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INTRODUCTION

Aware of the critical role exports play in Egypt's economic development and the consequent need to expand the country's export market, the Trade-Related Assistance Center (TRAC) of the American Chamber of Commerce in Egypt (AmCham) hosted a panel discussion titled "Opportunities through the Generalized System of Preferences." Beginning on 3 November 2008 at the Nile Hilton Hotel, the panel discussion was attended by a broad diversity of members of the business community. Panelists included economic experts, diplomats, and business figures.

The Generalized System of Preference (GSP) is an initiative that enables Egyptian exports to enter United States markets exempt from custom duties. Unfortunately, Egypt has so far failed to maximize the benefits available through the GSP scheme. Egypt's exports to the U.S. under GSP amounted to USD 61 million in 2007 – a mere 2.6% of the total volume of Egypt's exports to the U.S. that year. The seminar therefore aimed to raise awareness and enhance communication within the Egyptian business community in the hope of encouraging higher levels of utilization of GSP schemes. It focused, in particular, on the ways that small and medium enterprises could capitalize on the GSP opportunities.

OPENING SESSION

Mr. Tom Walter

*Executive Vice President, American Chamber of Commerce in Egypt
Chairman and Managing Director, Fuels Marketing, ExxonMobil Egypt*

Mr. Tom Walter, the Executive Vice President of the American Chamber of Commerce in Egypt (AmCham), opened the 3 November 2008 panel discussion on "Opportunities through the Generalized System of Preferences (GSP)". During his warm welcome of all participants, he gave specific thanks to the Honorable Margaret Scobey, the U.S. Ambassador to Egypt, for her continuous support of and participation in AmCham events, including this panel discussion hosted by TRAC.

After emphasizing TRAC's mission to empower the Egyptian export business community through awareness-raising and capacity-building activities, he proceeded to outline the purpose and objectives of the panel. GSP had a critical role to play in the bilateral trade between the U.S. and Egypt, all the more so under the current economic climate, he said. In contrast to the threat looming over the openness of markets and in view of the less than slim prospects for an Egyptian-US FTA, the GSP initiative offered a structured, stable and effective forum for free trade. Yet, this well-established window of opportunity is currently underutilized.

Mr. Walter then offered a brief overview of the history of GSP and Egyptian exports, in the course of which he identified some of the issues that the seminar intended to address. The US GSP, he said, was a program designed to facilitate the economic development of developing nations, such as Egypt, by encouraging trade. Although this scheme has been successfully exploited by many nations, Egypt, as a more aggressive exporter, has only recently begun to reap its benefits. Of its total exports to the U.S., Egypt only exports 2.6% under GSP, which is a statistical indicator of the underutilization of US GSP in Egypt.

Turning to the subjects that would be covered during the seminar, Mr. Walter mentioned that they would range from issues of private sector awareness to issues related to the periodical renewal of GSP. He stressed that perceived weaknesses of the GSP system have not prevented other countries from taking advantage of it, in some cases so successfully that they graduated from the program. Exporters of all sizes and experiences should be encouraged to acquaint themselves with GSP procedures and benefits so that they could join these nations. In further raised the potential of Egypt joining AGOA, a more preferential GSP scheme for Sub-Saharan African countries, as an option that should be explored further, especially in light of the nature of Egypt-US relations. In general, he believed the seminar would prove a valuable opportunity for highlighting and sharing concerns, opinions and information to help promote Egypt's use of GSP.

The Honorable Margaret Scobey
U.S. Ambassador to Egypt

The next to speak in the opening session, Honorable Margaret Scobey, U.S. Ambassador to Egypt, emphasized how important it was to expand Egyptian exporters' knowledge and awareness of the GSP initiative. The GSP had a key role to play in the processes of expanding trade and trade relations and, hence, in fostering world economic growth and development, she said. In these turbulent economic times, in particular, the GSP offered hope for stimulating trade.

Ambassador Scobey stressed that her country's commitment to investing in international trade served both domestic and international interests since "global trade is the lifeblood of the planet." Because markets are gateways to world economic growth, the expansion and opening of trade networks is and will always be a key aspect of the US agenda, she said, adding that the solution to the current economic crisis resides in reviving the confidence of investors.

The US contributes to export led growth for developing countries worldwide, a prime example of this being China. The US is also the largest importer of goods and services. In this context, Egypt and the US are main trading partners. In 2007, Egypt ranked the US's 67th largest trading partner out of 233 countries.

Addressing the business community directly, Ambassador Scobey said that she recognized their search for opportunity and assured them that this forum was part of an initiative to increase opportunities and augment trade investment. The US is fully committed to this initiative, she stressed. Currently, the total value of US imports from GSP is 3.2 billion USD. The list of eligible GSP products has increased over the years to reach 3,400 for developing countries and over 4,000 for least developed countries (LDCs), furnishing many openings for trade in both manufactured and semi-manufactured items.

