



October 20, 2011

## **The U.S.-Egypt Business Council & The Global Regulatory Cooperation Project**

### **USEBC Trade Barriers White Paper**

Egypt has made many impactful business reforms in the last 10 years, most notably since 2005, that have increasingly opened its market and created a more business-friendly environment. Many objective observers have recognized Egypt's progress. For example, Egypt has been named a top economic reformer for four out the last seven years by the World Bank's *Doing Business in Egypt Report*. It has been identified by the Economist Intelligence Unit, (along with countries such as Colombia, Indonesia, Vietnam and South Africa) in the so-called CIVETS group as an especially promising emerging market. Prior to the January Revolution, emerging market investment analysts were predicting that Egypt could be expected to follow in the suit of the BRIC powerhouses, becoming a key contributor to the next period of sustained global economic growth. Egypt has also been identified by Goldman Sachs as a part of its Next -11 grouping, which consists of countries that have large and growing populations and the potential to greatly impact the global economy.<sup>1</sup>

The U.S.-Egypt Business Council (USEBC) commends the Egyptian government for the administrative reform program it undertook in the last several years. The People's Assembly, the Ministry of Administration Development, and private sector stakeholders have been at the forefront of the reform program in the following areas: reducing administrative units, retraining civil servants to increase productivity, streamlining government procedures, combating

---

<sup>1</sup> The N-11 countries are Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey, and Vietnam.

corruption, reducing costs to open a business, decentralization of local administration, and creating the political environment for administrative reform.<sup>2</sup>

Egypt's economic progress depends upon further government reform of the bureaucracy. American and Egyptian companies continue to identify government regulations as a top impediment to doing business in Egypt. The Al-Ahram Center for Political and Strategic Studies, in coordination with the Center for International Private Enterprise (CIPE), conducted a survey in 2009 on the business environment in Egypt. Its findings indicate that the "time-consuming and protracted government procedures, overlapping and conflicting laws and regulations, and high cost and complication of doing business in Egypt" negatively impact investment, economic growth, and Egypt's global competitiveness. The council has identified several areas that it would like to work with Egypt on to improve the business climate. Many of the issues outlined below overlap and are mutually reinforcing. The council advocates that the issues be addressed in tandem.

## **TECHNICAL BARRIERS TO TRADE**

In the WTO, under the Technical Barriers to Trade Agreement (TBT Agreement), Egypt has committed to ensure that technical regulations and standards-related measures promote legitimate objectives (such as health and safety), are created and implemented in a transparent manner, and do not create unnecessary obstacles to trade. As the election process proceeds and the new government is established, the council recommends that the Office of the U.S. Trade Representative (USTR) and the United States government at large advocate Egypt implement open and transparent procedures for developing technical regulations. Transparent processes ensure that domestic and foreign stakeholders view the resulting regulations as fair and legitimate. Eliminating the multiplicity of redundant regulations and regulatory agencies is a particular priority for U.S. business.

In accordance with the TBT Agreement, the council recommends that Egypt should avoid imposing technical regulations as a means to favor domestic production or influence trade through non-market forces and should ensure that all regulatory changes meet a legitimate objective in a manner no more trade restrictive than necessary. Further, the council

---

<sup>2</sup> *Tackling the Leviathan: Reforming Egyptian Bureaucracy for Improved Economic Growth, Series of White Papers to Promote Transparency & Combat Corruption in Egypt*. Center for International Private Enterprise, 2009.

recommends the United States advocate that Egypt utilize voluntary, private-based generally accepted international standards, set by a consensus. These actions will lead to a level playing field for American companies. The council further recommends that USTR advocate Egypt make all proposed regulations and standards publically available with an adequate timeframe to allow interested stakeholder comments and allow time for consideration of those comments before finalizing any changes, which will also increase overall transparency.

