyptian exports to Turkey accounted for 87 percent of Egyptian exports to Turkey in 2006. Sixty-seven percent of these exports entered the Turkish market on a duty-free basis. Egyptian chemicals exports to Turkey represented a substantial share—21 percent—of all Egyptian chemicals exports, with the vast majority of Egypt’s exports of polyvinyl chloride (64 percent), sodium hydroxide (81 percent), and sodium hydroxide in aqueous solution (71 percent) destined for the Turkish market.

Table 3-2. Top 20 Egyptian Exports to Turkey in 2006 and Turkish Pre-FTA Tariffs on Egyptian Goods

HS Subheading	Description	To Turkey (US\$ millions)	To World (US\$ millions)	Turkey Share (%)	Turkish Pre-FTA Tariff (%)
271000	Petroleum oils and oils obtained from bituminous minerals, other than crude	153.2	3604.8	4%	Free
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	38.7	287.4	13%	45%
270400	Coke and semi-coke of coal, of lignite or of peat	21.2	43.4	49%	Free
390410	Polyvinyl chloride, not mixed with any other substances	19.0	29.6	64%	3%
390110	Polyethylene having a specific gravity of less than 0.94	13.7	203.8	7%	3%
390490	Other: Polymers of vinyl chloride or of other halogenated olefins, in primary forms.	7.9	23.2	34%	
281511	Sodium hydroxide (caustic soda)- solid	7.5	9.2	81%	1.9%
252310	Cement clinkers	6.9	81.2	9%	Free
520100	Cotton not carded or combed.	6.5	117.5	6%	Free
283429	Other: Nitrites; nitrates.	6.1	16.1	38%	Free

HS Subheading	Description	To Turkey (US\$ millions)	To World (US\$ millions)	Turkey Share (%)	Turkish Pre-FTA Tariff (%)
281410	Ammonia anhydrous ammonia	5.0	12.6	40	Free
281512	Sodium Hydroxide in aqueous solution (soda lye or liquid soda)	5.0	7.0	71	1.9
390190	Other: Polymers of ethylene, in primary forms.	4.4	30.4	15	Free
271290	Other: Petroleum jelly	4.2	76.9	5	Free
720824	Flat-rolled products of iron or non-alloy steel	3.5	24.4	14	5
721911	Flat-rolled products of stainless steel of a thickness exceeding 10 mm	2.7	207.0	1	2
310230	Ammonium nitrate, whether or not in aqueous solution	2.4	9.1	27	6.5
250590	Other: Natural sands of all kinds, whether or not colored, other than metal-bearing sands of Chapter 26.	2.3	7.0	34	Free
520542	Cotton sewing thread, whether or not put up for retail sale.	2.3	31.6	7	3.2
281420	Ammonia in aqueous solution	2.3	7.5	31	Free

SOURCE: CAPMAS, Turkish tariff schedule (www.gumruk.gov.tr), and TPAU analysis.

Table 3-3 summarizes Turkey's Most-Favored Nation (MFN) tariff schedule. These are the tariff rates that Egyptian goods faced in Turkey before the FTA. More than 85 percent of Turkey's MFN tariff lines have duties between zero and 10 percent, with nearly 60 percent of Turkey's tariff lines having duty-free status. Only 14 percent of Turkey's MFN tariff lines have duties exceeding 10 percent.

Table 3-3. Turkey's MFN Tariff Schedule Summary

Tariff Base Rate (%)	Number of Tariff Lines	Percent of Total Tariff Lines
0	6,837	58.4
>0 to 10	3,241	27.7
>10 to 20	393	3.4
>20 to 35	149	1.3
>35 to 50	197	1.7
>50 to 65	379	3.2
>65	502	4.3
Total	11,698	100

SOURCE: Turkey's 2007 MFN Tariff Schedule from Turkish Customs website (www.gumruk.gov.tr), and TPAU analysis.

Imports

Egyptian imports of goods from Turkey reached \$367 million in 2006, making Turkey Egypt's fifteenth largest merchandise supplier with 2 percent market share of the nearly \$21 billion Egyptian import market. Slightly more than 40 percent (by value) of the top 20 Egyptian imports from Turkey entered the Egyptian market duty free.

Table 3-4 shows the top 20 Egyptian imports of goods from Turkey in 2006, with petroleum oils ranking first in value (\$70.5 million) and semi-finished products of iron or non-alloy steel ranked

second (\$47 million). Other top imports from Turkey included textiles, including woven fabric and cotton yarn, which account for 70 percent and 62 percent, respectively, of total Egyptian imports of those products.

Egypt's agricultural imports from Turkey, including durum wheat, lentils, broad beans and horse beans and hazelnuts or filberts, accounted for 18 percent (by value) of Egypt's top 20 imports from Turkey. Most of these products entered the Egyptian market duty-free.

Table 3-4. Top 20 Egyptian Imports and Pre-FTA Tariffs on Turkish Goods, 2006

HS Subheading	Description	From Turkey (US\$ millions)	From World (US\$ millions)	Turkey Share (%)	Egypt Pre-FTA Tariff (%)
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude	70.5	1239.0	6	3.5*
7207.19	Other: Semi-finished products of iron or non-alloy steel.	46.8	502.9	9	Free
5501.30	Woven fabrics of synthetic staple fibers, containing less than 85% by weight of such fibers, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2.	17.5	25.1	70	10
1001.10	Durum wheat	16.0	964.3	2	Free
0713.40	Lentils	11.0	34.1	32	Free
0713.50	Broad beans and horse beans	8.3	113.1	7	Free
8708.99	Containers	7.4	178.8	4	10
8485.90	Other: Machinery parts	5.9	104.6	6	20
5503.30	Synthetic staple fibers Acrylic or modacrylic	5.9	7.6	77	Free
7612.90	Other: Aluminum casks, drums, cans, boxes and similar containers	5.0	10.2	49	20
8479.89	Other: Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter.	4.9	125.3	4	Free
2401.10	Tobacco, not stemmed/stripped	4.9	164.7	3	L.E 6.1 / net Kg
5402.49	Synthetic filament yarn: other Partially oriented (p. o. y)	4.6	75.3	6	Free
7228.30	Other bars and rods, not further worked than hot-rolled, hot-drawn or extruded	4.2	10.1	41	5
4408.90	Other: Sheets for veneering	4.1	15.1	27	5
5205.22	Cotton yarn Measuring less than 192.31 decitex but not less than 125 decitex	3.9	6.2	62	5
4011.10	New pneumatic tyres, of rubber of a kind used on motor cars	3.7	40.1	9	20
3906.90	Other: Acrylic polymers in primary forms.	3.7	15.8	23	2
4011.20	New pneumatic tyres, of rubber of a kind used on buses or lorries	3.6	62.7	6	10
5205.15	Cotton yarn Measuring less than 125 decitex (exceeding 80 metric number)	2.9	31.6	9	5
0802.22	Hazelnuts or filberts (Corylus spp.). Shelled.	70.5	1239.0	98	5

Average tariff applied to 27.10

SOURCE: CAPMAS, Egyptian tariff schedule, and TPAU analysis

Table 3-5 summarizes Egypt's MFN tariff schedule, which was issued in February 2007 before the FTA took effect in March 2007.

Table 3-5. Egypt's MFN Tariff Schedule Summary

Tariff Base Rate (%)	Number of Tariff Lines	Percent of Total Tariff Lines
0	484	8.8
>0 to 5	2,876	52.4
>5 to 10	1,054	19.2
>10 to 20	254	4.6
>20 to 30	780	14.2
>30 to 40	13	0.2
>40	23	0.4
Total	5,484	100.0

SOURCE: Egyptian Tariff schedule 2007, TPAU analysis.

INVESTMENT⁵

Investment promotion is an important objective of the Egypt–Turkey FTA, and a review of past and current investment information will help detect investment trends. In the FTA the two parties agreed to promote investment and technology flows by⁶

- Identifying, through appropriate means investment opportunities and information channels on investment regulations;
- Providing information on measures to promote investment abroad (e.g., technical assistance, financial support, investment insurance, etc.);
- Planning and implementing development projects, including the participation of foreign investors;
- Encouraging joint ventures, especially for SMEs and, when appropriate, concluding agreements between Turkey and Egypt.

From the Egyptian side the agreement is expected to increase confidence in the Egyptian economy and make it attractive as a hub for exports to other African, European, and Arab countries. Indeed, Turkish and other investors may not only benefit from duty-free provisions when importing raw material and other inputs from Turkey, but also export eligible products on a duty-free basis to Turkey, EU, and other countries with free trade agreements with Egypt. Inward investment and expanded trade are, in turn, expected to expand industrial activity and, thus, employment for skilled and non-skilled labor.

Investment figures are already rising rapidly. Turkish investments in Egypt amounted to about \$350 million from 1986 to the first quarter of 2007 and may reach \$1 billion during the course of this year.⁷ At the same time, about 66 Egyptian companies are reportedly operating in Turkey,

⁵ Data used in this section was provided mainly by the Turkish Embassy in Cairo.

⁶ Egypt-Turkey Free Trade Agreement, Article 28.

⁷ A True Turkish Delight, Hadia Mostafa, *Business Today*, February 2007, <http://www.businesstodayegypt.com/>

according to Turkish Trade Minister Kürzad Tüzmen, while several others, particularly in the service sectors, are considering investing there.^{8, 9}

Turkish Investment in Egypt

Before the FTA was signed in 2005, 39 Turkish companies had established operations in Egypt in diverse sectors and locations (Table A-4). Inward investment particularly picked up beginning in 2001 when FTA preparations were underway. By December 2005, when the agreement was signed and results widely known among the business community in both countries, 20 more Turkish companies had invested in Egypt (Table A-5).

Post-FTA, 2006 to April 2007. Once the agreement was signed—and even before its implementation in 2007—the number of Turkish companies investing in Egypt increased substantially to take advantage of export opportunities created by the agreement (Table A-6). Most of the 59 Turkish companies that have invested in Egypt since the signing are involved in textiles and apparel, again reflecting the opportunities to export into a wide range of African, Arab, European, and even U.S. markets (through the Qualifying Industrialized Zones). This is reflected in the 13 memoranda of understanding signed by the Egyptian–Turkish business association and which aim at enhancing cooperation in various fields with other Turkish associations and the chamber of commerce.¹⁰ There are 28 Turkish stores, retailers, showrooms, buying offices currently operating in Egypt. According to the Turkish Embassy another 40 companies are expected to begin operating in Egypt shortly (Table A-7).

