European Free trade agreements:
Investing in development or developing investment?

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Content

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Investing in development or developing investment? Free trade agreements and investment partnerships in the aftermath of Arab uprisings

Heba Khalil

When the Tunisian and Egyptian revolutions were staged in 2010 and 2011 respectively, the European Union announced its willingness to support Arab people in their struggle for freedom and social justice through expanding free trade agreements and investment in the Southern Mediterranean, i.e. North Africa[1]. Despite the change in the language of agreements signed in the aftermath of the Arab uprisings, the signing in May 2011 of the Deauville Partnership with Arab Countries in Transition[2] demonstrated the continuation of the economic policies adopted by Europe, members of the G8, and international financial institutions, all of which basically revolving around developing investment rather than investing in development, establishing private sector companies under the pretext of development, and placing development under the control of market mechanisms. Despite the fact that negotiations over the Deep and Comprehensive Free Trade Agreement (DCFTA) are currently on hold, other partnerships have emerged and with them a discourse and a set of practices that call for developing investment as

1- European Commission. Joint Communication to the European Council, the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean. https://goo.gl/r2iRp3

2- US Department of Treasury. "Deauville Partnership with Arab Countries in Transition: Fact Sheet on Finance. 2012": https://goo.gl/3SyQsm the topmost priority of the countries involved. The launch of the Compact with Africa, of which three Arab countries (Egypt, Tunisia, and Morocco) are signatories, constitutes a typical example of the prioritization of foreign investment over development and, in fact, rendering development contingent upon investment. It is noteworthy that those policies did prove a failure in earlier experiences in North African countries especially as far as their negative impact on social justice is concerned.

As international financial institutions and economic blocs such as the EU and the G8 keep drafting agreements that determine the progress of development and reform in Arab and African countries, it is necessary to examine those agreements and look into their impact on citizens in the Arab world in general and Egypt in particular. With the growing number of agreements and the role they play in shaping local policies, laws, and reforms, it has become almost impossible to contemplate alternatives that would achieve social justice, improve the living standard of citizens, or reach social and economic welfare without first studying the effect of those agreements on different sectors such as food, agriculture, industry, and social welfare including how this effect is reflected on women rights. In this context, it is important to provide a background on free trade agreements with the EU and the Compact with Africa before getting into more details in later chapters about the impact of these agreements on different sectors and on the achievement of social justice in Egypt.

First: The Deep and Comprehensive Free Trade Agreement (DCFTA):

The EU has strong trade ties with Egypt. In fact, the EU is Egypt's main trade partner in terms of the volume of trade and investment, which reached approximately 30% of Egypt's trading volume in 2017[3]. This also applies to the number of agreements between Egypt and EU members, including bilateral agreements with Germany, France, and the Netherlands and the Egyptian Euro-Mediterranean Partnership (EMP) agreement between Egypt and EU, which was put into effect in 2004. The agreement with EU stipulates establishing a free trade zone that targets industrial goods and does not include agricultural goods or services, hence gradually lifting customs tariffs on industrial goods while agricultural products benefit from the agreement through gaining exposure to more markets yet with the same customs tariffs in place. In June 2010, the agreement was updated so that agricultural, processed agricultural, and fish

3- European Commission. Egypt: http://ec.europa.eu/trade/policy/countries-and-regions/countries/egypt/

products would gradually acquire more access to markets, yet implementation was obstructed for a few months by the eruption of uprisings.

It is noteworthy that agreements between Egypt and the EU are comprised of partnerships and mechanisms that member states initiate in the Southern Mediterranean, hence also including countries like Tunisia and Morocco. This is especially exemplified by the European Neighborhood Policy that deals with political ties, funding, and human rights[4]. These partnerships are distinguished by the fact that they take the shape of bilateral agreements in which the EU is the first party and Egypt, for example, is the second. This means that the agreements do not aim at creating a free trade market in the Southern Mediterranean, but rather focuses on expanding European trade into the individual countries of the Southern Mediterranean.

In December 2011, the EU Foreign Affairs Council started trade negotiations with Egypt, Jordan, Morocco, and Tunisia over the Deep and Comprehensive Free Trade Agreement (DCFTA). The initiative, which came in reaction to Arab revolutions, represented the EU's readiness to support its southern neighbors, especially revolutionary youths. A

4- European Commission. Egypt: http://ec.europa.eu/trade/policy/countries-and-regions/countries/egypt/

report issued in May 2011 under the title "A New Response to a Changing Neighborhood"[5] stated that partnerships with the EU will not be confined to governments, but will also include societies through supporting civil society and democratic transition and promoting laws and practices that respect human rights. The proposed dialogue between the EU and Arab people was to be conducted through "mobility partnerships," which facilitate the movement of citizens from the Southern Mediterranean through EU member states and aim at eventually opening the borders between Europe and its southern neighbors. This was also to be implemented on bilateral basis with the EU signing agreements with each country separately. The report tackled the role of investment and trade in the social and economic growth of the Southern Mediterranean. DCFTA aimed at enhancing trade relations between Egypt and the EU through upgrading already-existing bilateral trade agreements including the Association Agreement so that the new version encompasses trading in services and the liberation of investment laws, including those that deal with competition between local and foreign investors, and setting rules that protect investment and investors, particularly from Europe. If finalized,

5- European Commission. "A New Response to a Changing Neighborhood: A Review of European neighborhood Policy." May 25, 2011: https://goo.gl/U15S1r

DCFTA is expected to strengthen economic ties between the two parties in sectors that are not covered by current agreements such as services and government purchases and initiate cooperation in new fields through introducing mechanisms that facilitate trade, dealing with technical obstacles to trade, identifying safety precautions for agricultural products, and warranting intellectual property rights. The main purpose is to make laws and regulations in Egypt in line with their counterparts in the EU and to integrate Egyptian trade into European markets.

DCFTA is also expected to enhance sustainable development to guarantee that the liberation of trade would not incur any violations on the social and environmental levels. However, a study conducted by an EU external consultant on the impact of the agreement on Egypt unraveled structural setbacks related to the rise of poverty rates on the long run, the rise of unemployment rates among less skilled workers, and the deterioration of living standards on the long run especially as far as access to fruits and vegetables is concerned. The study argued that poverty rates might initially drop upon the implementation of DCFTA as a result of subsequent economic growth and increasing trade volumes, yet would soon rise again above the current rates[6].

6- “Evaluating the impact of the Deep and Comprehensive Free Trade

The study also underlined the negative effects the agreement is expected to have on the environment, particularly remarkable increases in the emissions of nitrogen oxides and sulfur oxides[7].

Despite stating the agreement's negative impact on incomes, poverty, and the environment, the study did not mention several other setbacks. These include the chances local markets have to grow in light of competing with the European market, hence the chances of local development. The question of how the Egyptian market can grow without some form of protection by the government posed itself. The answer to this question might not be relevant at the moment because even though the implementation of the DCFTA was put on hold, its terms have more or less been applied to Egypt through a number of other measures. These include the liberalization of the Egyptian market, lifting protectionist measures from which local investors benefited, and allowing foreign investors to compete with their local counterparts. This was made possible through new investment laws and bilateral agreements Egypt signed with most European countries to offer foreign investors the same privileges locals get. Therefore, any change that is bound

Agreement between the EU and Egypt [Arabic]," 2014: https://goo.gl/SBWQwM

7- Ibid, p.9.

to happen as a result of the implementation of DCFTA will not really differ from actual measures already taken by the Egyptian government. DCFTA, however, still poses a serious strategic threat to Egyptians especially as far as trading in services and government purchases are concerned. Government purchases make up the largest percentage of expenditure in any state and constitute an investment by the government through the purchase of equipment and assets. Those purchases include equipping public hospitals and classrooms and procuring material for construction to cite a few examples. This means that if the EU competes in this field, not only will most Egyptian investors become incapable of competing, but at some point the EU might monopolize the purchases of the Egyptian government, hence triggering a sudden price hike that is only paid for by citizens who fund the state treasury through taxes. Added to this is the burden of consumer taxes from which Egyptian citizens suffer on daily basis.

