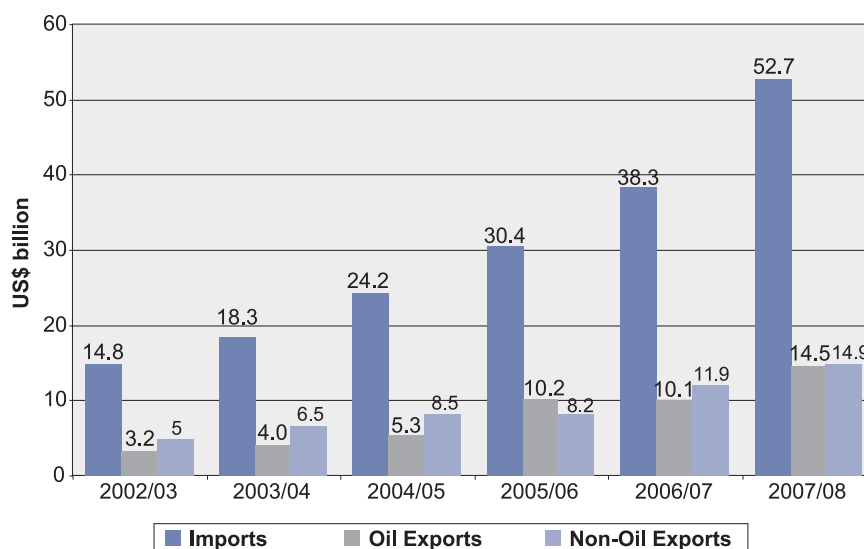


# Section I: General Trade Relations

## 1. Egypt Trade Trends

As a result of increased economic activity, Egypt's total trade volume reached \$82.1 billion during 2007/08, a 36.1% increase over the previous year. The overall strong export performance recorded since the start of the decade was expected to continue in 2008/09, supported by the expansion of export-credit opportunities, the establishment of foreign industrial zones, the signing of additional preferential trade agreements, and a variety of successful marketing strategies abroad. But as a result of the global financial crisis that hit vital industries worldwide and led to a demand recession in Egypt's main trade partners, exports are estimated to fall by around 14% in the fiscal year 2008/09.<sup>2</sup>

Figure I.1 Egypt Commodity Trade Trends



Source: Central Bank of Egypt (CBE), Monthly Statistical Bulletin, December 2008.

Egypt's leading export has long been crude oil and its derivative products, for which recent years have been no exception. Petroleum exports (oil & gas) grew almost 43% in 2007/08 to reach a value of \$14.5 billion. In that same year, gas exports alone grew 20.5% and are now considered to be a major player in Egypt's export profile.<sup>3</sup>

Non-petroleum exports have also been making impressive strides in recent years, growing by 15% in 2007 and 20.8% in 2008. Egypt's non-oil export basket is largely diversified. In 2008, iron & steel (HTS 72) came on top with a share of 7.6%, followed by fertilizers (HTS 31), electric & electronic equipments (HTS 85) and edible fruit & nuts (HTS 08), each with a share of 5.3%, 5.2% and 4.5%, respectively, of non-petroleum exports in 2008.

2. Central Bank of Egypt, Monthly Statistical Bulletin, September 2009.

3. Central Bank of Egypt, Monthly Statistical Bulletin, December 2008.

**Table I.1 Egypt Top Non-petroleum Exports**

(U.S.\$ million)

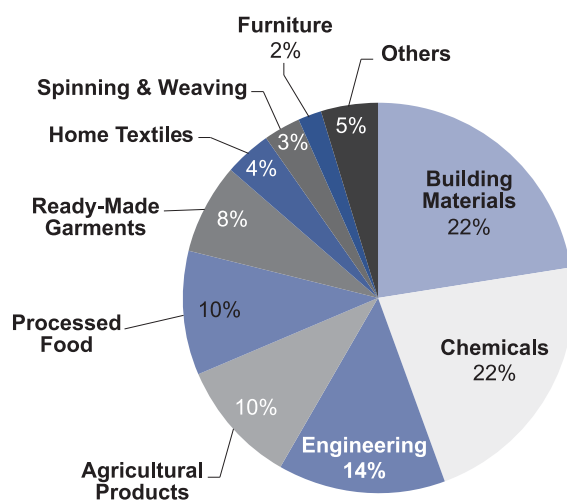
2008 Rank	HTS Code	Description	2007	2008	Change 2007-2008 (%)
1	72	Iron & Steel	1,404.9	1,290.7	-8.1
2	38	Miscellaneous Chemical Products	553.5	895.3	61.8
3	31	Fertilizers	284.2	892.6	214.1
4	85	Electrical Machinery & Equipment & Parts Thereof; Sound Recorders & Reproducers, Television Recorders & Reproducers, Parts & Accessories	783.9	868.7	10.8
5	8	Edible Fruit & Nuts; Peel of Citrus Fruit or Melons	460.4	769.7	67.2
6	61	Articles of Apparel & Clothing Accessories, Knitted or Crocheted	735.0	760.3	3.5
7	74	Copper & Articles Thereof	415.8	734.7	76.7
8	39	Plastics & Articles Thereof	506.4	585.4	15.6
9	76	Aluminum & Articles Thereof	594.2	572.0	-3.7
10	25	Salt; Sulfur; Earths & Stone; Plastering Materials, Lime & Cement	629.3	556.3	-11.6
11	7	Edible Vegetables & Certain Roots & Tubers	334.9	541.3	61.6
12	62	Articles of Apparel & Clothing Accessories, Not Knitted or Crocheted	312.1	505.0	61.8
13	73	Articles of Iron or Steel	440.1	493.7	12.2
14	28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, of Rare-Earth Metals, of Radioactive Elements or of Isotopes	301.1	435.1	44.5
15	4	Dairy Produce; Birds' Eggs; Natural Honey; Edible Products of Animal Origin, Nesoi	280.4	396.6	41.4
<b>Top 15 Total</b>			<b>8,036.3</b>	<b>10,297.5</b>	<b>28.1</b>
<b>Share in Total Non-petroleum Exports</b>			<b>57.7%</b>	<b>61.2%</b>	<b>6.1</b>
<b>Total Non-petroleum Exports</b>			<b>13,932.5</b>	<b>16,826.7</b>	<b>20.8</b>
<b>Egypt Total Exports</b>			<b>16,291.5</b>	<b>19,392.8</b>	<b>19.0</b>