Prospective. More than 90 Turkish companies, 21 shops and buying offices, and 6 Turkish banks are considering investing in Egypt and are studying the feasibility of doing so. Most investments being considered are in the textiles, automotive, and chemicals sectors.¹¹ Minister of Trade and Industry Eng. Rachid Mohamed Rachid and the Turkish Trade Minister Kürzad Tüzmen have signed a memorandum of understanding to establish the first private industrial park in Egypt for Turkish manufacturers. The new 2 million square kilometer industrial cluster in the Sixth of October City will include Turkish manufacturing operations from a number of sectors.¹² Discussions are also underway to create another industrial park for Turkish textiles manufactures in Borg El-Arab, where a number of Turkish textile and ready-made garments factories have already set up shop.¹³ The Egyptian-Turkish business association announced the start of two investment projects amounting to 1.8 billion Egyptian Pounds, one in Upper Egypt to produce paper, and the other in el Areesh to produce glass.¹⁴ Finally, an agreement has been reached to establish regular marine lines to link Alexandria and Port Said ports with Izmir and Istanbul ports.¹⁵ Details on investors, locations, and investment amounts are provided in the Appendix.

⁸ Ibid

⁹Details on Egyptian investment in Turkey are outside the scope of this report.

¹⁰ Al Ahram newspaper, Khalifa Adham, 16 July 2007.

¹¹ Data provided by the Turkish Embassy in Cairo

¹² Al Ahram newspaper, Abd El Naser Aref, 17 March 2007

¹³ *Business Today*, February 2007, <http://www.businessstodayegypt.com>

¹⁴ Al Ahram newspaper, Khalifa Adham, 16 July 2007.

¹⁵ Ibid

4. Global Analysis Using General Equilibrium Approach

In this chapter we model the impact of the Egypt–Turkey FTA on the Egyptian economy. The model employed is the GTAP Computable General Equilibrium (CGE) model widely used to analyze the impact of tariff liberalization. The model and its structure are reviewed in an earlier paper (TPAU 2006) and in international journals and publications (Tsagas and Hertel 1997). To accurately reflect conditions in Egypt and Turkey, the standard model was modified to include macroeconomic “closures”:

- Unemployment in the Egyptian market for unskilled labor.
- Balance of payments for Egypt and Turkey constrained to 2004 levels, thus preventing either country from deviating substantially from its current balance of trade in goods and services into deficit or surplus (a common assumption for developing countries).

The database employed is the GTAP version 7p1 database reflecting global trade, production, and tariffs for 2004. Egypt’s tariffs on imports from Turkey have been updated to 2007 rates, reflecting substantial liberalization of Egypt’s tariff schedule.

TARIFF PHASE OUT

Simulations were carried out in four stages or scenarios reflecting the four major delineations of Egypt’s tariff phase-out over 12 years. This methodology reveals the magnitude and timing of sector impacts.

Table 4-1 presents Egyptian tariffs in place on goods from Turkey in 2007 (post-FTA) broken down by six major sectors ranging from agriculture to services trade.¹⁶ It also shows the phase out of tariffs from 2008 to 2020 in the four periods that mark major shifts in the phase out schedule. An analytical incongruity is evident where 2007 tariff data are presented with 2004 trade and production data. The phase out schedule starts with the tariffs in place at the ratification of the agreement (February 2007) (using the new 2007 tariff schedule). But trade data for 2007 are not available before the end of the year. In addition, the global database of production and trade used here is based on 2004 data. These inconsistencies are not serious and more up to date data are used when they are available, such as 2007 tariffs applied to 2004 trade data. Turkey’s tariffs have changed little since it entered into a customs union with the EU in the 1990s. Rates from a database for 2004 (see Table 4-2) are therefore applied in the following analysis.¹⁷

¹⁶ Details on sector-by-sector tariff phase out for Egypt are presented in Table A-1.

¹⁷ Table A-2 provides sector by sector tariff phase out for Egypt.

Table 4-1. Egyptian Phase-Out Schedule by Sector, 2007–2020

Sector	2004 (US\$ millions)		Tariff Phase Out Schedule (Trade Weighted Average Tariffs, %)*				
	Production	Imports from Turkey (%)	Base 2007	2008	2014	2017	2020
Agriculture	27,163.5	50.1	6.5	6.5	6.5	6.5	6.5
Energy	13,945.5	0.3	3.1	1.4	0.0	0.0	0.0
Textiles and apparel	12,518.7	80.9	1.7	1.5	0.3	0.0	0.0
Motor vehicles and equipment	2,705.8	102.2	33.1	30.5	17.2	7.6	0.0
Mining and metals	9,874.0	142.1	9.1	8.7	3.4	0.0	0.0
Chemicals, wood and other manu.	9,310.0	77.0	7.4	5.7	1.3	0.2	0.2
All products	75,517.5	452.5	12.6	12.1	6.7	2.8	0.7

SOURCE: Analysis by Nathan Associates and the Egyptian TPAU based on the Egypt-Turkey Phase out schedules.

*Data reflect weighted averages based on 2004 Egyptian imports from Turkey as reported by CAPMAS and 2007 tariffs.

Table 4-2. Turkish Phase-Out Schedule, by Sector, 2007–2008

Sector	Imports from Egypt 2004 (US\$ Millions)*	Tariffs on Imports from Egypt (%)**	
		2007	2008
Agriculture	46.6	37.1	37.1
Energy	31.9	0.1	0.0
Textiles and apparel	26.3	7.0	0.0
Motor vehicles and equipment	14.5	3.2	0.0
Mining and metals	43.6	2.9	0.0
Chemicals, wood and other man.	69.8	2.6	0.0
All products	232.6	9.8	7.4

SOURCE: Analysis by Nathan Associates and the Egyptian TPAU based on the Egypt–Turkey Phase out schedules.

* GTAP 2004 trade data.

**Data reflect weighted averages based on 2004 Turkish imports from Egypt as reported by GTAP.

WELFARE IMPACTS

Table 4-3 presents estimates of net welfare impacts resulting from market access liberalization under the Egypt–Turkey FTA. The annualized welfare impact amounts to US\$45 million for Egypt and US\$95 million for Turkey at the time of complete implementation of the agreement in 2020. These impacts are modest, amounting to less than 1/10th of a percent of the GDP of either country. For Egypt, more than two-thirds of the benefits of the FTA accrue at or before 2014. For Turkey, benefits are significantly delayed, with more than two-thirds accruing after 2014. This stems from the long phase out of industrial tariffs granted to Egypt. So, while Egypt’s total welfare benefits are less than Turkey’s, Egypt starts accruing them much earlier and for a longer period. The standard GTAP model implemented in this analysis does not capture the dynamic effects of investments and capital accumulation that might occur as a result of the free trade agreement.

Understanding where welfare benefits and costs arise can provide insight not only into the overall impact of the FTA, but also into how different stakeholders in an economy are affected. Table 4-3 also presents these manifestations of welfare changes:

- Allocative efficiency—the gain or loss to an economy when scarce resources, such as land, skilled labor, and capital are used more efficiently;
- The endowment effect—the gain from greater utilization of unemployed factors of production, such as unskilled labor in Egypt;
- The terms of trade effect—the change in the ratio of export prices to import prices.

The US\$45 million welfare gain for Egypt has three components. Importantly, wage gains from expanding employment in the unskilled labor market make up US\$46 million of the benefits. This is offset, however, by a loss of US\$14 million from deteriorating terms of trade. In contrast, the gains to Turkey accrue largely from improved terms of trade effect of over US\$66 million.

Table 4-3. Welfare Impacts, GDP and Income (in 2004 US\$)

Welfare Component	GDP 2004	Impacts (US\$ millions)				
		2008	2014	2017	2020	Total
EGYPT						
Total	76,805.0	15.7	17.7	9.0	2.8	45.2
Allocative efficiency	--	1.4	14.6	7.3	-5.1	18.2
Employment gains low skilled labor (losses)	--	7.2	10.8	12.1	16.6	46.7
Terms of trade	--	5.8	-5.2	-7.4	-7.4	-14.2
TURKEY						
Total	295,831.0	3.8	26.0	30.2	32.3	92.3
Allocative efficiency	--	1.2	3.1	4.3	7.9	16.5
Employment gains (losses)	--	--	--	--	--	--
Terms of trade	--	2.2	20.0	22.7	21.4	66.3

Note: Impacts do not sum to total because several smaller categories are omitted.

SOURCE: Analysis by Nathan Associates and the TPAU.

TRADE AND PRODUCTION IMPACT

While the FTA's impact on Egypt's GDP is modest, differences in trade and production at the sector level are significant. Sectors of interest here include the following:

- Agriculture
- Energy
- Textiles and apparel
- Motor vehicles and equipment,
- Mining and metals,
- Chemicals, wood and other manufactures
- Services

Exports and Imports

The Egypt–Turkey FTA results in an increase in Egyptian imports of just under US\$100 million by 2020. Imports from Turkey increase by nearly US\$500 million by that time period, but more than half of the increase in imports from Turkey occurs after 2017. Imports from the rest of the world decline significantly, but by somewhat less than the increase in imports from Turkey (Figure

4-1). The decline in imports from the rest of the world demonstrates the FTA's strong trade diversion effect, which limit much of the gains from trade.

Egypt's exports to both Turkey and elsewhere are estimated to increase. Most of Egypt's export gains to Turkey occur in 2008 as a result of Turkey's immediate elimination of industrial tariffs at the ratification of the agreement. Exports to the rest of the world decline slightly as Egyptian industry shifts sales from other export markets to Turkey.