Second: The Compact with Africa:

The Compact with Africa is remarkably different from European free trade agreements, for its does not aim at enhancing trade relations or facilitating mobility. The agreement focuses, instead, on investment through increasing trade opportunities in Africa and developing the private sector through investment projects launched by foreign investors and international financial institutions. The Compact with Africa works on improving the investment environment in twelve African countries, including Egypt, as a means of attracting foreign investment, hence supporting the private sector and development initiatives it adopts or “private sec- tor- led development.” This focus on the private sector is what distinguishes this agreement.

However, the Compact with Africa is similar to DCFTA on other levels. Both agreements adopt a vision of devel- opment based on economic growth and foreign investment without taking into consideration their negative impact on the environment, social justice, and social and economic rights. The only developmental goal linked in one way or another to social justice is eliminating unemployment, a promise both agreements make. In addition, the Compact with Africa does not aim at creating a free trade zone with Africa, but is rather based on bilateral agreements with indi- vidual countries in the continent. Therefore, the agreement does not lead to cooperation but rather creates competition that would eventually be detrimental to the African coun- tries involved. This agreement, as several experts in inter- national cooperation and aid noted, heralds a new era of the exploitation of Africa at the hands of the private sector and with state support[8]. Like the African Continental Free Trade Agreement, currently in the negotiation phase, the Compact with Africa does not aim at supporting the African Union, but focuses instead on creating bilateral opportunities that would give European investors access to African countries, each individually. This will be done through imposing economic, financial, trade, and investment policies that facilitate investment in these countries. The agreement also imposes a set of commitments on involved African countries, ones that will add more political and economic burdens on those countries that are already suffering from disparities in wealth and standards of living. Similarly, the African Continental Free Trade Agreement, currently negotiated by 49 African countries, was slammed by several analysts since it is bound to create harmful competition between African countries of different sizes and abilities and will undermine local economies, drain the environment and natural resources, and support inhumane working conditions and oppressive labor policies[9].

8- D. Scally. "Aid Experts Wary of G20's Marshall Plan for Africa". *The Irish Times*. July 8, 2017: https://goo.gl/kTNdRQ

9- R. Akeyawale. "Who are the Winners and Losers in Africa's Continental Free Trade Area?" *World Economic Forum*. October 2018: https://goo.gl/kD2pbg

Overlooking social factors and the people's welfare becomes obvious in the three pivots around which the Compact with Africa revolves, which are as follows:

1- The state of the economy and how ready it is for investment, which is determined through economic policies that guarantee general stability and provide the adequate infrastructure;

2- The business environment, which includes the general climate in which companies and private businesses operate, organizational practices, forecasting abilities, sector politics, support for projects, and the state's ability to run partnerships between the public and private sectors;

3- The funding environment which potential investors will encounter, including the development of local capital markets and possible support by founding investors in major financial systems on the long run.

The Compact with Africa is, therefore, a legal channel through which G20 members impose their demands on African countries in order to provide them with investment opportunities in the continent under the pretext of economic empowerment of African countries and while bestowing a developmental discourse on a capitalist project and claiming that the sovereignty of countries involved will not be compromised. The question that poses itself now is why attempt to examine the agreement if in any case it is not a developmental one and will not in any way work towards the achievement of social justice. The answer is quite simple: the impact the agreement is expected to have is major, for it represents one more addition to the numerous burdens the continent is already suffering from. The agreement separates the interests of the people from those of foreign investors, hence it is only an investment agreement that aims at creating a suitable environment for business and funding. The Compact with Africa also marks a substantial shift in the discourse that is bound to affect public policies. Instead of making sustainable development its ultimate goal, the agreement creates of investment an aim in itself, one for which governments and people have to spare no effort regardless of the consequences.

Working mechanisms of the Compact with Africa:

The working mechanisms of the Compact with Africa are based on a major role played by the three international financial institutions: The World Bank, the International Monetary Fund, and the African Development Bank. The three institutions work with African countries in order to identify the crises through which these countries are going especially as far as attracting foreign investment is concerned. The institutions, together or separately, then propose solutions to the finance track of the G20 to study the funding of projects that would attract investments and achieve economic growth. Owing to the major role played by the afore-mentioned financial institutions, any African country that wishes to join the agreement needs to meet with at least one of those institutions to arrive at a joint vision that will be later presented to the G20. The institutions also play a major role in planning, implementation, documentation, and evaluation. Therefore, the commitment of signatories to this agreement is, in fact, a commitment to the financial institutions and not only the G20 as it might initially seem.

The countries that join the Compact with Africa are committed to work closely with international financial institutions in order to set a reformist agenda for each country, one that aims at attracting investments and developing already existing agreements. Reform measures cover macroeconomics, trade, investment, and funding. Those commitments are monitored at the margins of meetings held by the World Bank and the International Monetary Fund every six months[10]. The objectives of the agreement are achieved

10- "About the Compact with Africa": https://www.

on the ground through a team from each involved country. Those teams are formed without taking into consideration social and developmental factors, for each team is made up of representatives from the government, mainly from the ministries of finance, trade, and investment and the central bank in addition to representatives from the World Bank, the International Monetary Fund, and the African Development Bank and representatives from the private sector if necessary. The team does not, therefore, include any representatives from developmental entities even if official. The presidency of each team is joint[11], meaning that is shared by a representative of the state and another from one of the international financial institutions. This undoubtedly impacts the sovereignty of each of the countries involved.

African sovereignty under foreign hegemony:

"The driving force behind the Compact is African ownership, not Western prescription," says the Compact with Africa website[12]. The sovereignty discourse is, in fact, quite dominant, which gives the impression that the main objective of the agreement is supporting the independence of

compactwithafrica.org/content/compactwithafrica/home/about.html, Accessed November 02, 2018.

11- G20 Compact Teams. Compact with Africa: https://goo.gl/D5eMwT

12- "About the Compact with Africa."

African countries. In fact, the irony of achieving the sovereignty of African countries by attracting foreign investment through studies conducted by international financial institutions cannot be overlooked. It is, however, not possible to claim that compromising the sovereignty of African countries will begin with the implementation of the agreement, for many of those countries are already operating under Western and foreign instructions. Nevertheless, it is still necessary to look into the effect of the Compact with Africa on the decision-making process in the countries involved.

The Compact with Africa creates a legal framework that includes three international financial institutions and obliges African countries to work with them if they want to have access to aid from the G20. The agreement initiates some form of a race between African countries, in which each country tries its best to attract foreign investors and make use of economic development opportunities through investment. Joining this race implies that the decision-making process will no longer be conducted nationally or at least will be split between the state and international financial institutions. This means that claims of supporting the sovereignty of African countries are groundless and that the exact opposite is bound to happen. The question that begs to be asked is why African countries would be willing to give up their sovereignty. In other words, what does the G20 promise those countries?

The Compact with Africa website lists the benefits for African countries that join the agreement.

According to the website, participating countries will benefit in several ways:

1- they will be sending a strong signal to private investors about their interest in attracting investment and undertaking the needed reforms; the G20 will ensure high political visibility and raise investor awareness and confidence;

2- they will gain from a comprehensive but modular approach focusing on the macro, business and finance framework and enhanced and coordinated engagement by the three IOs to support national efforts to devise and implement reform programs to boost private sector investment, including through more intensive technical assistance (six IMF technical assistance centers are present across the continent);

3- G20 and other partner countries will encourage investors in their countries to respond to the investment opportunities in African Compact countries, enhancing the payoff to implementation of the investment compacts[13].

13- “About the Compact with Africa.”

