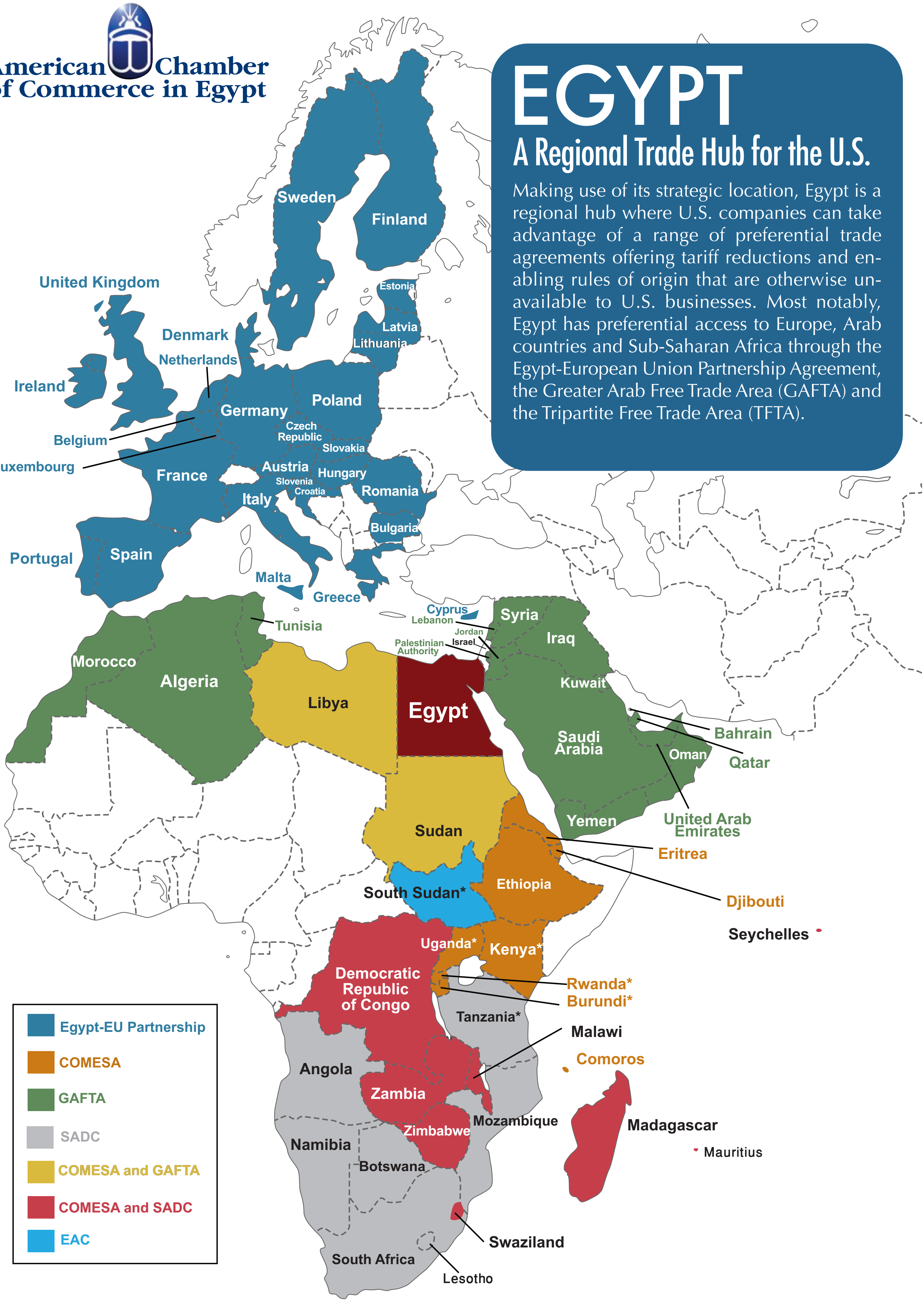
American Chamber of Commerce in Egypt

EGYPT

A Regional Trade Hub for the U.S.