Figure 4-1. Change in Egyptian Imports Relative to 2004 Baseline (US\$ Millions)

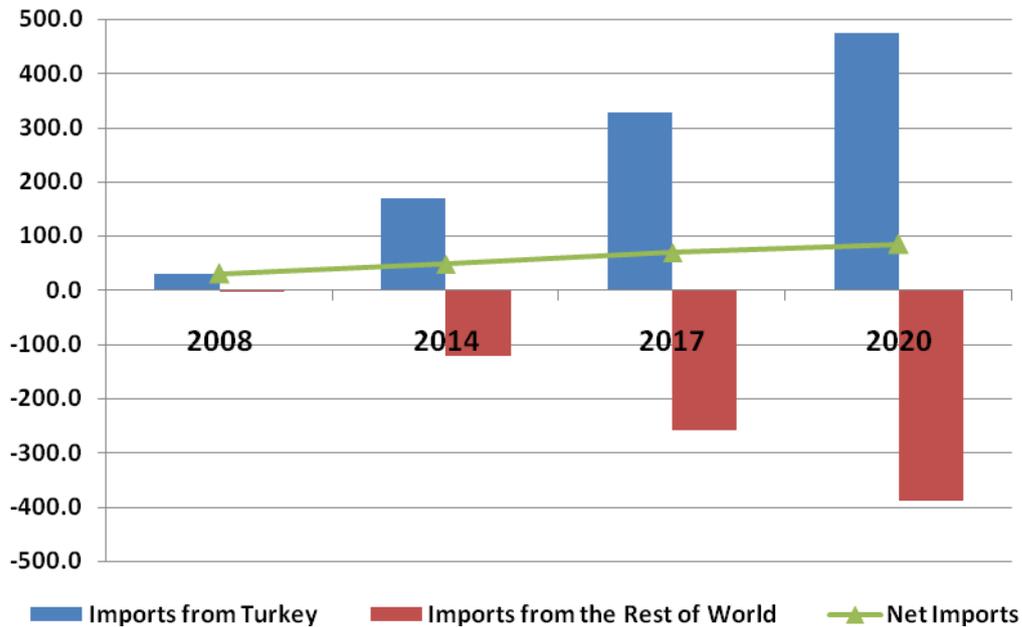
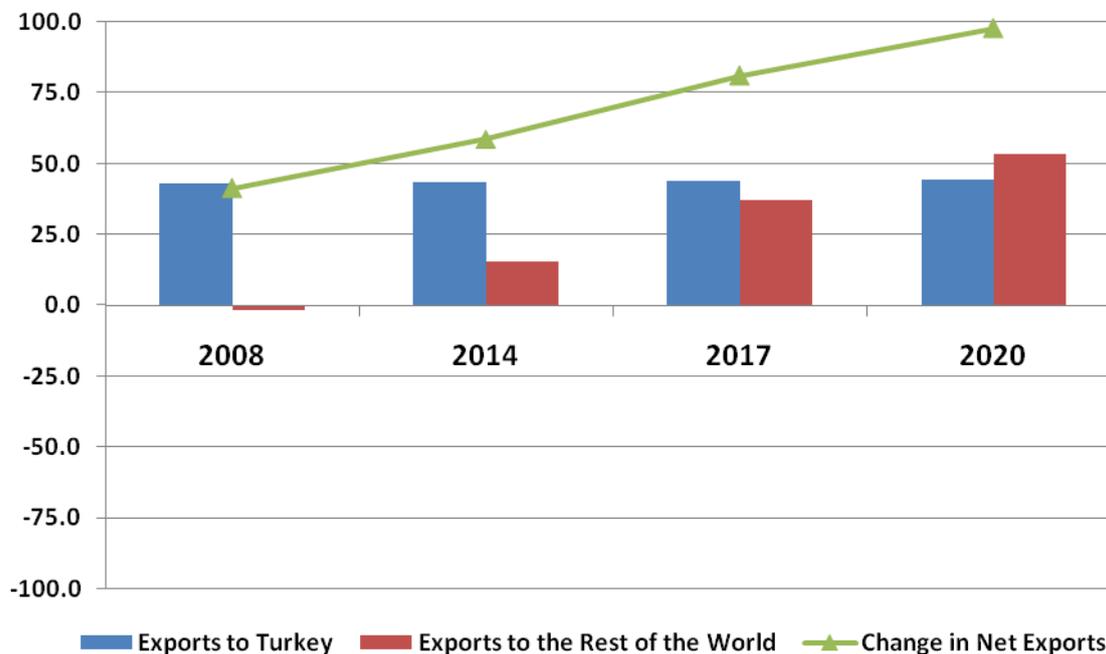


Figure 4-2. Change in Egyptian Exports Relative to 2004 Baseline (US\$ millions)



The net long-term impact is overwhelmingly positive. Starting in 2014, Egypt's tariff liberalization on imports from Turkey results in Egypt expanding exports to the rest of the world. This continues to grow with successive phases of tariff phase out as cheaper imports on inputs from Turkey make Egypt's exports to the rest of the world more competitive. By 2020, the increase in Egyptian exports to the rest of the world will be more significant than the increase in Egyptian exports to Turkey because of continued reductions in tariffs on Turkish imports (Figure 4-2).

Agriculture

The impact of the Egypt–Turkey FTA on Egypt's agricultural sectors is modest because chapters 1-24 of the Harmonized Schedule were not provided tariff elimination under the agreement. Liberalization of agriculture sectors is limited to a few tariff rate quotas (TRQs) and an agreement to continue discussions on agricultural products. TRQs with low quotas result in rents, in the form of tariff revenue, being diverted to producers in the exporting country. Out of quota tariffs have no impact on import levels and hence trade patterns.

Still, data in Tables 4-1 and 4-2 show that Egyptian tariffs on agricultural imports from Turkey (6.5 percent) are significantly lower than Turkey's tariff on imports from Egypt (37.1 percent). These data seem to indicate that Egypt has more potential to gain from extending the FTA to agricultural products than Turkey and Egypt could gain from this liberalization. Egyptian imports that could benefit the most from further liberalization include rice, sugar and sugar cane, fruits and nuts, and processed food products (see Table A-2).

Energy

The estimated impact of the Egypt–Turkey FTA on Egypt's energy sectors (natural gas, oil, coal, and electric generation) is negligible. Tariffs on energy imports are already low in both countries (in Egypt, an average 3.1 percent; in Turkey less than 1 percent).

Textiles and Apparel

Total imports of textile and apparel products, from all countries, are estimated to comprise 10 percent of Egyptian production or US\$1.3 billion in imports in 2004 (Table 4-4). Egypt's imports of textile and apparel products from Turkey in 2004 are estimated at less than 1 percent of Egyptian production. In all cases, for imports and exports, textile trade with Turkey surpasses apparel trade by a wide margin.

On the basis of average tariffs presented in Table 4-1, one can estimate the average tariff to be eliminated on imports of textile and apparel from Turkey to be 1.7 percent. A detailed examination of product line trade data reveals that the vast majority of Egyptian imports from Turkey are manmade fiber textile fabrics and yarns, which draw a zero tariff when entering Egypt, resulting in a strong downward bias on the weighted average tariff rate. Conversely, Egyptian exports to Turkey face an average tariff rate estimated to be 7 percent. The model, therefore, estimates only modest gains for Egyptian imports and exports of textile and apparel products—a change in domestic production of less than 1 percent when the agreement is fully in force in 2020 (Table 4-5).

Table 4-4. Egyptian Textile and Apparel Trade as Percent of Production, 2004

Trade Flow	Total	Apparel	Textiles
Total imports	10.2	4.1	16.1
From Turkey	0.6	0.0	1.3
Total exports	13.6	13.4	13.8
To Turkey	0.2	0.0	0.4

SOURCE: Table 3-5.

Table 4-5. Estimated Impacts on Egyptian Textile and Apparel Production and Trade

Sector	Base 2004	Impacts (est. US\$ millions)				
		2008	2014	2017	2020	Total
PRODUCTION						
Apparel	6,156.2	0.6	1.2	-0.2	-1.5	0.1
Textile fabrics and yarns	6,362.5	15.2	-1.5	0.1	-1.7	12.1
Total	12,518.7	15.8	-0.3	-0.1	-3.2	12.1
IMPORTS						
Apparel	255.0	0.2	0.1	0.3	0.0	0.6
Textile fabrics and yarns	1,024.5	1.3	3.1	0.3	-0.1	4.7
Total	1,279.6	1.5	3.2	0.6	-0.1	5.2
EXPORTS						
Apparel	826.9	0.4	0.8	0.6	0.6	2.4
Textile fabrics and yarns	881.1	15.5	0.8	0.6	-0.1	16.8
Total	1,708.0	15.9	1.6	1.2	0.4	19.2
IMPORTS FROM TURKEY						
Apparel	0.4	0.0	0.4	0.7	0.0	1.1
Textile fabrics and yarns	80.5	1.3	7.0	1.2	-0.1	9.4
Total	80.9	1.3	7.4	1.9	-0.1	10.4
EXPORTS TO TURKEY						
Apparel	1.7	1.9	0.0	0.0	0.0	1.9
Textile fabrics and yarns	24.6	15.5	0.0	0.0	-0.1	15.4
Total	26.3	17.4	0.0	0.0	-0.1	17.4

Motor Vehicles and Equipment

Egypt's motor vehicle, transportation, and heavy equipment sector has high import penetration and low export competitiveness, as evidenced by trade flows as a percentage of Egyptian production of these products (Table 4-6). Imports of motor vehicles and transport equipment are estimated to be slightly less than two-thirds of domestic production. The machinery and heavy equipment market is dominated by imports, with Egyptian production only achieving a fraction of total import levels for these products. Meanwhile, motor vehicle imports face some of the highest levels of Egyptian protection of any manufactured goods sector—tariffs average 65 percent—and tariffs on particular products can exceed 100 percent.

Even with high tariffs, Egyptian production of motor vehicles is only modestly affected by rising Turkish imports resulting from tariff elimination. The impact on Egyptian production is estimated to be about US\$11 million by 2020. Imports from Turkey, however, are expected to surge from less than 1 percent of Egyptian production to US\$282 million or 17 percent of Egyptian production. Importantly, the large Turkish gain in the Egyptian market primarily results in trade diversion and a movement away from motor vehicle imports from the rest of the world (Table 4-7).

Table 4-6. Egyptian Motor Vehicles and Equipment Trade as Percent of Production, 2004

Trade Flow	Total	Motor Vehicles	Transportation Equipment	Machinery and Equipment
Total imports	188.0	60.7	57.3	622.1
From Turkey	0.1	0.1	0.0	0.2
Total exports	0.1	0.2	2.7	1.6
To Turkey	0.1	0.0	0.0	0.0

SOURCE: Table 3-7.

