

G-24 TECHNICAL GROUP MEETING
Colombo, Sri Lanka
February 27-28, 2018

Arab Republic of Egypt
Intervention
Session 3: Role of Trade and Investment Agreements

There is no question that trade and investment agreements play an important role in boosting investment and overall development... Egypt has access to large key markets through various multilateral and bilateral trade agreements with African countries... EU... USA... Latin America and Middle East region... Egypt has established itself as sizeable exporter in number of sectors.

Such agreements can be crucial in promoting foreign investment and trade, and diversifying export markets which can ensure greater opportunities for Egyptian exports and enable our domestic market growth.

For instance... on a regional level... Egypt is part of the COMESA trade agreement... this agreement is very important for the member countries, not only in promoting intra-trade in Africa, but also mobilizing needed resources for financing for sustainable development, especially with a massive gap in capital needed for infrastructure development in Africa.

For that reason, Egypt is leading the navigation line project linking between Lake Victoria and Mediterranean Sea through the Nile under the patronage of H.E. President El-Sisi ... this is one of Egypt's main concerns in Africa in the fields of economic cooperation, river transport and infrastructure.... Aiming to create a maritime corridor that supports trade and increases the possibility of landlocked countries to connect with international seas and ports.

Recently, Egypt became a part of the Tripartite Free Trade Area (TFTA), an agreement that includes COMESA - East African Community (EAC) - Southern African Development Community (SADC)... one step further to set the stage for establishing a single market for 26 African countries... Egypt strongly values and fully supports the TFTA as it plays a critical role in... promoting trade amongst African countries... decreasing trade barriers... increasing investment flows... enhancing competitiveness... and lastly ...encouraging regional integration.

That is why, last year, Egypt hosted and organized Africa 2017 forum with the COMESA themed "Business for Africa and the World". The forum was a platform to promote investment while shedding light on the legislation reforms and policies affecting the business environment in Egypt and member countries.

But more importantly, through COMESA institutions and programs such as, African Trade Insurance Agency, African countries received support for over USD 21 billion worth of trade and investment across Africa in form of credit insurance... this has contributed positively in facilitating exports, foreign investment, and trade flows within Africa.

Another example is Mercosur preferential Free Trade Agreement (FTA) with Argentina, Brazil, Paraguay, Uruguay and Egypt, which emphasis on encouraging investments and the transfer of technology. This type of agreement is also important for two reasons... One... Egypt is a gateway to Africa and Middle East region for Latin American countries... second it allows preferential privileges for the Egyptian exports to enter the Latin American markets and vice versa. Policies associated with such agreement aims at achieving gradual market liberalization, and promoting cooperation in the fields of investment, financial and ... logistics services among others.

On the issue of global trade... Egypt's Suez Canal is one of the most important global waterways ... it is an important international navigation canal linking between the Mediterranean sea at Port said and the red sea at Suez .The unique geographical position of the Suez Canal makes it of special importance to the world and to Egypt as well...the new canal will reduce shipping costs between East Africa, the Gulf and Europe, as well as between East Asia and Europe, through the rapid transfer of ships.

In addition, The Suez Canal Economic Zone (SCZone) is a world-class free zone and trade hub that expected to have positive impact on value-added chain... Strategically located on the main trade route between Europe and Asia, more than eight percent of global trade passes through every year... this mega project presents investment opportunities in vital economic sectors, including logistics and industrial services in accordance with the highest international standards, as well as creating a favorable business environment to encourage both foreign and domestic investors to invest in the region not just in Egypt.... We have recently started to work with China who will build a logistics zone in SCZone (as TEDA Corporation and COSCO Shipping signed an agreement with Egypt).

While we acknowledge the key role of trade and investment agreements, we also see the importance of policies directed toward our domestic economy in order to benefit from these agreements and avoid its potential risks ... without a strong legislative framework for both domestic and foreign investment, business conducive environment, and proper infrastructure ... trade and investment agreements might do little or even present a challenge for a country's economic growth.

This is why Egypt's economic reform program over the past 4 years have been focused primary on three pillars: 1- promoting investment, trade, and industry through better legal and regulatory

framework; 2- market stabilization; and 3- infrastructure development.... All of which have been centered on private sector-led economic growth.

In terms of promoting investment ... our legal and regulatory reform policies aims at transforming the investment landscape in Egypt and promoting private sector participation in the development process... Egypt's new investment law and bankruptcy law – among others – are key in reaching this goal. The main features associated with the new laws include:

- Pro-investor policies, including incentives and guarantees
- Facilitated procedures for doing business and finalizing investment disputes
- Automated electronic procedures adopted
- New investment zones with proper infrastructure and its own incentives for sector base development
- Provisions related to corporate social responsibility (CSR)
- And finally guaranteeing easy entry and exit from the market

All these policies are targeting to mobilize private capital while ensuring financial accessibility to entrepreneurship and SMEs, and to enhance our export capacities.

Egypt wants the world to know that it is open for business and ready to encourage investment, a successful model of construction, sustainable development, industrial and energy hub in a region facing a lot of turbulences.

Second ... our reform policies toward market stabilization... Included the devaluation of our currency, tax reform, and a targeted... more efficient subsidy system...all of which contributed to sound monetary and fiscal policies which led to 1— reduced budget deficit; 2- higher growth rate – around 4.2% for fiscal year 2016/2017; 3- reduced trade deficit - The trade deficit retreated by 13.4 percent in 2017; and 4- enabling environment equally for domestic and foreign investment to grow well .. and achieve balanced sustainable growth... Currently Standards & Poor's credit rating for Egypt stands at B with a positive outlook.

Third...proper infrastructure facilities as well as efficient service delivery are prerequisite for attracting investments... that is why the Egyptian Government adopted several policies to tackle this issue... some of these policies include directing around 65% of our development assistance inflows to infrastructure development... In addition to our bold reform program in the energy sector that aims to increase Egypt's energy production while diversifying electricity resources – generated from renewable energy, particularly wind and solar energy... today private sector is taking part in electricity production through our improved legal framework for renewable energy of the Feed-in tariffs program... as well as more involvement of private investments in oil and gas sector through the liberalization and regulation of this sector.

Turning Egypt into a regional energy hub is becoming a reality, Egypt is now one of the few countries in the Mediterranean region that owns facilities fully capable of providing all oil and gas related services.... Egypt will use these facilities to liquefy the imported gas for export or for domestic industrial use.

In parallel... mega projects like the new capital target investments that are labor intensive and ensure sustainability through long term investments tied to physical capital which will minimize the adverse effects of external shocks.

Stability is now firmly established, with our political leadership determined and committed to unlock the country's potential to become a regional hub for energy production... which will enable Egypt to become a major business center, and manufacturing and industrial hub within the region.

In brief, reinforcing our domestic economy with such a comprehensive reform program ... would allow us to benefit more from trade and investment agreements and avoid potential risks ... especially with the challenge of large financing gap needed for infrastructure in many developing and emerging markets, such agreements can have a complementary role in mobilizing capital... advance domestic market capabilities... along with IFIs and local private sector investment.