Values based on CBE average dollar exchange rate for 2007/08 (LE5.5).

Source: Constructed from General Organization for Export and Import Control (GOEIC), Foreign Trade Database, accessed April 2009.

As a result of the global economic slowdown, Egypt's exports of building materials and chemicals have been hit by the drop in prices and volumes. Petrochemical prices have dropped more than 50%, and volumes are expected to drop by another 20%.<sup>4</sup> Building materials have experienced similar market conditions.

**Figure I.2 Egypt Non-petroleum Exports by Industry (2008)**



Source: GOEIC, Foreign Trade Databank, accessed April 2009.

4. Daily News Egypt, March 2009.

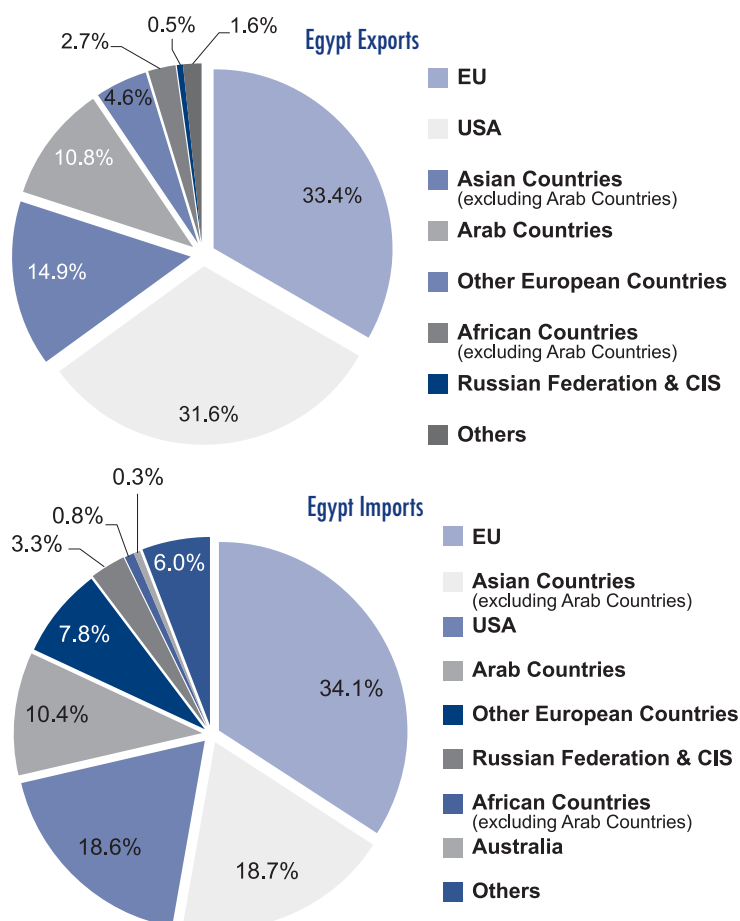
In response to these adverse effects, the government of Egypt has shown its determination to continue the pace of recent economic reforms, supported by an initial fiscal stimulus package equivalent to 1% of GDP or LE15 billion (\$2.7 billion) for the first half of 2009. The package mainly accelerates current spending commitments, most of which are already being implemented, with a total new allocation of LE13.3 billion. Among which, approximately LE1.7 billion is allocated to export subsidies and the reduction of investment-related tariffs and LE2.8 billion will be used in non-recurring programs to promote exports and accelerate development in a few industrial zones.

Additionally, the government continues to enact its aggressive export strategy in leading manufacturing sectors, with processed food and agriculture and textiles and clothing industries at the top. These targeted industries are set to receive the lion's share of investments directed toward IT enhancements, employee training, and quality assessment tools, as methods of increasing not only the quantity of Egyptian exports to the world, but also their quality and value. The government is also exerting greater efforts to attract more foreign direct investments, especially into labor-intensive projects, that would create more job opportunities and enhance standards of living.

## 2. Egypt Trade Partners and Free Trade Agreements

The U.S. is Egypt's largest single trade partner, accounting for approximately 18.7% of Egypt's imports and 31.6% of its exports in 2007/08, while the European Union (EU) remains Egypt's largest trading bloc.

Figure I.3 Geographic Distribution of Egypt Trade (2007/08)



Source: CBE, Monthly Statistical Bulletin, December 2008.