The similarity between numbers 1 and 3 demonstrates that the main advantages of joining the agreement are as follows: First, member states of the G20 pledge to encourage their investors and investors from other countries to invest in the countries that join the agreement. Second, the signatories will receive technical, administrative, legislative, and executive support from international financial institutions. The countries that join the agreement will, therefore, give up part of their sovereignty in return for those advantages. This means that the agreement is another channel through which international financial institutions, especially the International Monetary Fund, impose conditional economic policies on the countries that receive funding. In fact, this is the main principle based on which the IMF was established and is also referred to as "conditionality," which means the conditions set and monitored by the IMF in return for loans as a guarantee for recipient countries' ability to repay those loans[14]. It is noteworthy that the agreement uses the same discourse promoted by the IMF, both claiming that the main objective is supporting national sovereignty through powerful and effective policies[15].

14- "The conditionality of the International Monetary Fund [Arabic]": https://goo.gl/ejpdbT . Accessed November 02, 2018.

15- Ibid.

A spokeswoman of German Chancellor Angela Merkel said about the Compact with Africa that economic development needs to happen fast in order to secure the future of youths, hence curb migration[16]. Such discourse clearly calls for the globalization of capital, but not the globalization of mobility. Germany, which headed the G20 in 2018, promotes economic, trade, and financial globalization and in this context supports the Compact with Africa. The discourse used by Germany contradicts national and local polices in African countries and undermines all protectionism policies, seen as a form of populist mobilization and as designed without thorough investigation[17].

Through the G20 and the Compact with Africa, Germany asserts that growth is not possible without economic globalization, thus overlooking a long history of colonization and exploitation that rendered Africa subordinate to Europe and hindered development in the continent. This approach also overlooks years of indebtedness, financial crises, and growing inequality rates and deals with Africa as if it stands on equal footing with Europe as far as development is con-

16- “Germany supports Africa to curb migration with no financial commitment [Arabic].” *Asharq Al-Awsat*, June 2017: https://goo.gl/7UQmF7

17- Federal Ministry of Finance. “Germany, the G20, Protectionism and the Compact with Africa,” March 14, 2017: https://goo.gl/Xx5tY4 cerned and as if African countries have the sovereignty that allows each of them to join such agreements, each on its own. Added to this is a denial of the fact that European investors benefit from investing in Africa while African countries are left to struggle with more burdens and new conditions imposed on them. Despite the obvious naivety of the German discourse, it was unfortunately adopted by several African countries as 11 of them have already joined the agreement even as promises made back in 2011, including freedom of movement, were revoked and immigration laws were rendered more restrictive.

Compact with Africa in Egypt:

In order to examine the implementation of the Compact with Africa on the ground and look into the repercussions of prioritizing investment over the welfare of people, Egypt can be taken as an example. It is, however, necessary to take into consideration that the agreement is new, therefore an analysis of its impact would not be comprehensive yet would at least underline a few indicators that highlight how far the agreement can contribute to assisting or obstructing the achievement of social justice. Even though Egypt joined the agreement quite recently and the monitoring report, issued in April 2018, did not include an evaluation of Egypt, it is still possible to detect its impact on the country through the report's analysis of economic problems and the recommendations it provides[18].

For example, the report contains an analysis of the macroeconomics of African countries that includes studying the growing rates of unsustainable debts: "in Sub-Saharan Africa debt indicators continued to deteriorate in 2017 with median debt-to-GDP ratios rising to 53 percent from 48 percent in 2016. Fiscal sustainability gaps have also widened—between 2007 and 2016, fiscal sustainability gaps widened by 4 percent on average. In the Middle East and North Africa, debt-to-GDP ratios have similarly risen by 14 percent since 2014." This is a narrow analysis since it overlooks several macroeconomic indicators including inflation, poverty, and the consumer price index. Even if the analysis provided by the report is presumed accurate, recommendations are neither adequate nor logical: "By concentrating on these specific issues, Compact countries are steering an appropriate course and should remain focused on increasing domestic revenues, including pursuing reforms leading to adoption of broad-based consumption taxes, simplified tax design and improved tax administration."

18- Compact Monitoring Report. "G20 Compact with Africa," April 2018: https://goo.gl/46prQD

It is important to stop at the recommendation. The analysis notes the absence of debt sustainability in Africa and the rise of the debt-to-GDP ratios, yet does not attempt to directly address the debt problem. In fact, it is not clear how plausible it is for the World Bank and the International Monetary Fund to work on resolving debt problems while their partnership with African countries is based on loans. The recommendation does not deal with debt, but rather claims to deal with the reasons that caused it such as the shortage of domestic resources, which is compensated with loans. The tax system is perhaps one of the most significant means of revenue mobilization, but the recommendation opts for a regressive tax system that does not achieve justice and does not take into consideration the burdens from which citizens suffer. The recommendation calls upon involved countries to depend on large-scale consumption taxes, which means imposing taxes on goods and services regardless of how this affects citizens' access to food, clothing, utilities, healthcare, and education [19]. However, the recommendation seems adequate for an agreement like the Compact with Africa, which assumes that all economic problems can be resolved through investment and so is development. It is

19- Bretton woods Project. "IMF conditionality and its discontents". 2014: https://goo.gl/LY79vX not expected that the recommendation would, for example, include imposing taxes on high revenues or on companies that make huge profits. Adding more burdens to citizens sounds like a more logical recommendation for an agreement of that type.

The Policy Matrix for Egypt[20], which constitutes part of the Compact with Africa, reveals a number of issues. First, the three financial institutions—the World Bank, the International Monetary Fund, and the African Development Bank—are the main partners together with the USAID, the Organization for Economic Cooperation and Development (OECD), and the United Nations. The presence of the Compact with Africa and the three main partners in Egypt's policy matrix reduces the possibility of achieving sustainable development goals or at least some of them. Second, proposed policies, which fall under three categories, namely macroeconomics, business, and funding, can be summarized as ones that create a friendly environment for local and foreign investors. They are, therefore, not associated in any way with social policies or any form of developmental vision or democratic considerations. For example, the Matrix states that the Egyptian parliament is to approve the

20- Report to G20 Compact with Africa. Policy Matrix Egypt: https://goo.gl/jsabbk new procurement law by November 2018, which means the agreement imposes conditions on a presumably democratically-elected parliament by demanding it to approve a law that would determine forms of trade and investment transactions related to Egyptian public funds.

The 16 targets of economic and investment reforms in Egypt, included in the Matrix, are alarming in many ways. This is exemplified by target number 2, "Divest stake in 5 public entities by end of June 2019," and targets 7 and 8, "Decrease the number of days for customs procedures for export from 6 days in 2016 to 2 days by 2018," and "Decrease the number of days for customs procedures for imports from 21 days in 2016 to 5 days by 2018," respectively. Despite the fact that the Compact with Africa is based on European conditions imposed on African countries, the agreement does achieve the goals of the Egyptian government and which have been reduced to attracting foreign investments and achieving economic development in its short-sighted version that does not cater to the needs of average citizens who lost one third of their savings when the government liberated the exchange rate in 2016, hence devaluating the Egyptian pound. Target number 3 in the Matrix, in fact, states that the Central Bank of Egypt is "to maintain a liberalized FX market."

Conclusion: Different agreements, same partnerships:

Despite the number of different free trade and investment agreements, the partners are the same and so are, therefore, cooperation mechanisms. In fact, the vision of international financial institutions and Europe as well as the UN sustainable development agenda constitute the dominant discourse on both the economic and developmental fronts. The conditionality of the IMF and the structural reform packages it imposes do not change especially as far as the mobilization of resources through consumer taxes is concerned. The World Bank and the African Development Bank are mainly interested in creating frameworks for partnerships between the public and private sectors, which in Egypt took the shape of privatization, even if partial, of services and production lines. In addition to the continuation of these policies through different agreements, the political role played by international financial institutions has a serious impact on countries involved in these agreements. Through those institutions, G20 members flaunt their political prowess manifested in controlling investments in the countries that join the agreements and forcing those countries to abide by the conditions imposed by the institutions. Member states of the G20, hence, turn into a gang of investors or capitalists whose main aim is to ensure the economic and political subordination of countries from which they want to benefit. This approach has been detrimental for Africa, especially that the G20 includes only one African state, South Africa, hence is allied with the European Union and supports the policies Europe adopts in the Southern Mediterranean. It will not be long before the people of African countries that joined the Compact with Africa feel the impact of the agreement and suffer from its repercussions.