Table 4-7. Estimated Impacts on Egyptian Motor Vehicle and Equipment Production and Trade

Sector	Base 2004	Impacts (est. US\$ millions)				
		2008	2014	2017	2020	Total
PRODUCTION						
Motor vehicles	1,619	2.5	-2.2	-4.4	-7.7	-11.8
Transportation equipment	471	0.1	0.6	0.6	0.5	1.8
Machinery and equipment	616	1.0	1.5	1.5	0.0	4.0
Total	2705.8	3.6	-0.2	-2.3	-7.2	-6.0
IMPORTS						
Motor vehicles	981.7	1.6	-10.4	-2.8	17.5	5.8
Transportation equipment	270.0	0.0	0.1	0.1	0.3	0.5
Machinery and equipment	3834.6	16.2	0.5	-0.7	-1.6	14.4
Total	5,086.4	17.8	-9.9	-3.4	16.2	20.7
EXPORTS						
Motor vehicles	2.7	2.1	0.6	1.0	1.0	4.8
Transportation equipment	12.6	0.0	0.2	0.2	0.2	0.5
Machinery and equipment	10.1	1.1	1.2	1.1	1.1	4.6
Total	25.5	3.2	2.0	2.3	2.3	9.9
IMPORTS FROM TURKEY						
Motor vehicles	1.9	1.6	47.0	87.6	146.4	282.6
Transportation equipment	0.0	0.0	0.1	0.0	0.0	0.1
Machinery and equipment	1.3	16.2	8.5	3.5	-0.2	28.0
Total	3.3	17.8	55.5	91.2	146.3	310.7
EXPORTS TO TURKEY						

Sector	Base 2004	Impacts (est. US\$ millions)				
		2008	2014	2017	2020	Total
Motor vehicles	0.2	2.1	0.1	0.1	0.1	2.4
Transportation equipment	0.0	0.0	0.0	0.0	0.0	0.0
Machinery and equipment	0.2	1.1	0.0	0.0	0.0	1.2
Total	0.4	3.2	0.1	0.1	0.1	3.7

Mining, Minerals, and Metals

With an estimated US\$9.8 billion in sales, mining and metal products are Egypt's third largest manufacturing sectors. The largest segment is mineral products, including cement and aggregates, followed by iron and steel products. These two sectors also enjoy the highest import protection—15 and 19 percent weighted average tariffs on Turkey (Table 4-8).

While imports as a percentage of Egyptian production often exceed 50 percent in other mining and metals industrial segments, imports in the two protected sectors are less than 10 percent of production. This relationship follows through the export side: Egyptian exports of raw minerals and basic iron and steel exceed 50 percent of estimated domestic production. Meanwhile, exports of mineral products represent less than 20 percent of domestic production, and exports of products made from iron and steel do not exceed 10 percent of domestic production (Table 4-9).

The impact of the Egypt–Turkey FTA mirrors the structure of trade and protection for these products. The sectors most significantly affected include mineral products and iron and steel products, with Egypt's imports from Turkey increasing two- to threefold. But the general impact of this rise in imports from Turkey is mitigated by the fact that Egypt's imports from Turkey in these sectors amount to less than 1 percent of total Egyptian production (Table 4-10).

Table 4-8. Weighted Average Egyptian Tariffs on Mining and Metal Products

Product	Base 2007	Tariff Phase Out Schedule			
		2008	2014	2017	2020
Raw minerals	4.9	3.7	1.6	0	0
Mineral products (cement, aggregates)	15.0	14.5	5.4	0	0
Iron and steel (ingot, sheet, plate, coil)	1.6	1.5	0.6	0	0
Products of iron and steel	19.3	18.8	7.4	0	0
Non-ferrous metal products	2.6	0.7	0	0	0
Total	9.1	8.7	3.4	0	0

Table 4-9. Egyptian Mining and Metals Trade as a Percent of Production, 2004

Trade Flow	Total	Raw Minerals	Mineral Products	Iron and Steel	Iron and Steel Products	Non-ferrous Metal Products
Imports total	24.5	52.7	7.6	57.2	6.8	20.4
From Turkey	1.4	1.3	0.6	3.6	1.8	0.1
Exports total	24.9	56.8	19.2	49.1	6.8	27.0
To Turkey	0.4	2.7	0.4	0.5	0.1	0.5

Table 4-10. Estimated Impacts on Mining and Metal Production and Trade

Sector	Base 2004	Impacts (est. US\$ millions)				
		2008	2014	2017	2020	Total
PRODUCTION						
Raw minerals	432	2.8	-3.2	-2.2	1.8	-0.7
Mineral products (cement, aggregates)	3,791	2.5	-0.4	0.0	0.9	3.0
Iron and steel (ingot, sheet, plate, coil)	1,938	0.0	-14.0	-16.0	2.3	-27.7
Products of iron and steel	2,314	1.4	2.1	1.9	0.6	6.0
Non-ferrous metal products	1,400	7	-15	-16	6	-19
Total	9,874.0	13.5	-30.9	-32.3	11.3	-38.5
IMPORTS						
Raw minerals	227.4	0.1	0.1	0.1	0.1	0.4
Mineral products (cement, aggregates)	287.2	0.5	5.9	5.7	0.2	12.3
Iron and steel (ingot, sheet, plate, coil)	1108.6	0.7	0.6	0.3	0.7	2.3
Products of iron and steel	510.8	0.9	14.1	19.4	0.1	34.6
Non-ferrous metal products	285.8	0.2	-0.3	-0.3	-0.3	-0.7
Total	2,419.8	2.5	20.5	25.2	0.8	48.9
EXPORTS						
Raw minerals	245.2	0.0	0.0	0.0	0.0	0.1
Mineral products (cement, aggregates)	726.0	2.9	0.5	0.4	0.4	4.1
Iron and steel (ingot, sheet, plate, coil)	951.8	3.9	0.8	0.9	0.9	6.4
Products of iron and steel	157.6	0.3	0.3	0.4	0.4	1.3
Non-ferrous metal products	377.6	1.7	1.4	1.3	1.3	5.8
Total	2,458.1	8.8	2.9	3.0	3.0	17.8
IMPORTS FROM TURKEY						
Raw minerals	5.7	0.1	0.2	0.2	0.0	0.5
Mineral products (cement, aggregates)	23.1	0.5	11.9	10.5	0.0	22.8
Iron and steel (ingot, sheet, plate, coil)	70.5	0.7	3.4	2.3	0.0	6.5
Products of iron and steel	41.3	0.9	36.4	43.3	-0.1	80.5
Non-ferrous metal products	1.4	0.2	0.1	0.0	0.0	0.3
Total	142.1	2.5	52.0	56.2	-0.1	110.6
EXPORTS TO TURKEY						
Raw minerals	11.8	0.0	0.0	0.0	0.0	0.0
Mineral products (cement, aggregates)	14.6	2.9	0.0	0.0	0.0	3.0
Iron and steel (ingot, sheet, plate, coil)	9.0	3.9	0.0	0.0	0.0	4.0
Products of iron and steel	1.3	0.3	0.0	0.0	0.0	0.3
Non-ferrous metal products	6.9	1.7	0.0	0.0	0.0	1.8
Total	43.6	8.8	0.1	0.1	0.1	9.1

Chemicals, Wood Products, and Other Manufactures

Chemicals, wood products and other manufactures is the fourth largest sector of Egypt's manufacturing economy. The chemical segment dominates, accounting for about 45 percent of Egyptian production in this product grouping, followed by other manufactures, accounting for about 27 percent of production in this product group (Table 4-11). All products in this group experience significant import competition, with imports exceeding 48 percent of domestic production for all segments. Export levels, as measured relative to Egyptian production, are highest for chemicals, exceeding 25 percent of domestic production, and lowest for wood products, with just under 6 percent of domestic production being exported.

Tariff levels on Egyptian imports from Turkey average 7.4 percent (see Table A-1). Wood products are the most heavily protected segment, with a weighted average tariff on imports from Turkey of 11.5 percent. Chemical products have the lowest weighted average tariff from Turkey (6.9 percent). The average tariff on Turkish imports from Egypt of these products is 2.6 percent. Overall, Egypt's imports of these products from Turkey are less than 1 percent of Egypt's total production. Similarly, Egypt's exports of these products are less than 1 percent of Egyptian production. The chemical sector leads the volumes of trade in these products.

Overall impacts from the FTA are limited to about US\$70 million dollars per year by 2020, less than 1 percent of Egyptian production for these products (Table 4-12).

Table 4-11. Egyptian Chemical, Wood Products and Other Manufactures Trade as Percent of Production, 2004

Trade Flow	Total	Chemicals	Raw Wood and Paper	Wood Products	Manufactures n.e.c.
Imports Total	63.9	82.3	52.0	50.1	48.1
From Turkey	0.8	1.4	0.5	0.7	0.2
Exports Total	15.9	25.2	9.0	5.7	10.2
To Turkey	0.7	1.6	0.0	0.0	0.1

Table 4-12. Estimated Impact on Chemical, Wood Product, and Other Manufactures' Production and Trade

Sector	Base	Impacts (est. US\$ millions)				
	2004	2008	2014	2017	2020	Total
PRODUCTION						
Chemicals	4,081.8	6.9	5.3	1.0	0.2	13.3
Raw wood and paper	1,250.6	11.5	10.9	3.1	0.0	25.6
Wood products	1,429.3	8.2	4.0	1.7	0.0	14.0
Manufactures n.e.c.	2,548.3	7.9	6.8	2.6	0.0	17.4
Total	9,310.0	34.5	27.0	8.4	0.3	70.2
IMPORTS						
Chemicals	3361.1	5.5	3.4	0.4	-0.7	8.5
Raw wood and paper	650.0	0.2	0.3	0.1	-0.2	0.4
Wood products	715.9	2.6	0.8	0.8	0.0	4.3
Manufactures n.e.c.	1225.1	0.4	-0.3	-0.4	-0.3	-0.6

Sector	Base	Impacts (est. US\$ millions)				
	2004	2008	2014	2017	2020	Total
Total	5,952.1	8.7	4.2	0.8	-1.2	12.6
EXPORTS						
Chemicals	1028.7	11.2	2.1	1.7	1.7	16.7
Raw wood and paper	112.7	0.0	0.2	0.2	0.2	0.7
Wood products	81.4	0.0	0.1	0.1	0.1	0.2
Manufactures n.e.c.	259.9	2.0	0.8	0.9	0.9	4.6
Total	1,482.7	13.3	3.2	2.8	2.8	22.2
IMPORTS FROM TURKEY						
Chemicals	57.4	5.5	18.4	3.7	-0.1	27.5
Raw wood and paper	6.1	0.2	3.0	1.6	0.0	4.8
Wood products	9.3	2.6	1.8	1.6	0.0	6.0
Manufactures n.e.c.	4.2	0.4	1.7	1.5	0.0	3.5
Total	77.0	8.7	24.9	8.3	-0.2	41.8
EXPORTS TO TURKEY						
Chemicals	65.7	11.2	0.2	0.1	0.1	11.6
Raw wood and paper	0.5	0.0	0.0	0.0	0.0	0.0
Wood products	0.1	0.0	0.0	0.0	0.0	0.0
Manufactures n.e.c.	3.5	2.0	0.0	0.0	0.0	2.1
Total	69.8	13.3	0.2	0.2	0.2	13.8

Services

Services often comprise two-thirds or more of an economy's activity, but services trade data are rarely of the same quality as data on manufactured and agricultural goods. Services data are usually collected at the highest levels by central banks, and even then they are estimates based on residuals in national accounts as much as they are data reported from census estimates. The GTAP database includes 12 service sectors (combined in Table 4-13 into 4 services sectors). GTAP's services trade data are based on a number of estimation techniques, starting with International Monetary Fund and national central bank estimates. These data are then reconciled with each country's input-output table to estimate trade and consumption. Unlike goods, services are rarely subject to tariffs or taxes at the border. Fully covering services trade liberalization would entail creating estimates of rules-based changes in trade regimes—in contrast to tariffs and quotas, for which estimates are more readily available—so such coverage is beyond our scope. Therefore, the data in Table 4-13 represent changes in services trade that would result from tariff reductions for agricultural and nonagricultural goods. Impacts, as generated, are due to linkages in the model and derive from liberalizations modeled in sectors other than services.

