

## Egypt – EU Association Agreement

| Item                               | Egypt – EU Association Agreement  |
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| <b>Duration</b>                    | <p>Egypt and the 15 European Union Member States signed a partnership agreement on June 25, 2001, in Brussels to gradually establish a free trade area over a transitional period not to exceed 12 years from the entry into force of the Agreement.</p> <ul style="list-style-type: none"> <li>- The Agreement entered into force on the first day of the second month following the date of notification of parties after the completion of their own ratification procedures. This Agreement replaces the 1977 Agreement between Egypt and Europe.</li> <li>- The Agreement shall be valid for an unlimited period. Either Party may terminate this Agreement by notifying the other Party. The Agreement shall cease to apply six months after the date of notification.</li> </ul>   |
| <b>Brief Overview of Agreement</b> | <ul style="list-style-type: none"> <li>- Presidential Decree No. 335/2002 was issued approving the establishment of an institution of an Egyptian - EU partnership through the Euro-Mediterranean Agreement.</li> <li>- The People’s Assembly of Egypt ratified the Association Agreement with the EU in 2003. It has also been ratified by the European Parliament, and the parliaments of EU Member States.</li> <li>- Accordingly, the Egypt - EU Association Agreement entered into force on January 1, 2004.</li> </ul> <p><b>The Egypt – EU Association Agreement applies to industrial, agricultural and processed agricultural products as follows:</b></p> <p><b><u>I. Industrial Products</u></b><br/>           In accordance with the Agreement, both parties shall benefit from trade free of all quantitative restrictions and customs duties in line with timeframes and goods set out in the Annexes of the Agreement.</p> <p><b><u>A. Egyptian Exports</u></b><br/>           Industrial imports into EU member countries of products originating in Egypt shall be allowed free of customs duties or any other charge having equivalent effect immediately upon the entry into force of this Agreement.</p> <p><b><u>B. Egyptian Imports</u></b><br/>           Industrial imports into Egypt of products originating in the EU member states shall be allowed free of customs duties or any other charge having equivalent effect, and free of quantitative restrictions or any other restriction having</p> |

equivalent effect in accordance with the following timeline:

**Goods in Annex 2:**

Customs duties shall be gradually abolished over a period of three years, with an immediate 25% reduction on the date of entry into force of the Agreement, and 25% reductions occurring on an annual basis for three years until duties are completely eliminated.

Annex 2 includes capital goods, machines, some production components, raw materials and inputs with customs duties currently ranging 1% - 5%.

**Goods in Annex 3:**

Customs duties shall be reduced by 10% three years after the date of entry into force of the Agreement, or January 2007, followed by a 15% annual reduction for the next six years. All duties on products listed in Annex 3 shall be eliminated within ten years.

Annex 3 includes intermediate commodities, production inputs, and some investment goods not included in Annex 2, with customs duties ranging 3% - 5%.

**Goods in Annex 4:**

Customs duties shall be reduced by 5% five years after of the entry into force of the Agreement, or January 2009, followed by a reduction of 5% the following year, and then 15% annually for the next six years. All duties will be eliminated within 13 years after the date of entry into force.

Annex 4 includes industrial consumer goods not specified in Annexes 2 and 3.

**Goods in Annex 5:**

Customs duties shall be reduced by 10% annually starting six years after the entry into force of the Agreement, or January 2010, with duties completely eliminated within 16 years after entry into force of this Agreement.

Annex 5 primarily includes vehicles.

**II: Agricultural Products**

**A. Egyptian Exports**

The Egypt - EU Agreement increased the number of agricultural imports into the EU market to more than 100 products, from the 25 originally listed in accordance with the 1977 Agreement. Egyptian exports of agricultural products listed in Annex I are subject to immediate implementation as detailed in Protocol 1 of the Agreement.

Egyptian agricultural exports to the EU may be grouped into the following

four categories:

- Products subject to quantitative quotas and having specific export seasons (quotas shall be exempted from customs duties). These include cut flowers, potatoes, onions, garlic, cabbage, cauliflower, lettuce, carrots, cucumbers, green beans, cantaloupes, peaches, plums, and strawberries.
- Products subject to quantitative quotas but having no export seasons (tariff exemption within quotas). These include bulbs, tubers, sweet potatoes, pears, fruits, rice, sesame oil, cane honey, peanuts and frozen, canned and dried vegetables.
- Products not subject to quantitative quotas but having export seasons (duty-free within export seasons). These include artichokes, mushrooms, asparagus, sweet peppers, ripe grapes and watermelon.
- Products not subject to quantitative quotas and having no export seasons. These include dates, guava, mango, mandarin oranges, grapefruits, peppers, anis, fennel, aromatic plants, medicines, limes and sweet lemons.

#### **B. Egyptian Imports**

Egypt shall reduce or eliminate customs duties imposed on agricultural imports of certain products originating in the EU Member States, including meat, dairy products, vegetables and fruits. However, for some specific products such as soybean oil and apples, customs duties shall be abolished or reduced within agreed quotas. Egyptian imports of EU agricultural products as listed in Annex I, are subject to immediate implementation as detailed in Protocol 2 of the Agreement.