The impact of DCFTA and Compact with Africa on industry and labor rights in Egypt

Mohamed Gad

Since the 1950s, Egypt worked on implementing a policy of import substitution industrialization, which resulted in the prevalence of a protectionist trend as far as trade policies are concerned. However, this trend started declining gradually in the 1970s whether through giving in to the demands of the World Trade Organization by reducing customs tariffs or through bilateral and multilateral trade agreements with several entities, on top of which were the United States and the European Union.

Protectionism, however, was maintained in several industrial sectors whether through customs tariffs or other measures, yet many of those sectors were still incapable of competing in international markets as desired. This was particularly demonstrated in the case of clothes, whose imports were restricted until the early 2000s and that of European cars imports that have not yet been liberated under the Egyptian Euro-Mediterranean Partnership (EMP), put into effect since 2004.

This paper tackles the effects of the free trade agreement between Egypt and the EU, known as the Egyptian Euro-Mediterranean Partnership (EMP), in the context of current negotiations, which started in 2013, to expand this partnership through the Deep and Comprehensive Free

Trade Agreement (DCFTA). The paper will attempt to evaluate the economic and social impacts of the liberalization of trade in industrial goods in order to forecast the impacts of the new agreement and to come up with recommendations that would render the agreement the least harmful for Egyptian industry. The paper also examines the initiative launched by the G20 under the name Compact with Africa and its possible effects on Egyptian industry and labor rights through the set of reform measures that are expected to have a negative impact on both the social and economic levels.

Background on trade policies in Egypt:

Egypt started taking gradual steps towards the liberalization of trade in the 1970's and from the beginning of the 1980s until the end of the 1990s, the maximum tariff rate was reduced from 110% to 40%. In 1995, Egypt joined the World Trade Organization and throughout the 10 years that followed, a number of successive measures were taken towards fulfilling Egypt's commitments to the organization, hence liberalizing trade[21].

21- Maii Abdel Rahman, "The Effects of Trade Liberalization on Sectoral Wage Disparity in Egypt Between 1998 and 2006," Master's thesis, August 2011, Tilburg University: https://goo.gl/mhus8j

Shifts in trade policies in Egypt can be divided into three phases:

First: The 1990s:

In the 1990s, Egypt started fulfilling its commitments to the International Monetary Fund and the World Bank as part of a loan agreement signed early in the decade and which constituted serious steps towards the liberalization of the economy in general. During that time customs tariff protectionism dropped remarkably and the average customs tariff for the Most Favored Nation (MFN)[22] dropped from 42.2% in 1991 to 26.8%, which reached 30.2% after adding customs services tariff, in 1998[23]. There was a tendency towards replacing import prohibition on particular goods with a list of mandatory quality control regulations and in 1998, import prohibition was restricted to clothes and some poultry products[24]. Egypt provided a list of import prohibitions in 1986 after revoking the import licensing system then lifted the prohibition on certain goods, but high customs tariffs

22-A most favored nation (MFN) clause requires a country to provide any concessions, privileges, or immunities granted in a trade agreement to one nation to all other World Trade Organization member countries. Although its name implies favoritism toward another nation, it denotes the equal treatment of all countries: https://goo.gl/Cpeme5

23- Egypt Trade Policy Review, June 1999: https://goo.gl/2X2Q1p

24- Ibid.

were imposed on those goods[25]. Egypt ended 30 years of import prohibition on textile products when the prohibition on fabrics was lifted in 1998 and clothes in 2002. However, high customs tariffs were imposed on both, which made importing quite difficult[26]. Reducing customs tariffs on several goods during this interval shed more light on relatively high tariffs on other goods such as cars, textiles, and alcoholic drinks, which are still protected from international competition[27].

Second :Ahmed Nazif' s cabinet:

In 2004, a new cabinet was formed under the leadership of former Minister of Telecommunications Ahmed Nazif, hence establishing the government most known in Egypt's history for its explicit bias to the business world. In fact, Nazif chose for his cabinet, which lasted till 2010, several ministers who were originally businessmen. This government implemented a number of trade liberalization measures that led to reducing average applied tariffs for Most

25- Bernard M. Hoekman and Hanaa Khayr ad-Din. "Trade Policy Developments in the Middle East and North Africa." *The World Bank*, 2000, p.19: https://goo.gl/mHz8TR

26- Amirah El-Haddad. "Effects of The Global Crisis On The Egyptian Textiles And Clothing Sector: A Blessing In Disguise?" ECES, 2010, p.4: https://goo.gl/SRzxvD

27- Ibid.

Favored Nations from 26.8% to 20%[28] in 2005 while reducing tariff bands from 27 to 6[29].

Under this government, industrial goods reached the highest customs tariff average (21.1%) followed by agriculture, hunting, forestry, and fish products (5.8%) and quarries and mines (3%). It is noteworthy that average customs tariffs for industry includes alcoholic beverages, whose tariff amounts to more than 1000%[30]. At a closer look, it becomes obvious that cars, chemical products, and basic minerals saw the most substantial reduction in customs tariffs by almost 50%[31]. Based on presidential decrees issued in 2000, 2004, and 2007, protectionist tariffs on several products in the textile sector were reduced[32]. Products such as alcoholic beverages and tobacco remained among the few that maintained high customs tariffs. When excluding those products from the average nominal value of the tariff, it becomes clear that they dropped from 21.3% in 2000 to 12.1% in 2004[33]. Tariff dispersion declined from 16.1% to 12.7% during the same interval while average weighted tariffs declined from

28- WTO trade policy reviews, Egypt 2005: https://goo.gl/UAnbj2
29- Maii Abdel Rahman, Op. cit.
30- WTO 2005.
31- Maii Abdel Rahman, Op. cit.
32- Amirah El-Haddad, Op. cit.
33- Ahmed Galal and Amal Refaat. "Has Trade Liberalization in Egypt Gone Far Enough or Too Far?" ECES, 2005: https://goo.gl/KCcg5t

13.9% to 8%[34]. However, a number of mechanisms that restricted imports remained in place including mandatory quality regulations, also known as non-tariff trade barriers, in addition to taxes imposed on local goods, which ranged from 5% to 45%.

Measures introduced by Nazif's government included reducing import tariffs, such as those imposed on the inspection, listing, and cataloguing of packages. Customs law number 95 for the year 2005, and before it customs exemption law number 186 for year 1986, offered several tax privileges and measures that loosened the burdens on those working in the trade field such as the duty drawback system, temporary admission, duty-free warehouses, and concessional duties[35]. The customs tariff system became complicated as a result of the number of exemptions and reductions it included[36] and the trade system still included broad potentials that allowed for making evaluative decisions[37].

Third: Post-revolutionary era:

The political unrest that followed the January 25 Revolution in 2011 resulted in a deficiency in the balance of trade, which was attributed to the decline of foreign investments

34- Ibid.
35- WTO Trade Policy Review 2018: https://goo.gl/eUg2oe
36- WTO 2005.
37- WTO 2018.

and the fact that several industrial facilities operated with half their capacity in light of the growing energy crisis. Trade policies at the time favored increasing protectionism in the hope of curbing the deficiency in the balance of trade. In this context, presidential decree number 184 for the year 2013 imposed higher tariffs on some sectors. This was followed by decrees number 69 for the year 2015 and numbers 25 and 538 for the year 2016. However, the average tariff on Most Favored Nations in 2016 (17.8%) remained lower than in 2004 (20%) even if higher than in the interval between those two years[38].

The most significant protectionist measures introduced in the post-revolutionary era can be divided into the following[39]:

- Presidential decree number 184 for the year 2013, which increased tariffs on fish, flowers, fruits, cars, and watches
- Presidential decree number 25 for the year 2016, which increased tariffs on some types of clothes, footwear, furniture, household appliances, electronic devices, mechanical appliances, fruits, and other goods

38- MFN Simple Average % By Country All Products World (1988-2016): https://goo.gl/gMXZty

39- WTO 2018.