Services related activities are expected to increase by US\$88.2 million as a result of the FTA, with construction and transportation and communication services contributing by far the greatest gains.

Table 4-13. Estimated Impacts on Egyptian Services Production and Trade

Sector	Base 2004	Impacts (est. US\$ millions)				
		2008	2014	2017	2020	Total
PRODUCTION						
Construction	10,189.2	5.1	11.0	12.3	10.2	38.6
Trade and financial services	19,240.1	1.1	2.9	2.7	3.2	9.9
Transportation and communication	13,977.0	-4.9	11.6	17.8	24.4	48.9
Other	20,910.0	0.2	0.5	-3.2	-6.8	-9.2
Total	64,316.3	1.5	26.1	29.6	31.1	88.2
IMPORTS						
Construction	8.3	0.0	0.0	0.0	0.0	0.0
Trade and financial services	3,040.3	0.0	-0.3	-0.6	0.3	-0.6
Transportation and communication	676.1	0.0	-0.3	-0.6	-0.8	-1.7
Other	960.5	0.0	-0.1	-0.2	0.0	-0.3
Total	4,685.1	0.0	-0.7	-1.4	-0.5	-2.6
EXPORTS						
Construction	145.5	0.0	0.3	0.3	0.3	0.8
Trade and financial services	2,105.6	0.0	0.6	1.1	1.1	2.7
Transportation and communication	3,961.5	0.0	6.3	10.7	10.7	27.7
Other	1,357.7	0.0	0.3	0.4	0.4	1.1
Total	7,570.3	0.0	7.5	12.5	12.5	32.4
IMPORTS FROM TURKEY						
Construction	0.0	0.0	0.0	0.0	0.0	0.0
Trade and financial services	17.7	0.0	0.0	0.0	0.0	0.0
Transportation and communication	15.0	0.0	0.0	0.0	0.0	-0.1
Other	3.9	0.0	0.0	0.0	0.0	0.0
Total	36.6	0.0	0.0	-0.1	-0.1	-0.1
EXPORTS TO TURKEY						
Construction	145.5	0.0	0.0	0.0	0.0	0.0
Trade and financial services	2,105.6	0.0	0.0	0.0	0.0	0.0
Transportation and communication	3,961.5	0.0	0.0	0.0	0.0	0.1
Other	1,357.7	0.0	0.0	0.0	0.0	0.0
Total	7,570.3	0.0	0.0	0.0	0.0	0.1

5. Trade Barriers in Turkey

One objective of the Egypt–Turkey FTA is to “eliminate difficulties and restrictions on trade in goods.” Trade barriers include tariffs, tariffs, tariff rate quotas (TRQs), import licenses, import surveillance, export subsidies, and domestic support. In discussing trade barriers that exporters face in entering the Turkish market, this chapter draws on the experience of countries such as Japan, the United States, and China, and not necessarily Egypt.¹⁸ Though some of these barriers may have been eliminated, they represent what Egyptian exports might face in trying to take advantage of the FTA. Barriers not eliminated before the FTA was signed or eliminated or nullified by the FTA itself can be an appropriate matter for discussion by the joint committee.

TARIFFS

All of Turkey’s tariffs on Egyptian industrial exports were abolished upon the entry into force of the agreement. Tariffs on agricultural and processed agricultural products (from HS chapters 1-24) remain. Because of its customs union with the EU, Turkey has been applying the EU common external tariff (CET) to industrial products and the industrial components of processed agricultural products imported from third countries since January 1996.¹⁹ Turkey maintains high tariff rates on many food and agricultural product imports. The Government of Turkey often raises tariffs on grains during the domestic harvest. Tariffs on fresh fruits range from 61 percent to 149 percent, and on processed fruit, fruit juice, and vegetables from 41 to 138 percent.²⁰ Goods imported into Turkey may be subject to five types of charges: customs tariffs, excise duties, the Mass Housing Fund (MHF) levy, the special consumption tax (SCT), and the value-added tax (VAT).²¹ (The preferential treatment that applies to Egyptian exports of goods in HS Chapters 1-24 is presented in Table A-3).

TARIFF RATE QUOTAS

Turkey imposes tariff quotas on imports of certain agricultural products in order to control import quantities and protect domestic producers. Imports that exceed a quota limit face a higher tariff. According to the last WTO trade policy review of Turkey, tariff quotas have been opened on an MFN basis for flat-rolled products of iron or non-alloy steel (hot and cold rolled).²²

¹⁸ This chapter relies on secondary sources, mainly other countries’ or international organizations’ reports. We will monitor trade barriers facing Egyptian exporters after they have had more experience with the FTA.

¹⁹ TPR WT/TPR/S/125, Turkey WTO Trade Policy Review 2003.

²⁰ U.S. National Trade Estimate, Foreign Trade Barriers report for Turkey, 2006

²¹ Ibid.

²² TPR WT/TPR/S/125, Turkey WTO Trade Policy Review 2003.

TRQ Administration in the FTA

Turkey administers its TRQs on agricultural and processed agricultural products according to the provisions of Protocol II of the Egypt–Turkey FTA. TRQ administration criteria include:

- **Past performance.** Used for items in high demand and that have high tariff rates (e.g., bovine animals, meat, cheese, butter, maize, vegetable oil seeds, and oils). Total demand for each item in this group exceeds total in-quota quantities, so all applications are collected before the tariff quota period. Quotas are allocated among the firms based on import performance in previous years and/or consumption or production capacities for the items demanded.
- **First come–First served.** Used for items in with lower demand (e.g., chocolate and other food preparations containing cocoa, soups, tropical fruits, vinegar, spices, vegetable and fruit juices, and mineral waters). For each item in this group, importers are limited as to how much they can bring in with each application so as to prevent a single importer from purchasing the entire quota.

It is possible for a firm realizing at least 50 percent of the amount indicated on the import license to apply for another license for the same quota. Import licenses are issued within a five-day period. The firms are required to return the licenses within 10 working days after actual importation.

The tariff quota for rice under the FTA is allocated according to the past performance criterion. The tariff quota application for importing rice is made one month before the tariff quota period (from January 1 until December 31 of each year). A certain percentage of the quota is allocated among applicants based on their import performance in previous years. The rest is allocated to newcomers.

Tariff quota applications for rice originating in Egypt were received according to the Ministerial Decree dated March 2, 2007 announcing the quota level for Egyptian rice, and Import Communiqué dated March 29, 2007 stating the allocation methods and application rules and procedures. The evaluation process is still ongoing.

IMPORT LICENCES

Turkey's latest WTO notifications (2006) on import licensing restrictions showed a substantial number of HS tariff lines—covering 13 groups of products—that require such licenses.²³ Turkey has explained that these licenses apply to imports from any country and are not meant to restrict trade. The 13 groups of products that require import licenses are as follows:

- **Group 1—Radioactivity-related Items.** Contains products that have radioactive elements (classified under HS 2612, 2844, 2845, 7806, 8401, 8606, 8609, 8704, 8709, 8716, and 9022). Those products require the approval of the Turkish Atomic Energy Authority before being imported. The notification mentions that the purpose of approval by the Atomic Energy Authority is to assure customers' security against the probable harmful effects of radioactivity emitted from goods subject to the Communiqué, and not to restrict the quantity or the value of the goods.
- **Group 2—Maps and Related Items.** Contains all kinds of printed maps and hydrographic maps, including atlases, topography plans, and globes classified under HS 4905 and 8524.

²³ See document G/LIC/N/3/TUR/6 for the specific HS codes.

Those products require the approval of the Commandership of Maritime Forces for importation of sea maps, as well as the Ministry of National Defense and the General Commandership of Cartography. Turkish authorities point out that these procedures apply to all imports regardless of origin in order to ensure correct and accurate information to the public.

- **Group 3–Machinery and Related Items.** Contains some products classified under HS 7321, 8403, 8414, 84, 85, 87, 9009, 9101, and 9102. This certificate indicates that after-sale services such as maintenance and repair are warranted on a regional basis and that maintenance services, technicians, and spare parts stocks are sufficient. To import products from any country, a certificate issued by the Ministry of Industry and Commerce is required.
- **Group 4–Motor Vehicles.** A pro forma invoice certified by the Ministry of Industry and Commerce or other organizations authorized by the Ministry is required by the Customs Authorities (technical visa) to import vehicles covered under HS 8701, 8702, 8703, 8704, 8705, 8715, and 8716. The purpose is to ensure the importation of vehicles that are suitable for highways.
- **Group 5–Civil Aircraft Related Item.** Covers a wide range of products under different HS Codes if they are intended to be used in civil aviation. In this case, the approval of the Ministry of Transportation, General Directorate of Civil Aviation, is required to prevent the usage of imported goods in areas other than civil aviation.
- **Group 6 – Banknotes and Related Items.** Covers importation of products falling in HS 4802.55.10.90.11, 4802.55.20.90.11, 4802.55.30.90.11, 4802.55.90.90.11 and 4802.56.90.90.11. The approval of the Central Bank of Turkey is required to import banknotes and the like, as well as papers for securities (excluding the kind used for printing share certificates, bonds and other instruments of capital markets, and the kind used for printing checkbooks). The Board of Capital Markets must approve the importation of papers used for printing share certificates, bonds and other capital market instruments, and capital markets instruments printed abroad for the purpose of public sales. This system is intended to help ensure confidence in capital markets. Only banks and private financial institutions import paper used to print checkbooks.
- **Group 7–Explosives and Related Items.** This group is concerned with products that may cause harm to security and public safety like bombs and arms (HS codes 3601, 3602, 3603, 3604, 3912, 8211, 9005, 9303, 9304, 9305, 9306, and 9307). Importing these products requires the approval of the Ministry of Interior (General Directorate of Security).
- **Group 8–Chemicals and related items.** Contains some products under HS Codes 2710, 2901, and 2902. Importing these products requires the approval of the Energy Market Regulatory Authority. The import license aims to protect consumers.
- **Group 9—Products Affecting Worker Health.** Goods under this group are classified under HS codes 2707, 2710, 2901, 2902, 3208, 3506, 3814, 3824, 3901, 4005, and 6812 and their importation requires the approval of the Ministry of Labor and Social Security (Institute of Workers' Health and Labor Security). The purpose is to protect workers' health from the harmful effects of goods covered by the Communiqué.
- **Group 10–Fertilizers.** Covers all products under HS Codes 3101, 3102, 3103, 3104, and 3105. Importation requires approval from the Ministry of Agriculture and Rural Affairs. The purpose is to manage the resources used in agricultural production properly, as misuse of such

products may cause damage to health or lifecycle of plant, animal, or humans if they are not controlled.