Ambassador Scobey concluded with the expression of her hopes for greater prosperity for both Egypt and the US. She encouraged the Egyptian business community and others to take advantage of GSP and to look for new ways to promote trade relations.

**SESSION ONE:
OPPORTUNITIES THROUGH GSP: IS EGYPT MISSING OUT?**

Moderator:

Mr. Anis Aclimandos

*Executive Vice President, American Chamber of Commerce in Egypt
President, Transcentury Associates*

Introducing the first session of the panel discussion, Mr. Aclimandos underscored the benefits of using GSP as a starting point for the development of nations and the expansion of trade. Over the years, he explained, it has been proven that when Egypt has a comparative economic advantage, it does very well. Developing countries, in general, find opportunity in their ability to provide low cost goods and services. Also, countries benefiting from GSP find the greatest advantage in exporting items, that would normally have the highest duties, duty-free.. In these difficult times, countries like the US are looking for import substitution that does not threaten US jobs or products. GSP is ideal for this purpose.

Mr. Aclimandos then introduced the next two speakers, Ms. Marideth Sandler and Mr. Waleed El Nozahy, to expand on the subject.

Ms. Marideth Sandler

GSP Expert, United States Trade Representative (USTR)

A. History of Egypt-US Exports and GSP

Egypt has been a GSP beneficiary country since 1975 and the US ranks as its primary trading partner. Currently, Egypt takes advantage of 90% of its US GSP eligible exports, exporting 347 of the 3,400 GSP listed items. In other words, 10% of these exports were charged duty unnecessarily, at a cost to importers of approximately USD 250,000. Such losses diminish the competitiveness of products.

Egypt ranks 32nd among the 132 GSP Beneficiary Developing Countries (BDC). Indonesia, Russia, and Sri Lanka are among the countries that rank higher than Egypt. Although the potential exists for Egypt to improve its ranking, recent figures show decreases in both overall and GSP Egyptian exports to the US. In 2007, Egypt's US exports totaled USD 1.8 billion, out of which USD 42.5 million worth (2.6%) were exported under GSP. In 2008, these dropped to USD 1.4 billion in total exports and USD 34.7 million (2.4%) in exports under GSP. Ms. Sandler stressed that in order for Egypt to build strong trade relations, acquire greater access to US markets and create more jobs at home it must increase both the types and depth of its exports.

B. What is US GSP?

US GSP is a system that gives Egypt enhanced access to US markets, by allowing for duty free status on various export items. The US GSP scheme is partially motivated by the need of US industries to obtain duty free products, while the other goal of the program is to increase trade and development for developing nations. Approximately 30.8 billion USD worth of goods enter into the US under this scheme annually. GSP is contingent on periodical renewal and Congress recently extended it

to December 31, 2009. However, Ms. Sandler assured participants that this contingency does not make the program unreliable. Renewal is more often than not little more than a technicality, she said.

C. Eligible and Ineligible Products

Initially developed in 1974-5, the list of eligible goods was designed to strike a balance between helping developing nations and safeguarding the interests of US industries. Items determined to be eligible were those needed by the US industry and included manufactured items and inputs (parts for lamps and metals), wooden furniture, jewelry and glassware, most fresh and processed non-dairy agricultural products, chemicals, marble, minerals, silk-blend apparel, and most carpets. Items determined to be ineligible were those designated as US import sensitive, such as cotton and other textiles and apparel, most footwear, most handbags, luggage, gloves, and other leather goods. The eligibility lists can only be changed with the approval of Congress. While countries under the US GSP scheme obtain the standard benefits on the listed items, those ranked as Least Developed Countries (LDC) and those that come under the Africa Growth and Opportunity Act (AGOA) for Sub-Saharan Africa are eligible for additional opportunities.

Ms. Sandler observed that, among the types of US imports that received duty free treatment in 2007, paper items, metals, jewelry, and glassware ranked among the most important items from Egypt. Of Egypt's total GSP exports to the US in 2007, jewelry, glassware, base metals and articles, and agricultural products reaped the highest percentages (see Annex 1). Exports under GSP account for a small percentage of Egypt's overall trade with the U.S. because petroleum products and textiles are its main exports to the U.S. Still, there is every reason for Egypt to take further advantage of duty-free treatment by expanding its GSP-eligible exports. Towards this end it should strive to up the output of current exporting industries and, simultaneously, to develop industries for other GSP eligible goods. Top Egyptian exports since 2006 include aluminum, building stone, plastic baths, showers, and washbasins, parts of lamps, and fruit juices and other non-alcoholic beverages.

D. Procedure for Applying for GSP Benefits

On the procedural aspects, Ms. Sandler listed the four criteria an item must meet in order to qualify for duty-free treatment under (Egypt specific) GSP:

- 1. The item MUST be listed as a GSP-eligible product**
- 2. The item MUST be exported into the U.S. directly from Egypt or pass through another country on a bill of lading(without being opened in stops)**
- 3. The item must be the product or growth of Egypt**
- 4. If the product includes imported input, the cost of the local content & processing must amount to no less than 35% of the product's price.**

To find more data on the eligibility of an item a useful website is http://dataweb.usitc.gov/scripts/tariff_current.asp.