#### **Processed Agricultural Products**

##### **A. Egyptian Exports**

EU imports of processed agricultural products originating in Egypt shall be subject to partial liberalization in accordance with the following three categories:

1. Products not manufactured in Egypt, but mutually exempted by both Parties.
2. Products that include both industrial and agricultural components, of which the industrial component enters the EU duty-free but the agricultural component is still subject to applicable tariff duties and/or fees.
3. Products that include both industrial and agricultural components, of which the industrial component enters the EU duty-free and the agricultural component is subject to a 30% reduction in charges.

##### **B. Egyptian Imports**

Egyptian imports of processed agricultural products listed in Annex I and

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|   | <p>originating in the EU Member States are subject to gradual reductions in basic duties in accordance with the following three-table schedule:</p> <p><b>Table 1:</b><br/>Duties will be eliminated two years after the entry into force of the Agreement, or January 2006.</p> <p><b>Table 2:</b><br/>Basic duties shall be subject to the following reductions after the entry into force of the Agreement:<br/> <ul style="list-style-type: none"> <li>• 5% after second year, or January 2006;</li> <li>• 10% after the third year, or January 2007; and</li> <li>• 15% after the fourth year, or January 2008.</li> </ul> </p> <p><b>Table 3:</b><br/>Basic duties shall be subject to the following reductions after entry into force of the Agreement:<br/> <ul style="list-style-type: none"> <li>• 5% after second year, or January 2006;</li> <li>• 15% after the third year, or January 2007; and</li> <li>• 25% after the fourth year, or January 2008.</li> </ul> </p> |
| <p><b>Current Situation as of August 2005</b></p> | <p>- Imports into Egypt of industrial products originating in EU Member States faced an immediate 50% reduction in duties on the products listed in Annex II of the Agreement. These imports shall be completely liberalized within 4 years.</p> <p>- On May 1, 2004, ten new member states (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) joined the EU, and automatically acceded to the Egypt - EU Association Agreement. As a result, Egypt and the EU signed an amendment to the Agreement in December 2004 expanding quotas of Egyptian agricultural exports to EU markets as set forth in Article 21 of the Association Agreement.</p> <p>- In late 2004, the Ministry of Finance issued Decree No. 1859/2004 that eliminates an Egyptian Customs requiring EU exporters to legalize certificates of origin and attached documents at Egyptian embassies in the EU.</p>  |
| <p><b>Agreement Benefits</b></p>                  | <p>The Egypt - EU Association Agreement provides benefits for the Egyptian economy including:</p> <p><b><u>I. Trade Provisions</u></b><br/> <b><u>A. Industrial Products</u></b></p> <p>1. An increase in the volume of imports into the EU markets of industrial products originating in Egypt through the elimination of customs duties or</p>   |

any other duties having equivalent effect, as well as any and all quantitative restrictions as of January 1, 2004.

2. Early elimination of quantitative restrictions (quotas) on Egyptian textile exports before the date set for elimination as per the WTO Textile and Clothing Agreement (1/1/2005) and prior to the elimination of quotas on exports from other countries, especially the Asian countries.

### **B. Agricultural and Processed Agricultural Products**

1. An increase in the number of Egyptian agricultural products exported to the EU from the 25 products listed in 1977 Agreement to more than 100 products in the current Agreement.
2. Includes export quotas on new agricultural products that were not previously subject to preferential trade privileges; for example, moulas, in growth flowers, strawberries, mango, guava, dates, onions, dried garlic, peas, eggplant, plant juices and oils, sweet potatoes and peanuts.
3. Reduced entry prices on certain Egyptian products; for example, oranges and cut flowers.
4. Extended export seasons for certain agricultural products.
5. Increased volume of export quotas for several major agricultural products, such as potatoes by 230%, oranges by 769% and green beans by 166%.
6. A reduction in tariffs imposed by the EU on excessive volume of exempted quotas; for example, the tariff on potatoes was reduced to 3%.
7. Increased export quotas of most agricultural exports by 3% annually. Negotiations for additional quota increases will be initiated every three years.
8. Greater liberalization of trade in processed agricultural products through the elimination of industrial component tariffs on some products, a 30% tariff reduction on the agricultural component in other products, in addition to fully exempted quotas on 1000 tons of processed Egyptian jam.

### **II. Egyptian Economy Modernization and Capacity Building Programs**

The Association Agreement also provides financial and technical aid to boost the Egyptian economy with a sum of 670 million Euros to be divided among the following areas: industrial sector modernization (250 million); health sector reform (110 million); education sector reform (100 million); the Social Fund for Development (155 million); and private sector modernization (55 million).

**III. For Business and Investment**

The Agreement will attract EU direct investment in Egypt, that is, the Parties shall ensure the facilitation of capital movement between the EU and Egypt in terms of boosting direct investment.

Egypt will also benefit from the EU's enlargement, by which the EU's population increased from 375 million to 480 million potential consumers.