- **Group 11–Items related to Chemical Weapons Manufacture.** This group is divided into three addendums that require approval of the Under-secretariat of Foreign Trade. Addendum I covers some products under HS codes 2921, 2930, 2931, 300290, and 382490. Addendum II covers some products under HS 2812, 2903, 2905, 2918, 2921, 2922, 292990, 293090, 2931, 293339, and 382490). Addendum 3 includes products under HS codes 281210, 2851, 2904, 292090, and 2922). For the goods listed in Addendum I, permission to import is provided only for research, medical, pharmaceutical, or protection purposes. License is provided to import from countries that have ratified the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CCW). Goods in Addendum II from countries that have not ratified the CCW may not be imported (Egypt is not party to this convention). For goods in Addendum III, all countries must obtain permission to import from the Under-secretariat for Foreign Trade. The purpose of this import license is to comply with the Convention on the Prohibition of Chemical Weapons.
- **Group 12– Forestry Products:** As a member in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Turkey must comply with CITES requirements. A CITES document from the Ministry of Agriculture and Rural Affairs or the Ministry of Environment and Forestry is required for the importation of the species listed on the Import Communiqué 2006/22. The system is intended to ensure the control of imports for the sake of protecting endangered species
- **Group 13 – Items related to Sugar Manufacture.** Covers products under HS codes 292429, 292511, 292990, 293499, 293890, and 3504. Importation of these products requires the approval of the Turkish Sugar Authority.

According to U.S. reports, the lack of transparency in Turkey’s import licensing system can result in costly delays, demurrage charges, and other uncertainties that stifle trade for many agricultural products and for distilled spirits.²⁴ In some cases, again according to U.S. experience, the Government of Turkey simply does not issue any licenses, thereby creating a *de facto* ban on imports. This is notably so for meat and poultry. Turkey has not allowed livestock for slaughter or meat imports from any country since 1996 and has not established any public health requirements for the entry of meat especially after the foot and mouth disease in Europe. U.S. authorities maintain that while import licenses may be necessary in some cases (e.g., public health, security), technical regulations based on international standards may be more appropriate in others (e.g., protect humans, plants, animals, and the environment).²⁵

Implications of Customs Valuation Regime For Rice Exports

The Turkish Customs Authority applies duties on imports of rice according to the following values or reference prices:

- 425 \$/t CIF for brown rice,
- 570 \$/t CIF for milled rice, and
- 340 \$/ t CIF for paddy rice

²⁴U.S. National Trade Estimate, Foreign Trade Barriers report for Turkey, 2006.

²⁵ Ibid.

The objective of the system is to prevent loss of tariff revenue due to under-invoicing. If the declared import prices are below the reference prices, the Customs Authority collects the customs duty according to the declared import price and a duty based on the difference between the declared price and the reference price as a security. After the declared import price is verified, the security is released. Clearly, however, these reference prices are not on par with actual export prices (e.g., the export price for Egyptian milled rice is 350 \$/t). Turkey's customs valuation system could be challenged in the WTO. Under the WTO's Customs Valuation Agreement duties should be collected according to the transaction value unless the authority has reason to doubt the truth and accuracy of the declared price.

IMPORT SURVEILLANCE

According to Chinese sources, Turkey placed 15 more categories of imports under customs clearance restriction by means of import surveillance in 2005. The decision to impose surveillance over a particular imported product, according to Turkish regulations, is made by the Directorate General of Imports of the Undersecretariat of the Prime Ministry for Foreign Trade, but it would appear that the decision is rather arbitrary because of the absence of detailed rules of evaluation.²⁶

Surveillance measures have been reported on certain types of apparel of fur and leather of HS 4203.10.00.00.13, 14, 15, 16, 17, 18, 21, 4303.10.90.00.16, and 4304.00.00.00.12. According to these measures all importers, regardless of the country of origin, are required to register with customs authorities. Turkey alleges that surveillance is consistent with multilateral rules and is applied without prejudice to the provisions of the Egypt–Turkey FTA and aims solely to monitor the flow of imports. From Egypt's perspective, such import surveillance may directly or indirectly delay some shipments to Turkey and its impact has to be monitored closely.

EXPORT SUBSIDIES

In 1998 Turkey granted export subsidies for 18 agricultural or processed agricultural products. Subsidies were later eliminated for citrus, tomatoes, milk powder, and frozen potatoes, and introduced for chocolate and other food preparations, biscuits and waffles, and macaroni vermicelli. According to Turkey's latest (2003) WTO trade policy review, export subsidies are granted for 16 agricultural or processed agricultural products in the form of deduction of debts, on the basis of a percentage of the quantity of the product exported, or in cash (a fixed amount per ton in US dollars). Table 5-1 presents summary data on export subsidies for the 16 products:²⁷

Table 5-1. Turkey's Export Subsidies

Product	Rate (US\$/ton)	Share of Exported Quantity Eligible for Subsidy (%)
Cut flowers (fresh)	285	57
Vegetables, frozen (exc. potatoes)	106	38
Vegetables (dehydrated)	370	33
Fruit (frozen)	92	45
Preserves, pastes	55	85

²⁶ <http://www.china.org.cn/english/features/fmar/164617.htm> Foreign Market Access Report 2006.

²⁷ WT/TPR/S/125, WTO Trade Policy Review of Turkey, 2003

Product	Rate (US\$/ton)	Share of Exported Quantity Eligible for Subsidy (%)
Homogenized fruit preparations	53	69
Fruit juices (concentrated)	168	31
Olive oil	200	100
Prepared or preserved fish	210	100
Meat of poultry (excl. edible offals)	199	28
Eggs	US\$7/1,000 pieces	40
Chocolate and other food preparations containing chocolate	110	60
Biscuits, waffles	110	30
Macaroni vermicelli	73	40
Potatoes	20	N.A
Onion (dried)	17	N.A

DOMESTIC SUPPORT

Turkey's notification to the WTO in 2002 for the reporting period January 1, 2001, through December 31, 2001, indicates domestic market price supports for the products in Table 5-2.

Table 5-2. Turkey's Market Price Supports, 2001

Prod.	Price		Eligible Production (tons)	Fees/ Levies	Total Support (US\$mill)
	Applied Admin. US\$/ton	External Reference (US\$/ton)			
Wheat	136.67	98.50	1,459,482		55.71
Barley	109.33	104.50	951,697		4.60
Maize	129.83	107.50	9		0.00
Rye	102.50	110.00	13,985		-0.10
Oats	102.50	110.00	2		0.00
Tobacco	1,583.33	3,197.00	40,000		-64.55
Sugar beet				No private buyer	

Notes:

Total support = ((Applied administrative price – External reference price) x eligible production) – fees

Data sources for individual products: Polatli Commodity Exchange Activity Report 2001—wheat, barley, rye, oats; Bursa Commodity Exchange Monthly Bulletin, 2001—maize; TEKEL – (The State Tobacco and Alcoholic Beverages Monopoly)—tobacco.

Source: G/AG/N/TUR/14 of 30 may 2002, Turkey notification on domestic support commitments.

Both agricultural export subsidies and domestic support distort trade and constitute unfair competition for Egyptian exports in Turkish markets and in other countries. The subsidies issue is discussed mainly at the multilateral level but may also be raised in the future in the joint committee.

Appendix. Trade and Investment Data

Table A-1. Egyptian Production, Imports from Turkey, Tariff Phase Out

Sector	2004 (US\$ millions)		Tariff Phase Out Schedule (%)				
	Egyptian Production	Imports from Turkey	Base 2007	2008	2014	2017	2020
Agriculture							
Rice	2,892.3	0.0	2.0	2.0	2.0	2.0	2.0
Wheat	1,302.7	0.0	0.0	0.0	0.0	0.0	0.0
Fibers	1,078.1	0.2	0.0	0.0	0.0	0.0	0.0
Sugar, sugar cane, beets	1,051.2	0.1	10.0	10.0	10.0	10.0	10.0
Livestock	5,116.2	0.5	1.8	1.8	1.8	1.8	1.8
Vegetables, fruits and nuts	5,162.8	39.9	2.2	2.2	2.2	2.2	2.2
Processed food products	6,487.8	7.0	11.6	11.6	11.6	11.6	11.6
Beverages and tobacco	2,660.2	0.3	472.7	472.7	472.7	472.7	472.7
Agriculture n.e.c	1,412.2	2.0	0.2	0.2	0.2	0.2	0.2
Total	27,163.5	50.1	6.5	6.5	6.5	6.5	6.5
Energy	13,945.5	0.3	3.1	1.4	0.0	0.0	0.0
Textiles and Apparel							
Apparel	6,156.2	0.4	21.0	20.9	9.4	0.0	0.0
Textile fabrics and yarns	6,362.5	80.5	1.6	1.4	0.2	0.0	0.0
Total	12,518.7	80.9	1.7	1.5	0.3	0.0	0.0
Motor Vehicles and Equipment							
Motor Vehicles	1,618.6	47.6	64.6	63.0	36.2	16.3	0.0
Transportation equipment	470.8	0.2	7.7	6.6	1.0	0.0	0.0
Machinery and equipment	616.4	54.5	5.7	2.1	0.6	0.0	0.0
Total	2,705.8	102.2	33.1	30.5	17.2	7.6	0.0
Mining and Metals							
Raw minerals	431.9	5.7	4.9	3.7	1.6	0.0	0.0
Mineral products (cement, aggregates)	3,790.6	23.1	15.0	14.5	5.4	0.0	0.0
Iron and steel (ingot, sheet, plate, coil)	1,937.9	70.5	1.6	1.5	0.6	0.0	0.0
Iron and steel products	2,313.6	41.3	19.3	18.8	7.4	0.0	0.0
Non-ferrous metal products	1,400.0	1.4	2.6	0.7	0.0	0.0	0.0
Total	9,874.0	142.1	9.1	8.7	3.4	0.0	0.0
Chemicals, Wood and Other Manufactures							
Chemicals	4,081.8	57.4	6.9	5.3	1.0	0.2	0.2
Raw wood and paper	1,250.6	6.1	11.5	10.9	3.1	0.0	0.0
Wood products	1,429.3	9.3	8.2	4.0	1.7	0.0	0.0
Manufactures n.e.c.	2,548.3	4.2	7.9	6.8	2.6	0.0	0.0
Total	9,310.0	77.0	7.4	5.7	1.3	0.2	0.2
Services							
Construction	10,189.2	0.0	--	--	--	--	--
Trade and financial services	19,240.1	17.7	--	--	--	--	--
Transportation and communication	13,977.0	15.0	--	--	--	--	--
Other services	20,910.0	3.9	--	--	--	--	--
Total	64,316.3	36.6	--	--	--	--	--
TOTAL	139,833.8	489.1	12.6	12.1	6.7	2.8	0.7

Source: Nathan Associates and TPAU.