- Presidential decree number 538 for the year 2016, which increased tariffs on several goods including electronic devices, mechanical appliances, cosmetics, rugs, glass, cars, and others

The percentage of value added tax increased in 2017 to 14% compared to 10%, which is considered a significant development in the fees imposed on goods entering Egypt. While steps taken as of 2013 aimed at providing relative protectionism in an attempt to reduce the deficiency in the balance of trade, they also included other measures that facilitated importing particular goods in an attempt to resolve the economic crises that prevailed at the time. The years that followed 2013 witnessed the start of the widening gap between official and unofficial currency exchange rates, which obstructed the import of product input material and resulted in the scarcity of final goods. Basic commodities consumed by Egyptians also became a subject of bidding. In 2013 and according to presidential decree number 184, customs tariffs were reduced on intermediate goods if the final product will have the locally manufactured percentage stipulated in the law. Tariffs on medicine were also reduced.

In 2016, tariffs imposed on frozen chicken were raised temporarily. In 2017, ministerial decree number 532 cancelled the tariffs imposed on raw sugar cane and beet root sugar while tariffs on raw sugar were reduced from 20% to zero between December 15 and 31 to facilitate the availability of sugar in the local market.

The tariff system was characterized by positive escalation where the average tariff in 2017 reached 4.8% for raw material, 7.1% for semi-manufactured goods, and 28.9% for fully manufactured goods. This, by definition, provided a better chance at empowering industry in Egypt[40]. The tariff was 50% on crude cotton, 8.4% on threads, and 40% on cotton clothing.

This post-revolutionary protectionist tendency endowed the markets for which free trade agreements were signed with a more competitive edge, for in return for an average tariff of 19.1% for Most Favored Nations in 2017, imports from the EU, the European Free Trade Association, and Turkey were subjected to an average tariff of less than 10% or less than 2% after excluding alcoholic beverages.

Did Egyptian industry benefit from the liberalization of trade?

Looking at the history of trade policies in Egypt demonstrates that the past few decades saw an increased tendency

40- Ibid.

towards the liberalization of the industrial sector which remained quite fragile, especially with the financial crisis that affected demand in developed countries, hence had a negative impact on Egyptian exports. With the financial crisis that followed the 2011 revolution, Egypt shifted from liberalization to protectionism while facilitating the import of main consumer goods to bridge the gap in local production. However, those protectionist measures did not manage to strengthen Egyptian industrial exports and dependency on imports remained the same, which contributed to the growing deficiency in the balance of trade. Based on a study conducted by the Central Agency for Public Mobilization and Statistics, Egyptian exports increased by 113% between 2006 and 2015, yet deficiency in the balance of trade, measured in Egyptian pounds, increased by more than 900%. This increase was particularly accelerated since 2011[41].

In order to evaluate more accurately how far Egypt benefited from or was harmed by the liberalization of the industrial sector, it is necessary to examine Egyptian commercial data in more detail. The coming section will compare between year 2002-2003, right before starting the Egyptian Euro-Mediterranean Partnership, and year 2017-2018. The

41- "Foreign trade and its impact on Egyptian economy from 2006 to 2015," 2017. Central Agency for Public Mobilization and Statistics.

data presented is taken from the website of the Egyptian Central Bank.

Looking at the shares of each group of Egyptian exports demonstrates that the EU, with which Egypt signed a free trade agreement in 2004, was faced with several challenges in maintaining its role as an exporter to the Egyptian market as emerging Arab, African, and Asian countries started competing while the American share declined following years of negotiations over a free trade agreement that has not materialized. The American share of total Egyptian imports reached 25% in 2003 and dropped to 4.6% in 2018 and the European share declined from 34.4% to 26.4% during the same interval. Meanwhile, the share of Arab countries increased from 6.7% to 19.6% and non-Arab Asian countries from 14.7% to 20%. **Figure (1&2)-Annexes**

The partnership agreement did not lead to an increase in the share of Europe in Egyptian exports and the percentage stayed at around 34% between 2003 and 2018[42]. Looking into the changes of the Egyptian exports structure between 2003 and 2018 in more detail demonstrates that the share of oil imports (fuel and mineral oils and their products) remarkably increased from 6.6% to 20.6%, which is attributed to the fact that Egypt shifted to a net importer of oil during

42- Calculations by the author based on Egyptian Central Bank data.

that time coupled with the growing consumption of energy owing to population growth and dependency in achieving growth on energy-intensive industries. The Egyptian economy continued depending on importing consumer goods such as electronic devices and cars from both Europe and Asia. The percentage of imported consumer goods rose from 17.4% to 20.5%. The share of the production sector in imports did not vary remarkably as imports of raw material and intermediate goods were estimated at 47% in 2003 and 40% in 2018. Imports of capital investment goods dropped from 21.4% to 14.1%, which can be attributed to a decision by some producers to postpone purchasing those goods during the slowdown years that followed the 2008 global financial crisis.

Exports were more diversified during that time. Oil products (fuel and mineral oils and their products) had a substantial share that reached 38.9% in 2003 and 34.6% in 2018 while the share of raw cotton exports dropped from 2.4% to 0.3% as state support for farmers declined. Other sectors, however, emerged. The 2018 data show that exports of wires and cables reached 2.1% while this same sector does not appear in the 2003 data[43]. The share of textile exports rose remark-

43- Calculations were made by the author based on Egyptian Central Bank data.

ably from 4.7% in 2003 to 7% in 2018[44]. Like all developing countries, Egyptian exports were restricted to particular amounts in the past, yet this system, which was in implementation of the Multi Fiber Agreement on textiles and garments, was revoked in 2005[45]. Egypt was more privileged than other developing countries following the cancelation of the agreement on two fronts. First, the quota system for Egypt was revoked earlier under the Egyptian Euro-Mediterranean Partnership. Second, the Qualifying Industrial Zones (QIZ) agreement, signed in 2005, gave Egypt special tariff treatment that none of the other countries that benefited from lifting the quota system had.

Trade in industrial goods became more diversified, hence benefiting from free trade agreements signed in the past few decades. The diversity of Egyptian exports contributed to reducing the impact of the deficiency in the balance of trade. The structure of exports maintained its hierarchy, hence acquiring more domestic value added in international trade relations. In 2018, exports of raw material constitut-

44- Central Bank of Egypt. It is worth noting that the data provided by the bank included the cotton textiles category while in 2018 it was replaced with knitted fabrics, which means that the items under each category may vary.

45- The Multi Fiber Agreement, in effect from 1974 till 2004, imposed quota on the exports of developing countries to developed countries. The agreement was revoked in 2005.

ed 7.6%, semi-manufactured goods 16.6%, and final goods 41%, which is in line with the hierarchy of customs tariffs that support industrialization. However, trade liberalization led to increased dependence on importing final consumer goods and the economic slowdown that followed the global financial crisis led to the decline of capital investment goods, hence an overall evaluation of trade transactions in Egypt demonstrated that the deficiency kept increasing. In order to understand the impact of the European partnership on Egyptian industry in more detail, it is important to look at the articles of the agreement and the main changes that resulted from implementing it as far as imports and exports are concerned.

The Egyptian Euro-Mediterranean Partnership (EMP): A closer look:

On June 25, 2001 in Brussels, Egypt signed with the European Union, then made up of 15 countries, an agreement for the establishment of a free trade zone between both parties. According to the agreement, Egyptian industrial exports to EU countries would be exempted from customs tariffs or any other fees as soon as the agreement came into effect. EU exports to Egypt would also be exempted from customs tariffs based on a time frame. Customs tariffs on a number of capital investment goods and machinery were to be gradually lifted within three years and customs exemptions were to be applied in 10 years to a list of intermediate goods, product input material, and capital investment goods that were not included in the previous list. Customs tariffs on consumer industrial goods that were not included in the previous two lists were to be reduced by 5% within five years then another 5% in the sixth year followed 15% for the following six years. Cars were to be exempt from customs tariffs 15 years after the agreement came into effect[46].