It is also crucial to remember that when claiming GSP duty-free treatment, it is the **importer** that must request it, not the exporter. The US importer must enter an “A” before the tariff number on Customs entry form 7501 to indicate that the product is GSP eligible. In the event that the importer forgets this, he/she may apply to U.S. Customs for a refund. That said, it is the duty of the **exporter** to know whether the products he/she is exporting are eligible under GSP and to be aware of the procedures for claiming the duty-free benefits so that he/she may inform the importer/buyer. Importers may not be aware of the GSP scheme and that information may be vital to clinching more deals.

Another responsibility that the exporter must bear in mind in order to optimize the use of GSP is good record keeping. Keeping tabs on such data as the costs of production and labor is especially important in the case of a rare but possible audit at customs. In such an event, the importer will need complete records to be faxed to him/her in a timely manner.

Ms. Sandler also provided the audience with specific information regarding the export of phyto-sanitary and sanitary items (such as foods, makeup and perfumes) to the US. She explained that such products had to undergo a distinct set of additional procedures because they had to be approved by the U.S. Food and Drug Administration (FDA) and importers were required to file a notification to customs on such items indicating their place of origin. The FDA regulates all food (except most beef and poultry), cosmetics, biologics, drugs and some electronics. Product requirements generally include that the product is pure and wholesome, safe to eat, produced under sanitary conditions, and that they are labeled informatively and truthfully in English. She added that it may also be useful to register with the Bioterrorism Act which provides that foreign facilities, including producers that export food, must register with the FDA.

E. Expanding the Use of US GSP: Opportunities for Egypt

Over the past year, Egypt’s total exports to the US, including those under GSP have fallen and, in 2008, its US GSP exports accounted for a mere 2.4 % of the total. This figure, especially when compared to the GSP exports of Egypt’s neighbors and competitors – 25% for Turkey, 40% for Indonesia, 30% for Lebanon, and 60% for the West Bank – suggests that Egypt could be doing far better. These other countries are clearly aware of the GSP eligible products and make strong use of GSP in their exports. Egypt should be able to do the same. “We want to bump up to the double digits,” Ms. Sandler exclaimed. Top exports to the US from Egypt that saved significant money on duties include aluminum, building stone, and lamps and light fixtures. The duty-free treatment of GSP eligible items can be a powerful marketing tool to gain access to US markets and attract US importers. Ms. Sandler referred to AmCham studies on the types of industries that are important for growth, including agriculture and stone industries. On a screen, she projected a list of top GSP exports to the US, saying that Egypt could expand its export market by increasing the volume of exports in those items. The items were categorized under the headings of agriculture, manufactured, auto parts, metals, and consumer items (for specific lists refer to Annex 1).

Developing nations may also stand to gain from the current economic crisis in view of the increased attractiveness their duty-free items will have for importers. There is also a window of opportunity because of importers' increased concern for the safety of items, a reaction to the recall of numerous items produced in China found to contain toxic substances. One main advantage that Egypt has in the global export market is that its exports are primarily staples – necessities as opposed to luxury items – which enjoy a constant demand and a broad market appeal under varying economic circumstances. Ms. Sandler offered additional advice which might best be described as five main techniques:

First, she encouraged exporters to export more current GSP-eligible exports.

Second, exporters should export more consistently and ensure that GSP treatment is claimed for current GSP-eligible exports. Of USD 34 million in GSP-eligible products exported from Egypt (Jan – August 2008), USD 30.6 million received GSP duty-free treatment. Automatic regulating products, ballpoint pens, electric control boards and panels, electronic circuits and parts, carpets and other textile floor coverings, and paints and varnishes (synthetic polymers) are among items Egypt exports to the US in excess of USD 150,000, yet less than 60% of these have been claimed under GSP. Egypt is currently exporting gym equipment. Ms. Sandler encouraged expanding this market which is entirely duty-free and not over-saturated.

Third, exporters should identify GSP-eligible products that Egypt is exporting to other markets and consider exporting them to the U.S. duty-free (Refer to Annex 1).

Fourth, Egypt should explore opportunities to fill market gaps left by graduated GSP exporting countries, such as India and Turkey. These countries have lost their right to export certain GSP eligible goods to the US duty-free because their export of those goods to the US would not breach the Competitive Needs Limitation (CNL) (Refer to Annex 1).

Lastly, Ms. Sandler encouraged the export of home décor and craft items, a growing and increasingly successful export industry for Egypt that is GSP eligible.

