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CAPMAS: 25.5% increase in the volume of trade between Egypt and Nile Basin countries in 2018

The volume of trade between Egypt and the Nile Basin countries registered a remarkable increase in 2018, reaching about one billion and 872 million dollars, compared to one billion and 493 million dollars during 2017, an increase of 25.4 percent.

Our Views

- Egypt is organically linked to Africa in general and the Nile Basin countries in particular, whether geographically or historically, with diplomatic relations that date back to the dawn of history. Hence deepening economic relations is indispensable. Trade is at the heart of this economic cooperation and one of its most important indicators. But in order to gain a deeper understanding of the degree of Egyptian-African integration and its prospects and challenges over the coming years, the reported increase should be read in the light of three main variables, listed below:
 1. The volume and quality of trade between Egypt and other economic communities;
 2. Efforts to promote African integration;
 3. How successful have Egypt's integration efforts with the African countries been so far?
 4. With regard to volume and quality of trade, **official data indicate that trade between Egypt and African countries is weak and is mainly concentrated in raw materials** such as fuel, leather, wood, animal and agricultural products,

while the share of machinery, electrical appliances and **equipment remains weak, at a maximum of 7 percent**. This compares with high trade between Egypt and other economic groupings to which Egypt is a non-member, such as the EU, NAFTA, EFTA and ASEAN.

5. For example, in 2018, **the volume of trade between Egypt and the EU was 16 times that of Egypt with the Nile Basin countries, 10 times the trade between it and COMESA countries, and 7 times the trade between it and the 27 African states comprising the Sahel-Saharan group**, though Egypt is a member of all these trade blocs and agreements.
6. **Regarding efforts to enhance African integration, the most recent and most comprehensive is the Africa Continental Free Trade Area (AfCFTA)**, which Egypt announced, as the current president of the African Union, to come into force last July. This is a \$ 3 trillion opportunity, according to Baker and McKinsey.** **However, realization of its benefits is fraught with many challenges beyond reducing tariffs, most important of which is weak infrastructure linking African countries, and divergent development levels across the continent, which negatively affect weaker countries, once they open their markets to imports, pushing them to take preventive measures to protect their domestic industry.**
7. **In addition to similarity and weakness of African production structures, except for a few countries, which prevent the desired integration due to lack of sufficient production diversity to allow trade, the presence of hundreds of non-uniform rules, procedures, specifications and tests, which represent a fundamental challenge, prevents determining the proportion of local content in traded products. Finally, customs tariffs represent an important resource for the treasury of most African countries and are expected not to be easily foregone.**
8. The lack of success of the African integration attempts by Egypt reinforces the aforementioned concerns and challenges. **Egypt is already a member of COMESA, ESCWA, the Sahel-Saharan Community and the Arab Free Trade Area. However, success has been very limited in all these groups as**

noted above. Although the Nile Basin countries are a natural geographic extension of Egypt, Egypt has been unable to develop long-term sustainable economic relations with them.

9. The Greater Arab Free Trade Area has a special status. **Although the Arab countries are more homogeneous and geographically, culturally and religiously close, Arab integration efforts have not been successful since they started in the 1950s, for the same reasons mentioned above. *****

* Annual Bulletin of Intra-Trade with International Gatherings 2018, CAPMAS.

** AfCFTA's Three Trillion Dollar Opportunity: Weighing Existing Barriers Against Potential Economic Gains. Baker McKenZie 2019.

*** Consolidated Arab Economic Report 2018, Arab Monetary Fund.

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