Egypt worked on supporting the exports sector to benefit from free trade agreements such as the partnership with the EU, yet the outcome of resulting policies was not as positive as it appeared to be. In 2002, law number 155, called the Export Promotion Law, was issued and based on that law, an annual fund was allocated to export companies. As shown in the below figure, the percentage of this fund fluctuated between 4% and 1% of total state funds allocation. This fund reached its peak during Ahmed Nazif's government, which coincided with a global trade boom, then declined after the global financial crisis. **Figure (3)-Annexes**

46- Ministry of Trade and Industry, Trade Agreements section: https://goo.gl/hdUPMa

The export promotion fund constituted a significant percentage of total state funds, yet its value dropped following the devaluation of the Egyptian pound in November 2016 as the pound lost more than half its value and the value of the fund was not doubled to bridge that gap. Meanwhile, funds allocated to oil products increased remarkably since several forms of energy resources were imported[47]. Several observers criticized the fund owing to lack of transparency on the state's part regarding the companies that benefited from it[48] and the conflict of interest that ensued since many businessmen from beneficiary companies were board members of the Exports Promotion Fund[49]. On the other hand, the Egyptian exports sector did not benefit as expected from the devaluation of the Egyptian pound in 2016. In 2017 and 2018, the deficiency in the balance of trade, estimated at 37.2 billion US Dollars, remained almost the same despite the increase of exports by 19% because Egyptian exports highly depend on imported intermediate goods, which reduced their chances at competing in international

47- Calculated by the author based on data from the public budget, taking into consideration that the data appearing in the figure constitute allocations in the budget draft and that the actual spending was in some years more and in others less.

48- Saleh Ibrahim. "Exports promotion... as if nothing happened [Arabic]." *Al-Watan*, 2015: https://goo.gl/LV29uC

49- Omaima Kamal. "The conflict of interest and those who abstain from telling the truth [Arabic]." *Al-Shorouk*, 2012: https://goo.gl/umprRu markets following the devaluation. Egyptian exports to the EU increased since the implementation of the Egyptian Euro-Mediterranean Partnership, yet looking at their share in European markets reveals a decline in the early years and underlines the fact that Egypt is not the biggest exporter in North Africa, as demonstrated in the table below[50].

Table 2: The Egyptian market share in EU markets compared to some other SMPCs.

	Market Shares in EU Markets		
	2000	2004	2007
Algeria	0.631	0.54	0.43
Egypt	0.341	0.301	0.291
Morocco	0.752	0.743	0.724
Tunisia	0.739	0.834	0.793

*imports from country/total EU imports

Source: Euro Stat, 2010.

According to most recent data, Egypt's share in European markets did not exceed 0.43%, which is slightly more than its share at the beginning of the 2000s (0.34%). Meanwhile, Tunisia's share reached 0.50% despite the fact that the Tunisian economy is smaller in size than its Egyptian counterpart. The share of Algeria and Morocco was almost 1%, the first 0.80% and the second 0.99%[51].

50- Ashraf S.E. Saleh and Hanane F. Abouelkheir. "Egypt and the EU: An Assessment of the Egyptian Euro-Mediterranean Partnership." *Middle Eastern and North African Economies*, 2013: https://goo.gl/BgDDUM
51- Calculations made by the author based on data from the European Commission: https://goo.gl/1RBK6S

Looking into trade between Egypt and the EU since the agreement came into effect reveals that Europe benefited from the reduction of customs on capital investment goods, which remained a major component of its exports to Egypt and witnessed reasonable growth. Despite competition from Asian markets, European car exports to Egypt increased, yet the exemption stipulated in the agreement has not come into effect yet. In general, European exports focused on industries with high domestic value added such as electronic devices, machinery, cars, and medicine in addition to intermediate goods and oil products. **Figure (4&5)-Annexes**

Sectors of Egyptian exports with domestic value added saw a promising growth including train accessories and electronic products while other industries such as machinery, mechanical appliances, and aircraft accessories declined. Glass, plastic, and fertilizers, which are energy-intensive industries, had benefited earlier from cheap energy prices yet since 2014 have been facing serious challenges with energy subsidies lifted, which makes keeping their competitive edge much harder. Textile industries benefited from the partnership, mainly owing to the relatively cheap labor in Egypt. However, growth rates of export value and absolute value remained limited in comparison to other sectors, which can be attributed to low productivity as will be discussed later. Unfortunately, the largest share of Egyptian exports to Europe is still oil products, which demonstrates the prioritization of rentier economy over industry in Egypt and how this reflects on trade relations with Europe.

On the social level, many observers argued that trade liberalization was not accompanied by reforms that would effect a real social change. The partnership agreement did manage to improve economic growth, yet an extremely wide gap remained between the per capita share of the GDP in Egypt and European countries. Average economic growth in Egypt between 1995 and 2007 was 4.5%, which is higher than the average achieved between 1990 and 1994. However, looking at the per capita share demonstrated that it increased from 7% of its EU counterpart in 1995 to only 8% in 2008[52]. Direct foreign investment increased as part of the GDP, but this was not reflected in the gross fixed capital formation (GFCF), which did not exceed 20%[53]. Based on the afore-mentioned data, Ashraf Saleh and Hanane Abouelkheir conclude that the growth of direct foreign investment under the Egyptian Euro-Mediterranean Partnership was not translated into an equivalent economic and social progress.

52- Saleh, Op. cit.
53- Ibid.

Regarding the industrial sector, Tarek al-Ghamrawy argued that exports had a positive impact on employment in the private sector, but that mainly applied to low-technology fields. This means that trade liberalization did not result in a strong demand for skilled labor. Employment related to exports is most likely linked to low-skilled labor, hence low wages[54]. This renders the development of education and training in the Egyptian labor market a must. According to Maii Abdel Rahman, Egypt exerted a lot of effort to liberalize trade, yet the benefits were minimal owing to the rise of inequality between 1998 and 2006. Many studies showed that there is a wide gap between different regions in Egypt as well as between men and women and the qualifications required for the labor market. Inequality was also detected between commercial and non-commercial sectors and between incomes. For example, poor workers in the industrial sector had their wages reduced in the aftermath of trade liberalization and not the other way around. Abdel Rahman argues that the liberalization of trade widened the already existing gap between sectors and that policy makers need to take into consideration that liberalization does not affect all sectors equally. Abdel Rahman added that certain

54- Tarek El-Ghamrawy. "The Impact of Trade Openness on Employment and Wages in Egypt's Manufacturing Sector." ECES, 2014: https://goo.gl/tDWkyV industries require more education and training before they are liberalized in order to make sure that the gap between incomes does not grow wider. Liberalization policies currently adopted in Egypt are usually linked to the introduction of modern technology that requires particular skills, yet in light of growing illiteracy rates and the decline of skills among Egyptian workers, a large portion of the labor force is expected to remain in low-waged sectors after the liberalization of trade[55].

Egypt, therefore, did not fix many of the structural problems it suffers from in order to benefit from accessing international markets in general and the European market in particular. On one hand, the production sector in Egypt in general relies heavily on importing product input material, intermediate goods, and capital investment goods, which links trade liberalization to increased imports and minimizes the benefits that could have been gained from the devaluation of the local currency. On the other hand, a large segment of the labor force in Egypt is made up of low-skilled workers who do not have the necessary training for a globalized economy. This led to focusing on small projects and with lack of expertise required to engage in production activities with high value added, trade liberalization did not

55- Maii Abdel Rahman, Op. cit.

result in any social development that would have contributed to improving wages and narrowing the gap between incomes.

Is a deeper partnership with Europe needed?

