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Action Office: ECON
Info Office: POL_INFO, POL, EXEC_INFO, AID_INFO

MRN: [19 CAIRO 614](#)
Date/DTG: Apr 03, 2019 / 031038Z APR 19
From: AMEMBASSY CAIRO
Action: WASHDC, SECSTATE *ROUTINE*
E.O.: 13526
TAGS: ETRD, EINV, KIPR, EG
Captions: SENSITIVE
Reference: A) [18 CAIRO 870](#)
B) [17 CAIRO 2040](#)
C) [19 CAIRO 402](#)
Subject: Egypt: Scen setter for 2019 Trade and Investment Talks

1. (SBU) Summary: Egyptian officials look forward to the next round of the Trade and Investment Framework Agreement (TIFA) dialogue on April 9 and arrive with high hopes to advance the trade agenda in a positive way. Led by the Ministry of Trade and Industry (MTI) First Undersecretary and Head of the Commercial Service Ahmed Anter, the delegation will also include the heads of customs, standards, and export-import control. Notable among the accomplishments since the last round of TIFA discussions in May 2018 (ref A) is the launch of the Commercial Law Diplomacy Program (CLDP), which aims to help Egypt improve its trade facilitation and market access regimes. Bilateral trade grew 34 percent in 2018 compared to 2017 to \$7.5 billion, with a U.S. surplus of \$2.6 billion. Egypt's interest in strengthening bilateral trade ties, including through a potential Free Trade Agreement (FTA), remains strong. End Summary.

2. (SBU) The Government of Egypt (GoE) delegation will meet with the Office of the U.S. Trade Representative (USTR) and other USG interagency participants on April 9 for the 2019 round of the TIFA dialogue. MTI First Undersecretary Anter will be joined by Chairman of the General Organization for Export-Import Control (GOIEC) Ismail Gaber, Chairman of the Egyptian Organization for

Standardization and Quality Control (EOS) Ashraf Afify, Head of the Egyptian Customs Authority (ECA) Kamal Negm, Vice Chairman of Egyptian Civil Aviation Authority (ECAA) Khaled AbdelMoneim, and staff from MTI and the Ministry of Agriculture. The meeting will occur on the same day as the planned presidential visit, but the two are not connected.

CLDP Assistance to Improve Standards and Practices

3. (SBU) The almost one million-dollar, USAID-funded CLDP program for Egypt, which was a due-out from the 2018 meeting, aims to support U.S. trade objectives from the previous TIFA round, as well as respond to requests from the GoE that align with our goals. The TIFA meeting comes on the heels of the CLDP team visiting Egypt March 31 – April 4. The CLDP team aims to launch a series of workshops and consultations with key GoE agencies over the rest of the year, as requested by MTI and other relevant ministries and agencies in the context of the TIFA dialogue, to advance shared objectives. These activities include:

- Assistance to the ECA as it implements Article VII of the General Agreement on Tariffs and Trade (1994) and the World Trade Organization (WTO) Trade Facilitation Agreement (TFA).
- Training for the ECA on customs valuation.
- Consultations on the new Egyptian Food Safety Law and capacity building for National Food Safety Authority in the form of workshops, video conferences, online modules, and consultations.
- Consultations with the EOS on automotive safety and emissions standards.
- Assistance to GOEIC and other government entities on intellectual property rights enforcement.
- Capacity building for the Egyptian Competition Authority.

Workshops and technical assistance for the MTI related to Egypt's implementation of TIFA and WTO commitments.

4. (SBU) Workshops and consultations will draw upon expertise within U.S. government agencies, including U.S. Customs and Border Protection, the U.S. Department of Agriculture, the U.S. Food and Drug Administration, the U.S. Patent and Trademark Office, the U.S. Federal Trade Commission, and the World Customs Organization (WCO), in addition to international and private sector

organizations. The GoE is enthusiastic about the CLDP technical assistance program and the initial launch has gone smoothly.

Decree 43 – Import Registration Delays

5. (SBU) Despite GOEIC reducing a major backlog of dozens of companies seeking required import permits under Decree 43 to just one or two in December 2017 (ref B), the list of affected U.S. companies grew again in 2018 and into 2019, and frustrations among a few of them mounted. After significant coordination between Post, MTI, GOEIC and the affected companies, the list is again down to only a few companies awaiting registration. In the process GOEIC and the MTI blamed one another over the hold ups. Decree 43 and its follow-on, Decree 44, which added new products to be registered, have been a notable irritant for U.S. companies and will continue to cause grief unless the process is streamlined and made transparent.