F. Adding Items to the GSP Eligibility List: The Petition Process

By law there is an annual process for the submission of petitions by countries that want to add products to the GSP eligibility list. Typically petitions are due on June 1 in any given year, although Egypt has them due on June 15. A process occurs over the summer during which requests are added for review according to whether or not they conform to the law. Petitions not accepted for review are rejected either on the grounds of non-conformity to the law (textile items would fall into this category) or for technical reasons, such as failure to supply required information. Recently, Egypt requested adding some agriculture products to the list and in the course of the review process some were added. The law now stipulates that a public hearing must be held during which governments and interested parties can testify for or against the inclusion of items. During these hearings economic models are created. This process takes three months. Afterwards, the requests are reviewed by an agency and the results are publicized by June the following year.

Mr. Waleed El Nozahy
*Undersecretary and Head of the Central Department for WTO Affairs,
Trade Agreements Sector, Ministry of Trade and Industry*

A. Limitations on Egypt's Use of GSP

GSP is a unilateral system granted to developing and least developed nations. Although it allows Egypt to export numerous items duty-free into US markets, there are limitations. Only about 2 % of Egypt's total exports to the US benefit from GSP duty-free treatment. Some of the products included in this treatment are building stones, cement products, agriculture, furniture and vinegar. Egypt's competitors include India, Turkey, Argentina, Thailand, as well as some other Asian and Latin American countries. Egypt compares poorly to these countries with regard to the volume of its exports under US GSP.

Studies have shown that part of what limits Egypt's use of US GSP is that the GSP eligible product list does not include products that are important to Egyptian export trade, such as leather and certain agricultural products. The restriction is naturally linked to US market sensitivity. Another challenge is that the time period for requesting the addition of items to the eligibility list is very short relative to the information gathering process in Egypt. The approval process requires considerable detailed information for the purpose of cost and eligibility analysis, and exporters are hampered by slow and inefficient data assembly and transfer. This is due to exporters' sensitivity about providing cost analysis information and data on production, labor, and profitability, further slowing and sometimes obstructing the requests. In addition, there is a lack of follow-up, which can exacerbate importers' or exporters' anxieties.

In general, the ineffectiveness of requests for adding items to the GSP eligible list is an Egyptian problem, not a US one. In 2007, Egypt was able to push for the addition of some more products under GSP. These were mostly agricultural and aluminum products. Of the latter, only two products were approved – a very low positive response level for requests made.

Another disadvantage Egypt faces is that GSP is a non-negotiable unilateral system – a sort of “take it or leave it” option – unlike a free trade agreement where terms can be negotiated. With GSP there may be “discussions” but never negotiations. In 2007, Egypt submitted requests for 12 products and only five in 2008. The numbers were so low because these were the only items for which enough information had been gathered. The US recently approved the addition of potatoes, spinach, and maize for GSP eligibility. Ceramics remain ineligible.

B. Some Solutions

In the second part of his presentation, Mr. El Nozahy proposed some solutions to the above-mentioned limitations. To enhance the awareness of the GSP system among the Egyptian business community he urged the increase use of seminars and information pamphlets. He, secondly, appealed to participants to be more forthcoming and efficient in providing the information needed to approve requests to add items to the GSP eligibility lists. He cited a website that could be helpful with the information gathering process: <http://www.tas.gov.eg/Arabic/WTO/GSP%20System>. On this

website there is a form that exporters can use to provide the required information, in both Arabic and English. On the same site, additional resources can be found under the WTO link.

Mr. El Nozahy explained that the purpose of cost analysis is merely to assess whether a given product meets the rules governing the country of origin. Total costs are unnecessary in this analysis, which should make exporters feel more confident about supplying the relevant information. He added that GSP conditions are less strict than those required under free trade agreements.

SESSION TWO: CHALLENGES FOR EGYPTIAN EXPORTS UNDER THE GSP

Moderator

Mr. Ramzi Nasrallah

Vice President, Wadi Holding

Opening the second session of the seminar, the moderator, Mr. Ramzi Nasrallah, announced that while the first session addressed opportunities, the second would focus on the challenges faced by exporters. Through its under-utilization of GSP, Egypt is “leaving money on the table,” he said. However, when using GSP it is also imperative to address its specific issues and trade issues in general. Concerns have been raised as to whether the demand for exports would slow down. “Could we experience a recession?” he asked. Clearly the costs of production are rising, as a result of the rises in the prices of raw materials and transportation costs. Other potential problems are possible shifts in the exchange rate between the Euro and the USD, shifts that exporters fear could translate into lower Egyptian pound earnings. With these concerns in mind, Mr. Nasrallah introduced the speakers, Mr. Marwan Hammad, Ms. Catherine Hill-Herndon, and Dr. Magda Shahin.

Mr. Marwan Hammad

CEO and Chairman, Logix Stone

A. GSP and the Stone Industry: The Industry Perspective

In Mr. Hammad’s opinion, GSP is a fantastic program, great for developing Egyptian business, and an important stimulus for developing a more competitive and marketable product.

