



Report

EU-EGYPT SUB-COMMITTEE ON INDUSTRY, TRADE, SERVICES AND INVESTMENT

CAIRO, JUNE 17TH, 2019

Participants:

Representatives of the following departments attended the meeting:

- Egypt: Ministry of Trade and Industry, Ministry of Foreign Affairs, Ministry of Agriculture, and the Egyptian Customs Authority.
- European Union: Directorate-General for Trade, Directorate-General for Agriculture and Rural Development, Directorate-General for Health and Food Safety, the European External Action Service and the EU Delegation to Egypt.

1. Opening remarks

Egypt's co-chair expressed commitment to achieve further progress in trade cooperation with the EU. Expanding bilateral trade cooperation would be in favour of both sides. It would allow for the reduction of Egypt's trade deficit. Current free trade provisions do not address the needs of a modern trade partnership. The EU co-chair underlined that the EU is looking for a strong economic cooperation with Egypt based on a constructive and forward-looking trade dialogue. The EU is Egypt's main trading partner and the main source of investments. Egypt's trade deficit has been diminishing during the past two years.

2. Implementation of the Trade provisions of the EU-Egypt Association Agreement (AA): State of play of trade relations

Egypt indicated that the balance of payments remains in favor of the EU by nearly double, despite some improvements, highlighting the need to move towards more sustainable levels. The automotive sector is of particular importance to the Egyptian side and one where support is requested from the EU side.

Egypt informed that despite the liberalisation of tariffs, access to the EU market remains challenging. Egypt continues to experience difficulties in the access to the EU market, mainly due to Sanitary and Phytosanitary (SPS) requirements. The EU side clarified that the EU SPS requirements are based on international standards and are there to protect consumers. These requirements do not prevent the EU being the largest food importer in the world. Relevant SPS seminars and trainings have been organised and financial assistance is provided to help Egypt meeting these requirements. The EU is ready to further support Egypt's reforms that will increase its capacity to take advantage of the opportunities created by the free trade agreement (FTA). There is a need

for closer cooperation on the promotion of transparency and stability of rules as well as quicker and less-costly procedures.

The EU noted the positive effect of the Association Agreement on increasing Egyptian exports to the EU, which have increased by 142% between 2002 and 2018, and increased by 4.7% between 2017 and 2018. The EU is also the biggest investor in Egypt with investments close to EUR 40 billion. The EU expressed also concerns regarding the decrease in EU exports to Egypt due to Egypt's measures affecting EU exports, including the Decree 43 on exporter registration.

Protocol on Dispute Settlement: The EU side asked for information on Egypt's process of ratification of the Protocol establishing a dispute settlement mechanism applicable to disputes under the trade provisions of the EU-Egypt Association Agreement, which the EU ratified already in 2011. While taking note of EU's interest in a swift ratification of the Protocol, Egypt expressed its concern in regard to the long period that elapsed since the Protocol was negotiated, which makes it unfit for the current level of ambitions in Egypt-EU relations. Egypt felt it necessary to renegotiate a renewed dispute settlement protocol that adapts more to the current drive and determination of raising our relations to a different level and saw no reason to submit the present protocol to their Parliament for ratification. The EU side clarified that the present Protocol would need to be ratified in any case as Egypt has committed in doing so by signing the Protocol.

3. Issues affecting bilateral trade and market access

Trade defence

Egypt expressed concerns that it has been covered by four EU trade investigations on fibre-glass and fibre-glass filaments as well as by the EU safeguard measures on steel. The rise in trade defence measures against Egyptian exports is considered by the Egyptian authorities as unjustified and unsubstantiated. Egypt has submitted responses and legal defence to the EU on the four complaints related to fiber glass. Egypt expressed disappointment that despite the submitted arguments and evidence the investigations were initiated. In view of the review of the steel measures, Egypt asked to be excluded from the list of affected countries, as its steel exports, according to Egypt's statistics, do not meet the criteria in terms of the share in total EU steel imports.

The EU side informed that the investigations on fibre-glass and fibre-glass filaments will be conducted in full transparency and in respect of the parties' rights of defence. The disclosure of findings will be done in due time and parties will have sufficient time to comment, both at provisional and definitive stage of the investigation. Regarding the review of the EU steel safeguard measures they will focus on a limited amount of issues, including the updating of the list of developing World Trade Organisation (WTO) member countries currently excluded from the scope of the measures, based on more recent data. In respect of Egypt's steel safeguard investigation, the EU called for the respect of WTO rules and the obligations stemming from the AA. It recalled its concerns provided to the Egyptian side in its submission.

Technical regulations

The EU side recalled its concerns regarding Egypt's registration requirements of exporters, which continue to create considerable administrative and economic burden for economic operators. There are considerable delays in registering EU companies. The EU asked for information on progress in registration of the EU companies, for the list of EU companies still awaiting registration and for the review of the measures, which are disproportionate. The EU has raised this issue in the past in numerous bilateral meetings as well as in the WTO. Egypt indicated that the decrees primarily aim to thwart the excessive pirated and counterfeited goods entering the Egyptian market, and its sole purpose is to uphold the safety of its consumers and to protect its market from low quality products. The decree was notified to the WTO Technical Barriers to Trade

Committee and all comments were responded to. Egypt further noted that progress had been made in approving most of the registration requests received from EU companies. At the same time, Egypt expressed its readiness to look into specific cases of concern. The EU noted that progress on the registration is vital for a future successful partnership.

In respect of Egypt's restrictive labelling requirements for ceramic tiles the EU underlined that this requirement goes beyond what is necessary and, therefore, constitutes a non-tariff barrier to trade. The EU called for Egypt to accept indicating the origin of the tiles on their package instead on each tile. Egypt replied that these measures protect against alleged unfair trading practices whereby products of third country origin are repacked and re-exported to Egypt and that it has the intention to maintain the requirements as long as the irregularities continue. The EU underlined that potential fraud cases do not justify these measures and can be addressed under the AA provisions related to customs cooperation.