Table A-2. Turkish Imports from Egypt and Applied Tariff Rates

Sector	Turkish Imports from Egypt 2004 (US\$ millions)	Average Tariff on Turkish Imports from Egypt 2004 (%)
Agriculture		
Rice	18.5	42.0
Wheat	0.1	0.0
Fibers	13.8	0.0
Sugar, sugar cane, beets	9.6	85.1
Livestock	0.4	19.8
Vegetables, fruits and nuts	1.2	31.2
Processed food products	1.5	33.9
Beverages and tobacco	0.0	0.0
Agriculture n.e.c	1.5	24.3
Total	46.6	37.1
Energy	31.9	0.1
Textiles and Apparel		
Apparel	1.7	10.7
Textile fabrics and yarns	24.6	6.8
Total	26.3	7.0
Motor Vehicles and Equipment		
Motor vehicles	5.2	6.3
Transportation equipment	0.0	0.0
Machinery and equipment	9.3	1.4
Total	14.5	3.2
Mining and Metals		
Raw minerals	11.8	0.1
Mineral products (cement, aggregates)	14.6	3.3
Iron and steel (ingot, sheet, plate, coil)	9.0	6.4
Iron and steel products	1.3	2.5
Non-ferrous metal products	6.9	2.7
Total	43.6	2.9
Chemicals, Wood and Other Manufactures		
Chemicals	65.7	2.4
Raw wood and paper	0.5	1.1
Wood products	0.1	2.6
manufactures n.e.c.	3.5	5.4
Total	69.8	2.6
Services		
Construction	0.3	--
Trade and financial	3.7	--
Transportation and communication	8.8	--
Other	6.3	--
Total	19.1	--
Total	251.7	9.8

Table A-3. Tariff Rates on Egypt, HS Codes 1 to 24

Tariff Description			Treatment for Egypt	
Chap.	Description	Categories (%)	Heading/Sub heading	Preferential Treatment
01	Live animals	0,20,30,49, 76.5,135	None	None
02	Meat and edible meat offal	39,45, 65, 23.4, 180, 42.5, 114.3, 27	None	None
03	Fish and crustaceans, molluscs and other aquatic invertebrates	n.a	all chapter (excluding 0301)	50% tariff reduction with unlimited quota
04	Dairy produce , birds' eggs , natural honey ,edible product of animal origin not elsewhere specified or included	150, 170, 140, 67,45, 0,20,13,76.5,53.1,38.5,23 .1	None	None
05	Products of animal origin, not elsewhere specified or included	0,3,9,10, 1.6, 20	None	None
06	Live trees and other plants ; bulbs, roots and the like; cut flowers and ornamental foliage	6.3, 3,9,19.5, 46.8	0602	100% tariff reduction with unlimited quota
			0603	100% tariff reduction within 15 Tons as tariff rate quota
07	Edible vegetables and certain roots and tubers	19.3, 48.6, 49.5, 19.5, 36.9, 29.7, 36.5,11.7,0	070190	100% tariff reduction within 400 tons as tariff rate quota
			070320	100% tariff reduction within 100 tons as tariff rate quota
			0705	100% tariff reduction within 600 tons as tariff rate quota
			0706	
			0709	
			0710	
			0711	
0712				
08	Edible fruit and nuts; peel of citrus fruit or melons	30, 43.2, 145.8, 25,45.9,58.5,45,54, 86.4,60.3,55, 50,93,37, 15.4, 41, 37.8, 15.6	0804.10	100% tariff reduction within 5,000 tons as tariff rate quota
			0804.50	100% tariff reduction within 1,000 tons as tariff rate quota
			0810.10	100% tariff reduction within 200 tons as tariff rate quota
09	Coffee, tea, mate and spices	13, 145 , 0, 30, 19.5 , 75,15.6	0909	100% tariff reduction within 100 tons as tariff rate quota
			0910	
10	Cereals	0, 100, 130 , 60, 12, 34, 36,45, 40 , 50	100620	100% tariff reduction within 30,000 tons as tariff rate quota
			100630	50% tariff reduction within 10,000 tons as tariff rate quota
11	Products of the milling industry malt; starches; inulin; wheat gluten	82, 40.5,54, 45,23.1, 30, 10 , 27, 29, 4	None	None
12	Oil seeds and oleaginous fruits; miscellaneous grains seeds and fruit; industrial or medicinal plants ; straw and fodder	20, 32.4, 4, 0, 10,27, 45,32, 3,9,19.3, 6,35,	1202	100% tariff reduction within 500 tons as tariff rate quota
13	Lac; gums, resins and other vegetable saps and extracts	0, 25, 13.4, 7.7	None	None
14	Vegetable plaiting materials ; vegetable products not elsewhere specified or included	0	None	None
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats;	4, 0 , 23.4, 19.5, 31.2, 20, 50 , 24,14.8,46.8	None	None

Tariff Description			Treatment for Egypt	
Chap.	Description	Categories (%)	Heading/Sub heading	Preferential Treatment
	animal or vegetable waxes			
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	96.3,121.5,	None	None
17	Sugars and sugar confectionery	0,18.9,135, 20,	1704	15% tariff reduction within 2,000 tons as tariff rate quota
18	Cocoa and cocoa preparations	0,20,6.1,4.2,2.8	1806	15% tariff reduction within 1,000 tons as tariff rate quota
19	Preparations of cereals, flour, starch or milk pastrycooks' products	0,37	1902	15% tariff reduction within 1,000 tons as tariff rate quota
			1905	
20	Preparations of vegetables, fruit, nuts or other parts of plants	135.9, 39, 3.5, 19.5,58.5, 0,	200110	15% tariff reduction within 1,000 tons as tariff rate quota
			2008	15% tariff reduction within 500 tons as tariff rate quota
21	Miscellaneous edible preparations	0,3.1,8,9.8, 7.4,10.2, 4.8, 2.1, 6.7, 5.5,12.8, 12.1, 58.5,	210210	15% tariff reduction within 3,000 tons as tariff rate quota
22	Beverages, spirits and vinegar	0,6.1,70, 21.3,3, 39	None	None
23	Residues and waste from the food industries; prepared animal fodder	13.5, 4, 8.5, 7.8,0	None	None
24	Tobacco and manufactured tobacco substitutes	35,9.1,6.5,40.3,52.4,6.1,2 9.1,11.6	None	None

Note: HS Code for Chapter 22 encompasses some specific duties.

Table A-4. Turkish Pre-FTA Investment in Egypt, 1986-2004

	Company Name	Sector	Place of Investments	Total Investments	Year Estbl.
1	SANAYİ AMBALAJ	na	na	350,877	1986
2	159A GÖRE KURULMUŞ ELWATANİA AMBALAJ MALZEMELERİ	na	na	701.754	1995
3	İMALAT INTERNATIONAL GRUP	na	na	1,052,632	1995
4	EGYPTIAN TURKISH COMPANY FOR EXPORT	Mining	na	100,000	1998
5	SERA MİSİR ÇELİK SANAYİ	Iron and steel	na	350,877	1998
6	CAMIS EGYPT MINING CO.	Mining	na	1,300,000	1999
7	EVYAP EGYPT	Soap	na	9,500,000	1999
8	ELNİL JANT VE ELYAF	na	na	131,579	1999
9	KARİNA ÇORAP, BURHAN KARMEN	Ready made garments	Alexandria	87,719	1999
10	Kizildeniz yuzer gemi	tourism	Algona	175,439	2000
11	MİSİR TÜRK PİCMENT RENK VE ARA MADDE İMALATI	chemicals	El obour city	100,877	2001
12	ELMENAR MİSİR TÜRK MADENİ SANAYİ	Metal industry	Sharkiea	87,719	2001
13	LODOS MARINE DENİZCİLİK HİZMETLERİ	Transportation	Hurghada	26,316	2001
14	HAZ MERMER EGYPT LİMİTED	Construction	Cairo	8,772	2001
15	Türk- yunan serbest bölge firması	Textiles	Ismailia	52,632	2001
16	ATLAS MADENİ SANAYİ	Metal industry	Giza	87,719	2002
17	KORDSA GLOBAL			21,000,000	2002
18	EGYPTIAN TURKISH COMPANY FOR CONSULTATION	CONSULTATION	na	20,000	2002
19	DAMİA STİLE MOBİLYA, TAREK ZAKY ELMENZİLAWY VE ORTAKLARI	Furniture	Dimyat	52,632	2003
20	BETEK EGYPT (100% Turkish)	Painting	6th October	2,419,298	2003
21	TÜRK MİSİR ELEKTRİK İMALATI	Electrical	Ismailia	877,193	2003
22	LAVENT EGYTP İHRACAT-Helin	Services	Alexandria	43,860	2003
23	Terk Tourizm	Tourism	Hurgada	8,772	2003
24	AKSA EGYPT ACRYLIC INDUSTRY S.A.E	Acrylic fiber	Borg el arab	5,000,000	2003
25	MEDITERRANEAN TRADE FOR PAINTS	Paints	na	2,500,000	2003
26	BIKAS EGYPT TURİSTİK TESİS İŞLETME	na	na	350,877	2003
27	MİSİR BANKASI DAGITIM PAZARLAMA	na	na	526,316	2003
28	FEDERAL ELECTRIC	electrical	na	1,000,000	2004

	Company Name	Sector	Place of Investments	Total Investments	Year Estbl.
	EGYPT				
29	CAMIS EGYPT MINING CO.	Mining	na	300,000	2004
30	EGYPTIAN TURKISH COMPANY FOR SALT FACTORY	mining	na	1,500,000	2004
31	BERICAP	na	na	3,684,211	2004
32	BORG ELARAP PİRİNÇ-AKEL	na	na	1,754,386	2004
33	A B C TURİSTİK YATIRIM	Tourism	Cairo	526,316	2004
34	PAPILION	na	na	1,964,912	2004
35	ELSEWİDİ AYDINLATMA VE ELEKTRİK SANAYİ	na	na	175,439	2004
36	TEKNOLOJİ MISIR	na	na	175,439	2004
37	İMAS DANIŞMANLIK VE BİLGİ İŞLEM	na	na	105,263	2004
38	ELBAYRAK PROTEZ İMALATI FABRİKASI	na	na	61,404	2004
39	WAHADAT NİL TEKSTİL YEDEK PARÇA İMALATI	Textiles	na	87,719	2004

Note: na means data not available.