To illustrate, he cited the competitive advantage that GSP offered to the Egyptian stone industry relative to its two main competitors, Italy and Turkey. We can now compete with Italy, a developed nation, he said, since, assuming the quality of the products to be equal, Egypt has the advantage of being able to offer its stone at lower costs due to the GSP benefits. At the same time, Egypt can also compete favorably with other developing nations such as Turkey due to the availability of cheap labor.

Mr. Hammad proceeded to compare the levels of US imports of marble from Egypt, Italy, and Turkey (see Annex 1). Although Egypt’s marble exports to the US may have been increasing rapidly over the years, the base is very low especially in comparison to Italy and Turkey. Nevertheless, there are many opportunities to be

explored. For example, while Italy is the oldest producer of marble and is famous for its special white marble, a similar marble was discovered in Egypt very recently, offering an additional hope for the industry here. Also, Egypt has resources very similar to the USD 460 million of GSP qualified marble in Turkey. Thus, “with all due respect to other industries, the stone business has tremendous potential as a GSP export.”

B. Why is Egypt only using GSP for 2.6% of its total exports to the US?

Perhaps the central preoccupation of the seminar was why the volume of Egypt’s GSP exports was not growing like it should or, otherwise put, why is Egypt only using GSP for 2.6% of its total exports to the US? In Mr. Hammad’s opinion Egypt’s underutilization of GSP was due not so much to a lack of awareness but rather to the lack of development. Poor infrastructure, lack of experience, failure to meet quality standards, the inability of manufactures to act as good marketers and other such shortcomings were fundamentally inhibitory to trade.

A problem particularly related to his industry was Egyptian quarrying laws. Much of the stone industry is controlled by the government and the booming of business is driving prices up. Mr. Hammad stressed the importance of investing in the industry, adding that businesses are often so focused on the costs of quarrying that little investment is made in infrastructure. Another problem was that the stone industry in Egypt concentrated on raw material export instead of on value added products. For example, Egypt exports marble blocks to China which, in turn, converts them into slabs that compete with our own slab industry. Mr. Hammad held that Egypt should follow the lead of Oman which sets limits on the export of blocks. Limiting the export of raw material would force the local industry to develop and diversify, expanding its market and increasing its market share.

In general, Mr. Hammad held that in order to promote the use of GSP, economic experts and exporters should focus on industry specific issues as well as on general ones.

C. What can governments do?

To the Egyptian Government, Mr. Hammad offered three suggestions. First, it should create a body similar to the Industrial Modernization Center to help promote trade by supporting professional export companies. Second, it should revise the quarrying laws that limit the stone industry and introduce laws limiting the export of raw materials so as to stimulate the development of local industry. Thirdly, together with the business community it should promote research to discover new materials, drawing on the Turkish success story as a model to build on.

To the US Government, Mr. Hammad suggested that efforts should be made to familiarize US importers with the Egyptian stone industry. Second, the US government should develop programs that help form mutually beneficial US-Egyptian trade partnerships.

Ms. Catherine Hill-Herndon

Counselor for Economic and Political Affairs, U.S. Embassy Egypt

A. QIZ and GSP: The Distinction

In the realm of international trade, and specifically trade between the US and the Middle East, one has to make a clear distinction between the varieties of trade relations agreements under which free trade may be conducted. It is for this purpose that Catherine Hill-Herndon decided to open her panel presentation by drawing the lines between QIZ and GSP agreements.

Many exporters have used QIZ, which is an agreement between Egypt, Israel, and the US passed by Congress in 1996. It allows Egypt to export to the US duty free under the condition that 10% of total value added to the exported item is Israeli input. This is known as QIZ's Rule of Origin. Unlike GSP, it serves a political as well as an economic agenda, which is that of achieving regional prosperity and peace through economic integration. Unlike QIZ, which is tailored to apply to specific industrial zones, under the US GSP scheme it does not matter where in a country the item for export is produced. GSP works through a list of GSP eligible items that importers may claim as duty free, in accordance with the simple process mentioned in previous presentations. The more lengthy and detailed process (including data transfer and analysis) described by Mr. El Nozahy is only required for expanding the list of GSP eligible items.

Another difference between QIZ and GSP resides in what qualifies as duty free eligible goods under each agreement. For example, QIZ allows for textiles to be eligible for duty free treatment whereas GSP does not. This is one of the reasons that Egypt benefits significantly from QIZ. GSP, on the other hand, involves a political process requiring congressional approval which limits its scope in order to protect US industries, notably the US textiles industry. Later in the seminar, Dr. Shahin would comment further on Egypt's use of QIZ and GSP, underscoring the fact that the agreements are complementary, rather than in competition with each other, and that should both be utilized effectively.

B. Advice: Marketing Products to the US

Ms. Hill-Herndon observed that while useful resources for marketing information may be retrieved from AmCham studies and US market databases, exporters may also do some primary research of their own on the internet. They could conduct a search, for example, of internet based companies and assess opportunities. They can also research US firms they might be interested in with an eye to such values as reliability, quality, time, experience, and references. In the course of this process, she stressed, it is always important to bear in mind the fact that in conducting international business one must take into consideration cultural differences. Many small firms, especially, are not as sophisticated in trade as larger ones because they are less experienced with international trade.