Market Access for Agricultural Products

6. (SBU) U.S. seed potato and Egyptian citrus: On March 11, USDA held a digital video conference with the Central Administration for Plant Quarantine (CAPQ) to discuss outstanding technical issues. Following this meeting CAPQ provided a long list of questions including many from the previous pest risk assessment, which USDA responded to in the past. USDA/APHIS is working with U.S. industry to assess and respond to CAPQ's request. Concerning market access for Egyptian citrus, USDA/APHIS agreed to follow-up on the status of cold treatment training and timeline.

7. (SBU) Veterinary drug residue maximum residue levels (MRLs): Egyptian regulators continue to maintain “zero tolerance level” for ractopamine, as well as 100 percent sampling and testing of beef offal (liver), according to this standard. Authorities have rejected several consignments of U.S. beef liver due to this issue. Post continues to engage with Egyptian regulations in coordination with U.S. industry.

Trade Facilitation

8. (SBU) Egypt has still not deposited its formal notification to the WTO of its ratification of the TFA. MTI recently confirmed that the MFA is presently in the process of notifying the WTO. ECA officials have said they are almost done

reviewing Categories B and C and expects to notify the WTO through MFA soon. The ECA also said that the notifications are being reviewed by other GoE agencies and the ECA is waiting for a few signatures. The ECA has published an updated draft of the Customs Law on its website in Arabic for public comment. The law includes language for key TFA reforms, including advance rulings, separation of release, Single Window, authorized economic operators, post-clearance audits, e-payments, and more.

9. (SBU) Reference pricing by ECA continues to be a major problem for several U.S. companies. One tech company estimates that it has overpaid several million dollars in customs duties because ECA agents utilize reference pricing (often based on internet searches of bogus sites with fake prices) to determine the duties they assess. Minister of Finance Maait told U.S. companies in September 2018 that he would have his ECA chief fix the problem, but to date the ECA has not changed its practice of reference pricing. The TIFA meeting will be an opportunity to engage ECA Chief Negm directly on this practice and find a resolution compliant with WTO standards.

Intellectual Property Rights (IPR)

10. (SBU) The TIFA meetings come on the heels of the Intellectual Property Enforcement Coordinator's (IPEC) visit to Egypt March 31-April 1. In meetings with the Ministries of Justice, Foreign Affairs, and Trade and Industry, as well as the ECA, presidential economic advisor and several private sector roundtables, IPEC gathered that the GoE is eager to enhance cooperation and receive training on a number of IPR fronts (details septel). The Deputy Assistant Minister at the MFA summed up the GoE's sentiment when he said, "you are pushing on an open door. We are interested to cooperate with you." With some continued engagement, the GoE appears willing to step up its game. It is eager to move off of the Special 301 Watch List.

Interest in a Free Trade Agreement Still on the Table

11. (SBU) Though Minister of MTI Nassar's approach to a potential bilateral FTA does not appear as forward leaning as former MTI Minister Tarek Kabil's, the GoE remains strongly committed to enhancing and strengthening trade and investment ties with the United States. In a roundtable with U.S. companies on March 5 (ref C), Prime Minister Madbouli stressed to the participants that he has directed his line ministries to resolve their issues and make the business

environment appealing for more investment. He followed this with an internal, circular memo tasking ministers to coordinate together to solve problems facing U.S. companies.

12. (SBU) Comment: Egypt has shown willingness to engage with us on trade facilitation, standards, market access, investment climate, intellectual property rights enforcement, and other key areas that are pivotal for U.S. companies to flourish. Based on these positive indicators, Post supports continued strengthening of the trade relationship, including through a potential FTA, and support for the GoE to continue improving the investment climate and market access for U.S. companies.

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Info: ARAB LEAGUE COLLECTIVE *ROUTINE*
XMT: BASRAH, AMCONSUL; SANAA, AMEMBASSY

Action Post: NONE
Dissemination Rule: POL_INFO, ECON, EXEC_INFO, AID_Info_d_4_DH

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