Making use of its strategic location, Egypt is a regional hub where U.S. companies can take advantage of a range of preferential trade agreements offering tariff reductions and enabling rules of origin that are otherwise unavailable to U.S. businesses. Most notably, Egypt has preferential access to Europe, Arab countries and Sub-Saharan Africa through the Egypt-European Union Partnership Agreement, the Greater Arab Free Trade Area (GAFTA) and the Tripartite Free Trade Area (TFTA).



Note: All EAC countries (Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda) are members of either COMESA or SADC except for South Sudan.

EGYPT: A Regional Trade Hub for the U.S.

Egypt is party to the Egypt-EU Partnership Agreement, GAFTA and the TFTA Agreement as well as the Agadir Agreement (a free trade agreement between Egypt, Jordan, Morocco and Tunisia), the EFTA (a free trade agreement with Iceland, Liechtenstein, Norway and Switzerland), the Egypt-Mercosur Free Trade Agreement (with Argentina, Brazil, Paraguay, Uruguay, Chile, Bolivia, Colombia, Ecuador and Peru) and numerous bilateral trade agreements with individual countries.

The Egypt-EU Partnership

- Egypt and the EU signed the Association Agreement in 2001, which came into force in June 2004. Also known as the Partnership Agreement, this will establish a free trade area by 2019. An agreement on further liberalization of trade in agricultural products entered into force in June 2010.
- All industrial goods exported from Egypt to the EU are exempt from tariffs.
- EU export tariffs on industrial products will gradually be dismantled over a period of 12 to 15 years.
- Under table four of the agreement which came into force in 2010, European cars face customs of 60%, with further cuts making cars of European origin duty free by 2019.
- In December 2017, Egypt postponed the 10% tariff reduction on cars for 2018 for one year, a one-time delay allowed under the agreement.
- While the value-added criteria set in the EU can be as high as 75% for sensitive products such as textiles and apparel, U.S. companies can benefit in certain sectors, such as agriculture and processed foods, where Egypt faces substantially lower tariffs on exports.
- Local component requirements (a minimum of 60% from Egypt or the EU) for the rules of origin under Mediterranean countries also allow for the use of inputs from third countries (diagonal accumulation of origin) for the remaining content.

The GAFTA Agreement

- Egypt entered the Greater Arab Free Trade Area (GAFTA) trading bloc, also referred to as the Pan Arab Free Trade Area (PAFTA), in 1998. As of 2005, all 18 GAFTA members are exempt from all customs duties and charges between the Arab countries.
- GAFTA countries are continuing negotiations to liberalize services and investments (with the exception of Sudan and Yemen).
- The percentage of value-added required to confer origin is 40% of the ex-factory cost. Local labor is counted as added value, and Egyptian assembly of U.S. parts constitutes transformation to meet the origin requirements under GAFTA.
- Local component requirements under the GAFTA rules of origin also allow for the use of inputs from all other members (diagonal accumulation of origin).
- GAFTA countries combined have an annual GDP of around USD 2.6 trillion and a population of around 380 million people.

The TFTA Agreement

- The Tripartite Free Trade Area (TFTA) agreement was signed in June 2015 in Egypt to create a free trade area among members of the three African trade pacts—the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC)—stretching geographically from Cairo to Cape Town.
- TFTA gives Egypt access to eight additional African nations along with the other 18 countries of COMESA, to which Egypt has been a signatory since 1998.
- The 27 TFTA countries combined account for 56% of Africa's GDP (approximately USD 1.37 trillion) and 58% of its total population (709 million) and will open new markets for Egyptian engineering products, textiles, chemicals, furniture and agricultural products.
- TFTA was to come fully into force in 2017 to allow for gradual tariff alignments before trade in goods becomes totally free, however, that timeline has been pushed back. Of the 27 member states, 22 have signed the agreement, Botswana being the most recent on January 30, 2018. Only two countries—Egypt and Uganda—of a required 14 have ratified it.

Updated February 2018