Ms. Sandler went on to furnish the audience with some insight into US markets and how Egypt can utilize them. It is important to note that the US has many types of consumers; hence, producers do not necessarily have to think large. The US has a lot

of small businesses that would be interested in importing products from Egypt – not everyone shops at Wal-Mart. This is especially relevant in the context of the US economic crisis, as more and more consumers are now shopping closer to home, choosing to walk instead of drive to save money. This promotes smaller businesses. Another important aspect of the US market is that there is a considerable diversity of demand. Egypt may be in a better position than others to tap this demand. Logistics and transportation are in its favor, especially given that Egypt already has a good export record and as Mediterranean country it is better off than many landlocked GSP eligible countries.

Dr. Magda Shahin

Director, AmCham Trade-Related Assistance Center

A. GSP: Conditions, Limitations and the 'India' Model

Though the GSP is not a substitute for a US Free Trade Agreement, Egypt should intensify its efforts to maximize the benefits it offers, Dr. Shahin said. In light of the forthcoming recession, in particular, Egypt should do all in its power to promote trade with other nations. GSP was negotiated in the framework of GATT with the purpose of putting into effect the principle of special and differential treatment of developing countries stipulated in the so-called “Enabling Clause” of that agreement. The GSP scheme proved considerably effective in helping developing countries over the years, in contrast to the Uruguay Round's special and differential treatment, which proved little more than an allowance for longer grace periods for meeting WTO conditions.

A non-discriminatory and non-reciprocal scheme, the GSP aims to help developing nations in their processes of industrialization and trade expansion. Though easy to utilize, the system required that developing countries make themselves aware of its product lists and its rules so that they can access the US markets accordingly. It is sad to see Egypt’s exports under GSP at only 2.6% of its total exports to the US when the corresponding figures for countries such as Tunisia and Lebanon are in the neighborhood of 50% and 40%.

When considering ways to improve Egypt’s use of GSP, India offers a good reference for understanding how the GSP system can be used effectively. India vigorously trades in current GSP products and is constantly fighting to have new products added to the GSP eligible list. So successful has India been that it has graduated from parts of the GSP program, reaching a level of exportation in some items that it no longer needs the duty-free benefits. Yet, while now prohibited from exporting these goods, it turned its attention to exporting other GSP items. India is aggressively clinging to its market niche, a technique that we, as exporters, must also acquire.

In view of the overwhelming Democratic majority in Congress, it appears likely that the US will unilaterally impose additional conditions on the GSP. These could extend from environmental protection and labor criteria to good governance and human rights clauses. Other industrial nations are increasingly adamant about imposing conditions on their GSP schemes as well. Since GSP are unilateral schemes, recipient countries have little input in such conditions. On the other hand, the conditions are generally tolerated since they are applied across the board on a non-

discriminatory basis. Still there have been instances where the assigning of conditions has not been evenly handled. For example, the EU gave additional preferences to Pakistan in exchange for a commitment to control of the trafficking of narcotics. As a consequence, trade was diverted to the detriment of India which could not benefit from such an exchange. While India successfully claimed its rights through the WTO dispute settlement mechanism (DSM), it is unlikely that other developing nations would follow suit and risk the benefits of GSP—no matter how unilaterally determined.

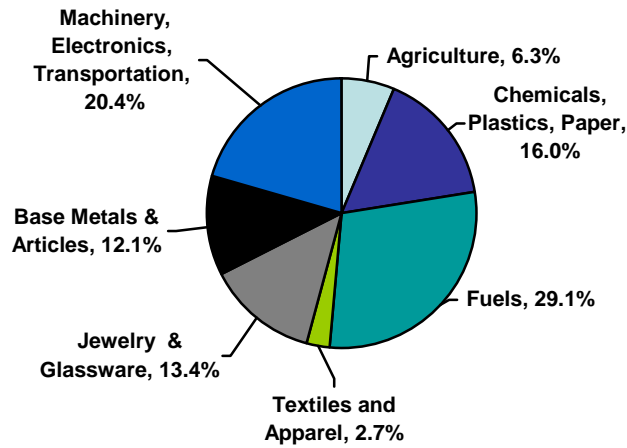
B. Other Issues: AGOA and Labor Criteria

On AGOA, the question remains: “Why is Egypt not benefiting from this agreement like other LDCs and middle range developing countries?” This question raised by Dr. Shahin was addressed later by Ms. Sandler. She explained that Egypt must understand that it is not alone in wanting to be part of AGOA. Cambodia, for example, is among the other LDCs in the waiting line. Another force against Egypt’s participation in this agreement comes from other AGOA members who do not want their preferential status eroded by being made less special. Nevertheless Dr. Shahin stressed that even if Egypt’s request to join AGOA is rejected, nothing should preclude Egypt from trying again, especially given that AGOA members include countries such as Nigeria and South Africa which are not LDCs.

