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FOREIGN AFFAIRS & TRADE
Manatū Aorere

Exporting to Egypt: A view from the Federation of Egyptian Chambers of Commerce

Market Report

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Prepared by the New Zealand Embassy in Cairo.

Summary

- Egypt is keen to position itself as a regional trade and investment hub. With tariff free trade access to markets of 2.7 billion consumers, Egypt is working to become North Africa's leading processing and transit hub for international trade, including from New Zealand.
- Federation of Egyptian Chambers of Commerce Secretary General encourages New Zealand companies to use Egypt's existing trade agreements as a regional stepping stone into Europe, the Gulf and Africa. Use of Egyptian FTA's require a 35% "local content" component, which can include processing and packaging so as to be exempt from tariff restrictions.
- Egyptian ports now process goods destined for Libya and Sudan, often considered "too hard markets" due to poor port processing facilities or financial and other logistical challenges.
- With 40% of all global trade transiting through the Suez Canal, Egypt desires to "challenge Dubai's prominence" as a regional export hub. While acknowledging it is "significantly behind" the UAE, developments in infrastructure, free trade zones and a developing regulatory environment continue at pace.

Representatives from the New Zealand Embassy in Cairo recently called on Dr Alaa Ezz, Secretary General and CEO of the Federation of Egyptian Chambers of Commerce.

Why New Zealand should trade with Egypt

Ezz said that New Zealand **should consider more than just Egypt's market of 101 million for exporting**. Egypt enjoyed preferential **trade access to markets with a population of over 2.7 billion consumers**. New Zealand businesses were invited to use Egypt as hub for processing and re-exportation so as to enjoy the benefits of Egypt's various free trade agreements. To utilise these a 35% local content would need to be included. Ezz advised this could consist of sending bulk ingredient to Egypt for processing and then repackaging.

Egypt's free trade agreements include:

- **African Continental Free Trade Agreement (AfCFTA)** which came into force on 1/1/21 uniting 54 African nations and 1.3 billion people creating a USD $3.4 trillion economic bloc for trade within the continent.
- **Common Market for Eastern and Southern Africa (COMSEA)** is a trade bloc consisting of 21 member states and a consumer market of 406 million.
- The **Mercosur** group signed an agreement with Egypt in 2010 allowing Egypt preferential access to several Latin American economies.
- Egypt has signed a **post-Brexit trade agreement with the UK** which came into effect on 1/1/21. In addition to continuing preferential trade access, the agreement provides a framework for cooperation and further development of political, economic, social and cultural ties.

- In 2001, Egypt signed an **Association Agreement with the EU** which came into force in 2004 providing duty free access to EU markets.

Exporting companies face freight and tariff costs which adds to costs. Ezz suggested freight costs could be recou ped through the **savings gained from the preferential tariff free access Egypt enjoyed**.

Ezz reiterated several times during the call that Egypt was not seeking New Zealand business' investment. Rather, New Zealand and Egyptian companies "needed to be better linked". New Zealand firms were encouraged to provide brands and the assurance of high quality goods. Egyptian businesses in turn would provide the "final assembly" for the required local content component (e.g. processing and packaging), an inexpensive labour force, and tariff free market access.

Easier access to traditional "too hard markets"

Egypt was deepening trade with **Sudan and Libya**. Both countries traditionally presented challenges for international exporters. Sudan operated a complicated banking system which many international companies had challenges accessing or navigating. Sudan also operated only one port, Port Sudan, which experienced a regular backlog of freight processing, often up to three months. This resulted in high demurrage fees. Egypt had recently developed a direct land route to Sudan via the Egyptian red sea port of Safaga. Goods could be processed quickly and trans-shipped by land from Egypt to Sudan, minimising demurrage costs. This was especially important for perishable goods, including foods and beverages. Libya's civil war presented challenges for trade. Ezz advised that Libyan ports were primarily designed to handle oil exports. Currently **80% of Libyan imports arrived via Alexandria on Egypt's north coast** and were transported by truck across the border.
Egypt's aim to position itself as **an alternative trade hub to Dubai**

Ezz noted **Egypt was working to position itself as an alternative trade hub to Dubai**. Currently **40% of all global trade passed through Egypt's Suez Canal** making Egypt both well connected and centrally located to markets in Africa, Europe and the Gulf. Egypt, he said had been slow to adopt the necessary reforms which had witnessed the trade prominence of Dubai in the region over the past twenty. "We are now twenty years behind – but catching up fast".

Areas of trade cooperation: finding the New Zealand / Egypt niche

Ezz advised that Egyptian companies were operating across Africa. Construction was booming, Egypt had invested over USD $10b in Africa, including developing new infrastructure, electrical networks, water, roads, and new cities.

The New Zealand representatives explained that food and beverage were among New Zealand's strongest export areas, particularly in protein and dairy. Ezz advised Egypt was developing 1.5 million acres of land reclamation for organic farm production. This included food production such as dairy and crops. 22B Euros in grants and soft loans had been received from international investors and donors. FDI was not required, but cooperation with **agriculture and horticulture technology transfer were areas of niche interest**.

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