The answer to this question will rely on a study entitled "Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Egypt."[56], which focused on particular sectors to evaluate how they would benefit, if at all, from the Deep and Comprehensive Free Trade Agreement (DCFTA) and also attempted forecasting the possible impacts of this partnership. The conclusions reached at the study will be used to analyze the impact of the partnership on Egypt and the structural problems that obstruct benefiting from the liberalization of trade on both the social and economic levels.

The textile sector:

Egypt is distinguished for being the only country in the Middle East in which the complete production process of textiles takes place. The textile industry constitutes almost one third of industrial value added and around 1.6% of the GDP. As mentioned before, the textile industry in Egypt

56- "Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Egypt." *Ecorys*, 2014.

benefited from both the Egyptian Euro-Mediterranean Partnership and the QIZ as its share of total exports grew remarkably. The partnership agreement did lift customs tariffs in Egyptian exports of clothing and fabrics. However, the study underlines the obstacles that might prevent Egypt from fully benefiting from the privileges provided by the agreement and examines the risk of liberalizing the textile trade when applied by European countries to the Egyptian market.

The textiles sector in Egypt is characterized by low productivity. According to estimates, it takes 6-7 minutes to make a basic t-shirt in Egypt while the same process takes 4 minutes in Sri Lanka or Bangladesh. Low productivity can be attributed to structural problems pertaining to the use of old equipment and lack of technological development in public factories. Added to this is lack of proper training for laborers in this field, which explains why textile producers prefer foreign high-skilled labor. The EU, on the other hand, focuses in its imports on a set of quality control, health and safety, and sustainability measures, many of which are not observed by textile producers in Egypt especially in small and medium projects. The study also looks into the possibility of increasing European exports to Egypt while lifting non-tariff barriers currently in effect after finalizing DCFTA.

Egyptian imports of European textiles increased by 20% between 2009 and 2013 while Egyptian exports to the EU increased by 5% during the same interval, which reflects the strong position the EU enjoys under the existing non-tariff protectionist system. The study forecasts that the share of the textile industry in the domestic value added will decrease if the Deep and Comprehensive Free Trade Agreement is signed not only because of increased European competition, but also with the transfer of capital to other export sectors that would benefit from the agreement such as equipment and machinery. This shift might seem positive on the economic level since this sector has a higher domestic value added. However, since the textile industry is a labor-intensive one, many workers in this sector are expected to lose their jobs if the Egyptian state adopts this capitalist approach.

The study stresses the necessity of focusing on training in order to minimize foreign labor, which is more expensive, and enhance the skills of local workers. This should be accompanied by improving Egypt's competitive edge through focusing on products that are on high demand in Europe such as organic crops to cite one example.

Equipment and machinery sector:

Egypt is not a major exporter of equipment and machinery to Europe with the main players in this market being China, the United States, Japan, Switzerland, Vietnam, and South Korea. However, the study shows that DCFTA will improve Egypt's competitive abilities since the cost of product input material imported from Europe, to which non-tariff barriers are currently applied, will decrease. Egypt is then expected to turn from a net importer of this material to a net exporter in the medium term.

The study stresses the necessity of reforming the education system in order to supply trained industrial labor that would satisfy increased demand in this sector following the signing of DCFTA. In general, the study argues that DCFTA will have a positive impact on Egypt since it will contribute to increasing national income by a percentage equivalent to 1.2% of the GDP in the short term and 1.8% in the long term. The major benefits, the study adds, will be acquired following the reduction of non-tariff barriers between the two parties.

The study states that in the short term most transformative industries will witness a slight increase in the value added. As for the long term, the most remarkable change will be in the form of a major increase expected in the production of equipment and machinery, which is estimated at 376%. The textile industry, which is one of the main transformative industries in Egypt, is expected to shrink in both the short and long terms.

On the social level, the study expects that wages will increase for workers with high, medium, and low skills in the short term by 1.9%, 4.8%, and 0.1%, respectively. Low-skilled workers will benefit the least from the agreement and might even not benefit at all. This is mainly attributed to expectations that the level of economic development in Egypt will be higher and incompetent local producers will be pushed outside the market, which will decrease demand on low-skilled workers and increase demand on more skilled ones, mainly medium-skilled.[57]

The study did not address the future of the automobile industry in Egypt in the aftermath of lifting protectionist measures. Companies working in the assembly of automobile parts have for a long time enjoyed state protectionism and did not develop the competitive edge that would enable them to face the European market, which led to postponing the liberalization of European car imports in 2017[58]. With

57- Ibid.

58- Amal Nabil. "Government to postpone customs duties reduction the time scheduled for the liberalization of automobile imports approaching, local manufacturers united to lobby the government into imposing non-tariff barriers[59]and while this issue has not been resolved yet, it reflects that this sector is still not ready to compete with the European market. The future of this industry, which employs a large portion of the labor market and contributed to domestic value added, remains undetermined.

Can the Compact with Africa solve structural problems?

Negotiations over DCFTA underline the risk of expanding trade liberalization before preparing the Egyptian industrial sector for international competition. The Compact with Africa, on the other hand, seems to address domestic problems. The Compact with Africa, initiated by the G20, aims at providing funds that would develop the infrastructure of African countries, including Egypt which is among the main targeted markets in this agreement. This should enable countries involved to expand industrialization[60].

on European automobiles [Arabic].” *Al-Tahrir*, 2015: https//:goo.gl8/JJ6RN

59- Mohamed Gad. “Automobile manufacturers invoke state protectionism against international markets [Arabic].” *Aswat Masriya*, 2015: https//:goo.gl/jKpSMJ

60- “The G-20 Compact with Africa.” A Joint AFDB, IMF and WBG Report, 2017: https://goo.gl/jCXBAE

According to studies, infrastructure deficit decreases growth by 2% per year and of the 100 billion US dollars Africa needs in one year to address infrastructure deficit, only half is available based on current resources. Initiators of the Compact with Africa argue that developing infrastructure will largely contribute to attracting foreign investments in African countries and propose a set of regulatory and legislative reforms that would make African markets more attractive. It also includes mechanisms for protecting investors, resolving disputes, and offering guarantees against political unrest.

The Global Infrastructure Hub offers in a report an estimate of infrastructure investment needed until year 2040 to supply basic needs such as energy and clean water and underlines the gap between the current infrastructure and the investments launched in the countries that joined the agreement. The report shows that while those countries have the highest levels of spending on infrastructure, they also have the widest gap in the allocation of spending[61].

Egypt pumped substantial investments into the energy sector in the last few years, partially to address the power outage problem that reached its peak in 2014 and had a nega-

61- "Global Infrastructure Outlook." G20 initiative, p.11: https://goo.gl/EEvXfn tive impact on the industrial sector. This was done through adding 6,882 megawatts that included the completion of electricity production projects as part of the five-year plan of the sector in addition to around 3,636 megawatts as an emergency plan. The target was reaching a total 25,000 megawatts, 12 times the power of the High Dam, by the end of 2018[62]. This contributed to solving the power outage problem, which was reflected on growth rates in non-oil industries sectors. For example, the growth rate of transformative industries increased from 0.1% in 2016-2017 to 4.6% in 2017-2018[63].

Infrastructure projects play a major role in resolving several problems that face Egyptian industries. For example, the cost of domestic transportation will be reduced by the construction of the Regional Ring Road that was inaugurated in 2018 and the development of the road network in the country will encourage investing into the construction of industrial cities such as East Port Said and others. Infrastructure projects also support the industrial sector in the way they boost particular industries such iron, cement, and cables among others[64].

62- Statement by the Ministry of Electricity and Energy, 2018.
63- Central Bank of Egypt, GDP data by domestic factors of production
64- Infrastructure demand in Egypt set to keep industrial production levels high - Oxford business group, 2018: https://goo.gl/usf96E

The Compact with Africa is closely linked to expansion in infrastructure projects in order to attract investment and facilitate different industrial activities so that the share of industry in the GDP, currently estimated at 15%, could be increased[65]. The agreement, however, includes a number of terms and conditions that arguably have a negative impact on the countries involved. These can be summarized in the following points:

1- Through the Compact with Africa, G20 member states are to encourage their industrial sectors to invest in the infrastructure of African countries, yet wants this done through partnerships between the public and private sectors. This form of partnership involves several risks according to a number of rights organizations in Egypt since in those partnerships, investors are offered strong profit guarantees, which makes the government vulnerable since it will bear the possible losses incurred by those projects[66]. The agreement also tips the balance in favor of the private sector through boosting its investments.