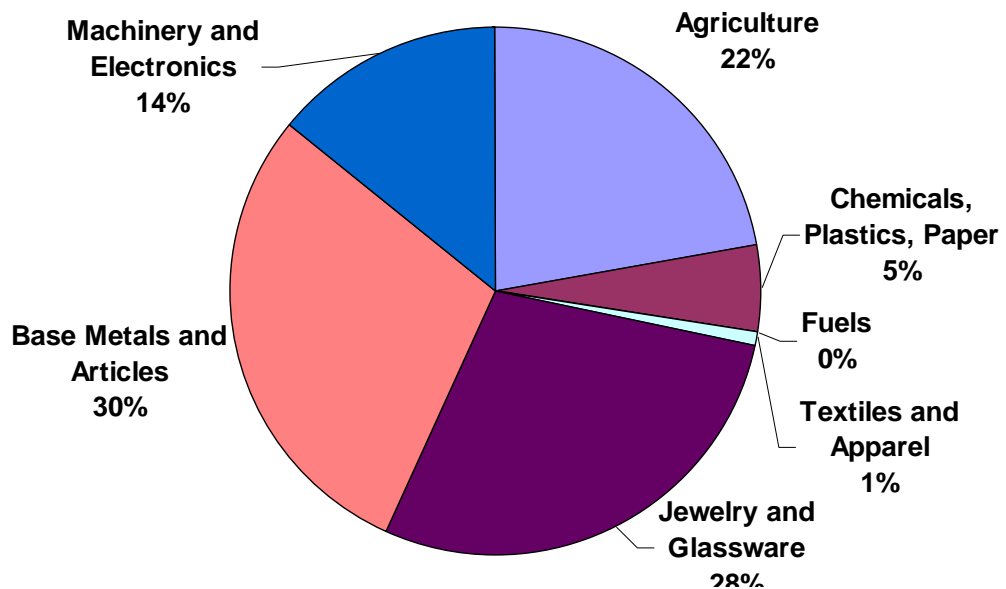
On the question of labor criteria, Dr. Shahin asked, “How can labor criteria be evaluated and how do these criteria affect Egypt’s carpet industry?” At a larger level, she asked how child labor might affect Egyptian-US trade relations, which is certainly an issue of which Egyptian exporters must be aware. Ms. Hill-Herndon, who responded to Dr. Shahin’s questions, maintained that labor standards are certain to become more stringent and broader. “I do not know specifically what will happen in regard to GSP but it is very possible standards will get more difficult for that as well,” she said. She added that a review of the application in the carpet industry of the laws prohibiting forced child labor (which exempts children that are working at home) found that Egypt is adhering to these laws well.

ANNEX 1: USEFUL CHARTS, LISTS, AND GRAPHS

Types of exports that received duty free treatment in 2007 to US



Egypt's Exports to the U.S. under GSP, 2007



Other Top GSP Exports to the U.S. (Jan – August 2008)

Agriculture : green olives, virgin olive oil, frozen & dried vegetables, soups & broths, frozen okra, spices, herbs, jam, seasonings/condiments, mint leaves, prepared/preserved beans, flowers, strawberries

Manufactured: glass fibers, plastic builders' ware, lamp parts, iron/steel items, voltage meters, chandeliers/wall & ceiling light fixtures, boiler taps & valves, electric switches, sweetened water

Auto parts: ignition wiring harnesses, fuel pumps

Metals: ferrosilicon, iron oxides

Consumer items: pens, gold jewelry, non-wood smoker pipes, inlaid wood items, imitation jewelry, brooms/brushes/mops, copper household items, plastic household items, carpets, ceramic sanitary items, stainless steel table, kitchen or household items, ceramic items