SPS issues

Due to time constraints SPS issues were discussed in separate technical meeting. The EU recalled Egypt's SPS measures affecting EU exports, in particular the import requirements for bovine meat and live animals, inspection procedures for cereals, import quotas on ducklings, standards on soft cheese, imports of seed potatoes, infant milk formula.

As regards meat import requirements, Egypt confirmed that it negotiates conditions country-by-country. Regarding inspections of cereals Egypt informed about the introduction of a new plant health regulation, which will be more trade friendly.

As for import quotas on ducklings, Egypt clarified that this is not SPS-related, but only a "market management" issue, to distribute imports throughout the year and protect domestic producers from excessive market disruption. The EU stressed that those monthly import limits constitute a quantitative restriction.

On soft cheese standards EG informed, that it was not aware of any blockage of imports. EU explained the issue and referred to recent shipment rejections.

As regards imports of seed potatoes, the EU asked for Egypt's replies to the EU's comments and a follow-up videoconference with relevant experts.

Regarding infant milk formula a solution is to be found with the affected EU exporter.

On inspections of EU aquaculture exports Egypt was not aware of the problems and would check what can be done to expedite procedures. Egypt indicated that it is interested to ensure adequate supply of fresh products to the market.

As for Egypt's gelatine exports, the EU informed that Egypt can already export gelatine for human consumption originating from fishery products, as Egypt is listed in Annex II to Decision 2006/766/EC. As regard gelatine originating from other animals such as cattle, the EU informed Egypt that a file must be submitted on the basis of article 125 of Regulation 2017/625 and that no monitoring plan of residues will have to be submitted.

Automotive sector

Egypt stressed the importance of strengthening and deepening its automotive manufacturing sector as an important pillar of the government agenda. While acknowledging that such developments are primarily driven by the private sector, EU support is requested to further achieve integration in the value chain through assistance and collaboration among research centers, organizing workshops for information sharing, vocational assistance, and bringing automotive businesses together.

The EU called for the compatibility of the planned Egyptian measures to incentivise automotive production in Egypt with the country's obligations under the WTO and the Association Agreement.

- EU and Egypt will continue the discussion on these topics in the relevant sub-committees and, where applicable, in the follow-up videoconferences.

4. Agricultural trade

Parties discussed developments in bilateral agri-food. The EU provided an overview of agricultural trade statistics. Total trade in agri-food products between the EU and Egypt increased by 225% between 2003 and 2018. The EU imported mainly fruit, including citrus fruit, and vegetables from Egypt. EU agri-food exports to Egypt covered mainly wheat, vegetables and sugar. Egypt's fill rate of Tariff Rate Quotas (TRQs) in 2018 was high for products such as sweet oranges, strawberries and garlic. The EU requested information on Egyptian data on bilateral agri-food trade, as well as on the utilisation of TRQs. The Egyptian side requested starting proceedings for the renegotiation of the agricultural quotas outlined in the Protocol 1 to the EU-Egypt Association Agreement concerning the arrangements applicable to the importation into the European Community of agricultural products, processed agricultural products and fish and fishery products originating in the Arab Republic of Egypt. This was of particular importance to Egypt considering the large increase in European industrial exports and the corresponding ceiling of quotas on Egyptian agricultural exports, in which Egypt enjoyed a competitive advantage. This led in particular to the large trade deficit. Egypt asked, in particular for the EU to consider an increase of the TRQ for strawberries and possibly oranges and garlic. It also raised the procedure for the redistribution of EU agricultural tariff rate quotas under the WTO.

The EU informed that any review of the bilateral Protocol should take into account mutual interests and address current trade barriers. As regards negotiations under WTO Article XXVIII the EU informed that procedures are currently ongoing with the WTO partners (including Egypt) who have rights under that Article. The EU welcomed that Egypt engaged in these formal negotiations in Geneva in good faith, bearing in mind that these negotiations have formally only started.

- EU and Egypt will exchange statistical data on bilateral agri-food trade.

5. Industrial policy

The EU debriefed about the ongoing bilateral cooperation in the framework of the Enterprise Europe Network and the Union for Mediterranean industrial cooperation. The EU recognized the active participation of Egypt in the European Enterprise Network, highlighting the role played by Egypt in organizing multiple business events.

Egypt indicated that for the moment they had not yet reviewed the list of priorities for an Agreement on Conformity Assessment and Acceptance (ACAA), and that further cooperation with the EU may take place once this is done. The EU underlined that it would be crucial for Egypt to undertake a stock-taking exercise and carry out a gap analysis to show what has been done within this framework and what would remain to be done in order to enable ACAA negotiations.

- EU and Egypt will continue the discussion on this topic in the Sub-Committee on industry, trade, services and investment.

6. Trade related assistance

The EU presented the different EU initiatives to provide support to the Ministry of Trade and Industry of Egypt (MTI), notably the ongoing Trade and Domestic Market Enhancement Programme (TDMED) running till October 2019; a bridging gap project to mobilise a Trade expert on ad hoc basis for a period of 18 months starting in November 2019 and a large comprehensive project worth EUR 10 million under preparation to be approved in 2020 and to start implementation indicatively in early 2021. The representatives of Egypt welcomed the proposed initiatives but expressed concerns about a long gap between the end of the current TDMEP and the launching of the new program and the small size of the bridging project compared to the wider MTI needs, particularly as the Ministry is undergoing significant developments and also taking account of potential negotiations in the foreseeable future.

- The parties agreed to continue the discussions at technical level.