## **TRANSPARENCY**

The U.S.-Egypt Business Council urges the United States government to advocate that Egypt adopt a similar rulemaking procedures mechanism and standards for regulatory agencies as stipulated under the U.S. Administrative Procedures Act (APA), as well as multiple OMB guidance regarding cost-benefit analysis and regulatory impact assessments.<sup>3</sup> Even though the TBT Agreement provides transparency safeguards regarding trade of goods that Egypt should already be following (and the council believes could be enhanced, as mentioned above), a robust system of governmental transparency, in all areas, is necessary in any well-functioning democracy. The establishment of an Egyptian-style APA will offer the public a meaningful opportunity to participate in the adoption of regulations within the Egyptian government as well as set clear and consistent regulations. While the Egyptian civil law system generates rules and regulations through the legislature, the Egyptian Parliament should establish a transparent committee on administrative law that is responsive to public demands and holds open dialogue. A regulatory system with robust and open stakeholder engagement provides benefits for American business while also ensuring that regulations are promulgated in a manner to ensure maximum efficiency and demonstrating the new Egyptian government is acting in a manner that is fair and accountable. Additional measures to increase overall government transparency also need improvement. While the Egyptian government requires numerous permits and licenses for businesses to operate, the United States government should encourage the Egyptian government to further reduce multiplicity and the number of requirements on businesses.

---

<sup>3</sup> See generally EO 12866 and EO 13563

## **STANDARDS ALIGNMENT**

Too often, Egypt accepts standards that are not voluntary, private-based or formed by a true consensus of interested stakeholders, much to the detriment of American companies. For instance, the Egyptian government accepts European automotive standards but does not accept American standards, despite American standards resulting in equal, if not greater, safety protection and fuel economy. Multiple sectors are affected by the divergence of Egyptian standards from American standards, including appliance and automotive component parts, food product regulations, marking and labeling requirements, among others. The council urges the United States to encourage Egyptian authorities to adopt or mutually recognize U.S. standards. Encouraging the standards alignment in foreign markets is something the European Union does quite effectively as its regulators work much closer with its commercial and trade counterparts within the European Commission to advance EU commercial interests. In addition, the council urges the United States government to send a representative to be stationed permanently at the U.S. embassy in Cairo to advocate for the use and adoption of the U.S. standards as well as conduct general outreach and promotion of the U.S. system of standard setting, across sectors.

## **ADVANCE TRADE FACILITATION**

Trade facilitation is increasingly seen as a top priority. Often referred to as the "plumbing" of international trade, trade facilitation consists of reforms to make the movement of merchandise from one country to another faster, cheaper, and more reliable. As international trade grows relative to GDP, the efficiency of trade logistics becomes more important. Rising competition and falling tariffs in markets around the globe have laid bare the cost of inefficient customs and ports. In fact, studies have shown that inefficient trade logistics in many developing countries adds anywhere from 5% to 25% to the cost of trade.

According to a recent World Bank report entitled *Connecting to Compete: Trade Logistics in the Global Economy*, trade facilitation runs the gamut from "customs procedures, logistics costs, and infrastructure quality to the ability to track and trace shipments, timeliness in reaching destination, and the competence of the domestic logistics industry." While the trade facilitation agenda has traditionally focused on customs and infrastructure, the "Connecting to Compete" report suggests that liberalizing services markets is equally important. High-quality, competitive private services such as trucking, warehousing, and customs brokerage make

supply chains more robust and reliable, which in turn contributes to greater investment and more export opportunities.

Specific reforms that major trading companies have identified include greater use of information technologies and electronic delivery of customs information, alignment of data requirements for export and import declarations, reviewing the bond guarantee requirements for expedited release of goods from customs, and swift clearance for low-risk imports.

## **INVESTMENT**

Egypt and the United States share a Bilateral Investment Treaty (BIT) and the Egyptian government has made foreign investment a priority of its economic reform in the last seven years. Egypt established the General Authority for Investment (GAFI) as the 'one-stop-shop' for investors and new businesses. The U.S.-Egypt Business Council recommends the United States to call for the further reduction of requirements for businesses to open an office and operate. In terms of land rights, the Egyptian government continues to restrict foreign ownership of land in certain circumstances, such as agricultural land and property in designated districts. On public tenders, the Egyptian government should give preference to the best price and value and not whether a company is Egyptian or foreign through a competitive process.

Additional informal barriers to trade exist despite the efforts made by the Egyptian government. For example, a foreign company may not act as an importer and must operate through a local partner. The Central Bank of Egypt has not issued a new commercial banking license in decades and continues to require foreign banks to purchase or enter a joint venture with a local bank.