Egypt's GSP-Eligible World Exports

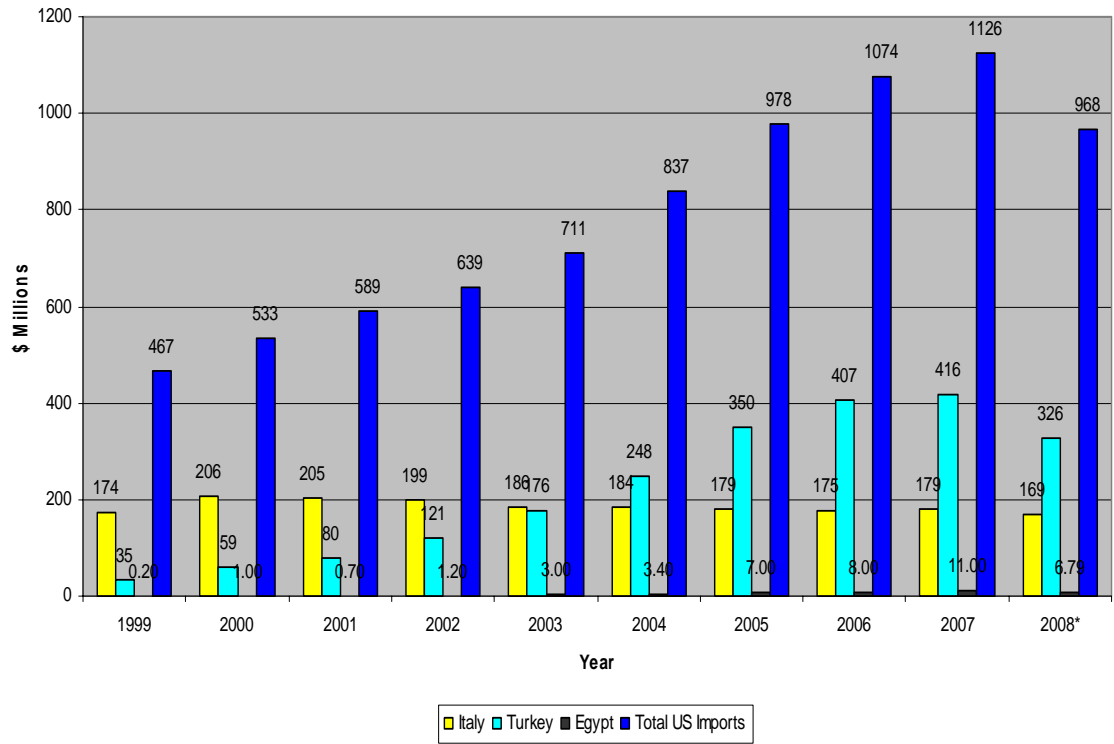
The following products that Egypt exports to other trading partners in large quantities could also be exported to the U.S. duty-free:

- Agriculture: other fruit & vegetable juices, sugar confections, coffee preparations
- Hand-woven cotton fabrics, cotton flax
- Iron/steel products: fittings, flanges, & elbows for tubes/pipes, chain, screws, washers, wire, grinders
- Copper alloys, copper wire/bars/rods/cathodes, etc.
- Wooden furniture; mattresses and supports
- Pure oils & essences; ethyl alcohol

Export GSP-eligible products duty-free that other countries cannot export:

- Gold necklaces, neck chains, earrings, pendants, & rings (India, Thailand, and Turkey)
- Insulated ignition wiring harnesses for cars, planes and ships (Indonesia)
- Wind turbines (India and Brazil)
- Olives, figs, essential oils of peppermint (Turkey, India)
- Copper cathodes and wire (Brazil)
- Hides and skins (Brazil)

Marble Import to USA



ANNEX 2: WEBSITES, CONTACTS AND RESOURCES

http://dataweb.usitc.gov/scripts/tariff_current.asp

American Chamber of Commerce in Egypt:

<http://www.amcham.org.eg/BSAC/ustrade/PDFFiles/exportguidefinal.pdf>

U.S. Embassy in Cairo:

<http://cairo.usembassy.gov/>

20 22 797 3300

Catherine Hill-Herndon, Economic Counselor

20 22 797 2251

Peter Kurz, Agriculture Counselor

20 22 797 2238

Office of the U.S. Trade Representative Website, GSP guidebook and lists of GSP eligible and ineligible products:

http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html

Department of Homeland Security: Customs & Border Protection:

<http://www.customs.gov/xp/cgov/import/>

CUSTOMS FORM 7501:

<https://forms.customs.gov/customsrf/getformharness.asp?formName=cf-7501-form.xft>

<http://www.customs.treas.gov/xp/cgov/toolbox/publications/>

U.S. Tariff Schedule:

<http://www.usitc.gov/tata/hts>

U.S. Department of Commerce Trade Information Center:

<http://www.trade.gov/td/tic/>

Email counseling: tic@ita.doc.gov

Agricultural Products:

U.S. Country of Origin Labeling (COOL) requirements that Tunisian exporters of agricultural and seafood products need to satisfy when exporting to the U.S. market:

www.ams.usda.gov/cool

Sanitary certifications:

<http://www.foodlabels.com/q&a.htm>

http://www.aphis.usda.gov/import_export/plants/manuals/ports/downloads/fv.pdf

http://www.aphis.usda.gov/plant_health/permits/index.shtml

http://www.aphis.usda.gov/import_export/plants/plant_imports/index.shtml

<http://www.cfsan.fda.gov/list.html>

Other GSP programs

<http://www.unctad.org/Templates/Page.asp?intItemID=1418&lang=1>
or search "GSP" in <http://www.unctad.org>

Information forms for adding items to GSP eligibility

<http://www.tas.gov.eg/Arabic/WTO/GSP%20System>

**For further information or inquiries,
Please contact:**

**Trade-Related Assistance Center (TRAC)
American Chamber of Commerce in Egypt (AmCham)**

www.amcham.org.eg

www.egypttrade.eg