Table A-5. Turkish Investment in Egypt, 2005

No .	Company Name	Field of Investment	Place of Investment	Total Investments	Year of Establishment
1	Gultex Egypt	Ready made garments	10 th of Ramadan	2,052,632	2005
2	SAHINLER EGYPT S.A.E	na	na	6,000,000	2005
3	EGYPTURK LIMOSUNE	na	na	20.000	2005
4	Nil bosfor parakende ve ticaret	Services	Cairo	3,157,895	2005
5	LİDER GIDA	na	na	877,193	2005
6	AKAR MİSR GAYRİ MENKUL PAZARLAMA	Constructions	Giza	2,052,362	2005
7	SUVİST CO. INTERNATIONAL	na	na	175,439	2005
8	ALMAN AKÜ İMALATI	na	na	526,316	2005
9	PRİSTOL İNT. YATIRIM VE TURİSTİK KALKINMA	Tourism	Nasr city	175.439	2005
10	DENK VE ABOU ELOLA TEKSTİL	Ready made garments	El obour city	87,719	2005
11	CAMBO TEK	Engineering	10 th of Ramadan	87.719	2005
12	JOKEY MSİRİ PLASTİK AMBALAJ	Packages	Badr city	70,175	2005
13	BEŞYILDIZ OTO YEDEK PARÇASI MUHYİTTİN ŞEM OĞLU KADRİ	Cars spare parts	10 th of Ramadan	52,632	2005
14	ELBELAM ELSAAB TAŞIMACILIK VE KONTEREYNİR YÜKLEME	na	na	87,719	2005
15	KENTUR EGYPT TİCARET	Retail	Nasr city	43,860	2005
16	ASBİLEK AGAWANY EGYPT LTD	na	na	17,544	2005
17	PRENSES OTELCİLİK EGYPT	na	na	350,877	2005
18	Unitech machinery	Engineering	Sharkeyya	1,754,386	2005
19	FASHİON POINT KONFEKSİYON ATİLA ÖZKUŞ VE ORTAKLARI	na	na	307,895	2005
20	Star light	Textiles	10 th of Ramadan	175,439	2005

Note: na means data not available.

Table A-6. Turkish Investment in Egypt, 2006 to April 2007

	Company Name	Field of Investment	Place of Investment	Total Investments	Year of Estbl.
1	Taha holding (ELVAN KNITTING&DYING FINISHIN S.A.E.)	Ready made garments	Bourg el arab	10,000,000	2006
2	Taha holding (RUBYRED GARMENT MANUFACTURING S.A.E.)	Garments	na	5,000,000	2006
3	EKO tekstil (50% Turkish)	Textiles	Alexandria	2,500,000	2006
4	CAMIS EGYPT MINING CO.	Mining	na	150,000	2006
5	ERBA CAIRO	Textiles	cairo	10,000	2006
6	HİLTEKS TEKSTİL SAN. VE TİC. LTD. ŞTİ.	Ready made garments and accessories	Nasr city	3,000,000	2006
7	Ekoteks Textile Laboratory Egypt	Ready made garments	na	255,582	2006
8	GLOB YARN ENDUSTY.- DİKTAŞ	Textiles	na	6,052,632	Na
9	ELECTRONICS SUNNY EGYPT	Electronics	na	7,017,544	2006
10	MERYEM GARMENTS	Ready made garments	na	1,008,772	2006
11	EKO TEKSTİL	na	na	453,947	2006
12	MİRTEKS SERBEST BÖLGE	na	na	403,509	2006
13	SERBEST BÖLGE MİRTEKS	na	na	403,509	2006
14	TEKSTİL CITY AHMED FAKİ VE ORTAKLARI	Textiles	na	302,632	2006
15	I MITR GRUP EGYPT ÖLÇÜ ALETLERİ İMALATI	na	na	1,754,386	2006
16	İSTANBUL TEKSTİL KONFEKSİYON	Textiles	El obour	350,877	2006
17	Casa gomlek	Ready made garments	Alexandria	175,439	2006
18	Nile foods	Processed foods	na	175,439	2006
19	Izmir KOT İMALATI	Textiles	El obour city	2,105,263	2006
20	TURIG PVC SİSTEMLERİ,SİDE VE PENCERE KAPI İMALATI	na	na	276,316	20006
21	ELEKS TEKS DOKUMA	Textiles	na	263,158	2006
22	SESA EGYPT SANAYİ YATIRIMI	na	na	87,719	2006
23	SUN BRIGTH	na	na	119,298	2006
24	EGYMENEGYPT AYDIN ERBAY VE SADETTİN AYDEMİR VE ORTAKLAR	na	na	52,632	2006
25	Volkan metal	Cooper metal processing	Cairo	52,632	2006
26	KALSAN ENVER KURTULMUŞ VE ORTAĞI	na	na	52,632	2006
27	ENDÜLÜS KİMYA SANAYİ	Chemicals		263,158	2006
28	SURAT INTERNATIONAL EĞİTİM HİZMETLERİ	na	na	43,860	2006

	Company Name	Field of Investment	Place of Investment	Total Investments	Year of Estbl.
29	NİYON MİSİR DAĞITIM VE PAZARLAMA	na	na	43,860	2006
30	T G KONFEKSİYON - GÖKÇEN TEKSTİL	Textiles	na	43,860	2006
31	HELEN NİL TEKSTİL METİN ABDULLAH VE ORTAKLARI	na	na	52,632	2006
32	ORMİT İNŞAAT	Construction	na	52,632	2006
33	MEGA TEKSTİL	Textiles	na	3,026,316	2006
34	ÇINAR PLASTİK EGYPT	Plastics	na	52,632	2006
35	ASLAN INTERNATIONAL	na	na	8,772	2006
36	VAA TİCARET VE DAGITIM	na	na	8,772	2006
37	ALMAN MADEN YÜZEYLERİNİ İŞLEME KİMYASALLARI SUGEST	na	na	109,649	2006
38	WİKTORİA ENTERTAINMENT TURİSTİK TESİSİLER	na	na	8,772	2006
39	ALANTUR	na	na	8,772	2006
40	CAIRO STAR GAYRİ MENKÛL YATIRIMI, LOKANTALAR VE TİCARİ FAALİYETLER	na	na	8,772	2006
41	EGYPT T-SHIRT FACTORY	Ready made garments	10 th of Ramadan	2,500,000	2006
42	ABALIOĞLU TEKSTİL SAN. A.Ş.	Ready made garments		17,000,000	2006
43	RANO TSR INTERNATIONAL	na	na	8,772	18/01/2007
44	Tufan metal aksesuar	Textile metal label	Mahalla el kobra	121,053	31/01/2007
45	TÛRK AKÛ VE PLASTİK SAN.	PLASTICS	na	501,754	01/02/2007
46	ARKAS EGYPT	na	na	87,719	04/02/2007
47	EGYPT OSKAR DİKİŞ İPLİĞİ VE KUMAS İMALATI	na	na	350,877	15/02/2007
48	GELIFAR EGYPT ORTADOĞU YEM NECMETTİN ŞABAN VE ORTAKLARI	na	na	52,632	13/03/2007
49	ORKAY EGYPT MEHMET MURAT URGALIOĞLU VE ORTAĞI	na	na	52,632	15/03/2007
50	FETEKS MİSİR KİMYA FETHİ OKTAY BRHANETTİN VE ORTAĞI	na	na	52,632	19/03/2007
51	AKAY KONFEKSİYON	na	na	504,386	21/03/2007
52	NILSU KUMAS VE KOT İMALATI	na	na	175,439	25/03/2007
53	CALTON EGYPT MADENİ HAM MADDE	na	na	300,000	25/03/2007
54	ERSİLUR PACKİNG EGYPT	na	na	175,439	03/04/2007
55	ITI MİSİR TURİZM YATIRIMI	na	na	175,439	05/04/2007
56	DERYA LABEL KONFEKSİYON AKSESUARI	na	na	526,316	18/04/2007
57	MEDİTERRENEAN TURİZM FİRMASI	Tourism	na	8,772	24/04/2007

	Company Name	Field of Investment	Place of Investment	Total Investments	Year of Estbl.
58	TÜRK MISIR TEKSTİL SANAYİ (TİNCO)	na	na	504,386	2007/04/30
59	ŞAHİN MOTOR YATAKLARI SAN VE TİC. A.Ş.	Automotives	na	4,000,000	2007-2008

Note: na means data not available.

Table A-7. Turkish Stores, Retailers, Showrooms, Buying Offices, and Contractors

	Store Name	Field of Investment	Place of Investment
1	ISTIKBAL	Furniture	Cairo , Alexandria
2	BEYMEN	Ready made garments	Cairo
3	SARAR	Ready made garments	Cairo , Alexandria
4	MAVI JEENS	Ready made garments	Cairo, port saied
5	DOGUS OTOMOTIV (WOLKSWAGEN)	Automotive	Na
6	DAMAT & TWEEN	na	Alexandria
7	MOTOR JEANS	Ready made garments	Na
8	MADOC JEANS	Ready made garments	Na
9	ALFA ELEKTRIK MALZMELERI	na	Na
10	LITTLE BIG	na	Na
11	BALNAK LOJISTIK	na	Na
12	ECZACIBAŞI-ESAN	na	Na
13	TEB-BANK PARIBAS COUNTRY DESK	na	Na
14	TUREKS –ALIM OFISI	na	Na
15	ERBA – ALIM OFISI	na	Na
16	GAP INC- SOURCING FIMASININ TURKIYE BOLUMU	na	Na
17	EDSA-SALVO BAHAR ALIM OFISI	na	Na
18	GAAT INTERNATIONAL- ALIM OFISI	na	Na
19	EKSOY KIMYA IRTIBAT OFISI	na	Na
20	ÇİLEK MOBİLYA	Furniture	Na
21	ARKAS LOJISTIK	na	Na
22	AKSU TEKSTİL	Textiles	Na
23	COLINS JEANS	Ready made garments	Na
24	ZEKI TRIKO	na	Na
25	VAKKO	na	Na
26	STFA	Contractor	Cairo
27	TAV (2004-2008) with investments amounted to \$247 million dollar	Contractor	Cairo airport
28	ALADDIN MIDDLE EAST LTD.	Contractor	Na