2- The Compact with Africa does have positive articles as

65- Calculations are made by the author based on Central Bank of Egypt data on GDP by domestic factors of production.

66- Mohamed Gad, "International experts say loaning policies against development [Arabic]." *Al-Shorouk*, 2012: https://goo.gl/JZCFkM far as funding is concerned for it proposes increasing tax revenues in African countries. The agreement targets enhancing cooperation in fighting tax evasion in light of the great progress achieved in the past few years by international corporations in tax planning policies and given the pressing need for international cooperation to track the revenue of these corporations and curb their evasion of taxes under the pretext of trade freedoms. The agreement, however, lobbies for expansion in value added taxes as a means of increasing revenue. Yet owing to the negative impact these taxes have on the social level, the agreement suggests that the state supports disenfranchised segments of the society. Egypt did increase the value added tax from 10% to 14%, which had a substantial impact on inflation rates. Rights activists argue that support offered by the state was not enough to help the disenfranchised affected by this increase and by other measures implemented since 2016 under the economic reform program imposed by the International Monetary Fund[67].

3- The Compact with Africa includes positive proposals for the management of infrastructure projects by con-

67- Mohamed Gad and Hasnaa Mohamed. “Money alone is not enough [Arabic].” The Egyptian Initiative for Personal Freedoms, 2018: https://goo.gl/DKwr3e ducting government purchases through competitive and transparent processes and placing public investment plans under a results-based action plan. However, it also proposes commercializing the infrastructure, which is already taking place in Egypt through the liberalization of the prices of electricity, fuel, and subway tickets. While this facilitates securing funds for infrastructure projects, it has negative social repercussions owing to the fragility of the social security network in Egypt and its role in raising the final prices of a large number of goods and services. The agreement does not directly address the importance of investing in vocational education as a means of supplying high-skilled workers that can meet industrialization demands. It does not also tackle in detail the means to attract investments targeting the improvement of industrial technology in light of the role industries with high domestic value-added play in generating economic growth.

In conclusion, embarking on deeper partnerships will facilitate importing industrial product input material from Europe and lift tariff barriers. This would, in turn, encourage industrial assembly sector to export to Europe and other markets. This is a valid point when taking into consideration analyses of Egyptian exports to Europe since the partnership started and the increasing share of several industries with a relatively high added value.

On the other hand, several sectors will be faced with the challenge of European competition in addition to domestic pressure. Energy-intensive industries that benefited earlier from affordable energy prices such as chemicals, plastic, glass, and fertilizers are threatened with recent price hikes. Meanwhile, labor-intensive industries are facing the challenge of low productivity. That is why deepening the already existing partnership and expanding the liberalization of Egyptian industry requires substantial structural reforms in the Egyptian economy especially through education, training, and development of the labor force.

While the Compact with Africa underlines the structural problems of the Egyptian economy, it still includes terms that would have negative social repercussions and patterns of funding that would harm the financial situation in Egypt. The compact does not also directly address the main problems facing the industry sector in Egypt such training and technology levels. This means that the agreement does not offer real remedies for the setbacks that would result from the liberalization of trade.

Food, hunger, and free trade: The impact of DCFTA on the Egyptian agricultural and food system

Saker El Nour

Introduction:

This study aims at examining the potential impact of the Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union (EU) and Egypt. Despite the fact that Egypt is currently working on expanding trade with Africa and establishing a free trade zone in the continent, the study will focus on the agreement with the EU since it is Egypt's main trade partner. In 2017, 29.7% of Egypt's trade was with the EU and 33% of Egyptian exports go to the EU and in 2016, EU food exports to Egypt reached 1.3 billion euros[68].

Europe's trade expansion into the Southern Mediterranean started in 1995 with the Barcelona Declaration where the EU started negotiations with 12 Southern Mediterranean countries. The declaration lay the foundations of a Euro-Mediterranean partnership and the establishment of a free trade zone in the region. It is worth noting that the EU negotiates with countries in the Southern Mediterranean separately and that the expansion of the EU from 15 to 28 members did not lead to conducting new negotiations over the already-signed treaties despite the impact of this expan-

68- Egypt - Trade - European Commission: https://is.gd/dzfRbJ (accessed Nov. 8, 2018) sion on the market size and trade relations.

Egypt signed the Barcelona Declaration in 2005, which was rather late compared to other countries in North Africa. In 2008, Egypt started another round of negotiations as part of a new initiative called Union for the Mediterranean, under the leadership of then French president Nicolas Sarkozy. The partnership aimed at strengthening trade relations, but also involved issues pertaining to the movement of citizens. In 2010, Egypt signed an agreement that gave Egyptian food and agricultural products more access to European markets.

In the aftermath of the 2011 uprisings and the economic crisis that followed in addition to the growing numbers of migrants, the EU called for conducting a new round of negotiations and the Foreign Affairs Council at the EU was placed in charge of starting trade negotiations with Egypt, Jordan, Morocco, and Tunisia under the name the Deep and Comprehensive Free Trade Agreement (DCFTA). The agreement aims at achieving a larger trade integration that goes beyond tariff discounts and includes protecting investment, the liberalization of government purchases, and competition policies [69]. In June 2013, the EU started negotiations with Egypt over DCFTA for the aim of facilitating

69- International Labor Organization. "Euro-Mediterranean partnership agreement and Euro-Mediterranean free trade zone: A labor approach [Arabic]," 2014: https://is.gd/7uYI0Z (accessed Nov. 22, 2018) access to markets, creating an investment-friendly environment, and supporting economic reform programs proposed by the World Bank and the International Monetary Fund. The agreement covers trade in services and government purchases, competition, intellectual property rights, and the protection of investment.

Agriculture constitutes a major part of partnership agreements between Egypt and the EU since through these agreements exchange of agricultural goods is facilitated and tariffs on agricultural products are reduced. Even though the agreement is promoted by the EU as a step towards peace and prosperity in the Mediterranean basin, it mainly focuses on the commercial aspect and market expansion while overlooking issues pertaining to workers' freedom of movement for example[70].

The study is divided into three main parts. The first compares European and Egyptian agricultural policies in order to understand the framework through which food is produced in both. The second examines the main features of trade relations in agricultural products between the two parties and the type of products each exports to the other. The third and last section attempts to assess the potential impact of the agreement through focusing on issues pertaining to subsidies, dumping, food sovereignty, and the transforma-

70- Ibid.

tion of the local food and agriculture system in Egypt.

Political economy of agriculture and food between Europe and Egypt:

European policies of agricultural subsidies:

The Common Agricultural Policy (PAC) constitutes the main component of EU agricultural policy. The policy started in 1961 and was subjected to a number of fluctuations owing to debates between the United States and Europe over supporting the agriculture sector inside the World Trade organization (WTO). These debates triggered several changes in the structure of subsidy policies in accordance with the General Agreement on Tariffs and Trade (GATT). Subsidies in the GATT are identified by color-coded boxes: green, blue, orange, and red. The green box includes food aid, environment protection, and investment in research and training and is not subject to the terms of the agreement since it has no impact on trade according to the WTO. The blue box includes all aid made through direct payment and subject to production limiting programs. The orange box is associated with the mechanisms of supporting prices and local markets. Finally, the red box involves export subsidies, which is the main component of agreements and negotiations at the WTO .[71] The Common Agricultural Policy

71- Jacques Berthelot. *L'agriculture talon d'Achille de la mondialisation.*

(PAC), designed by the EU for the years 2014-2020, tried as much as possible to adjust to the WTO categorizations, reduce export subsidies, and focus on the permitted boxes according to WTO criteria. **Figure (6)-Annexes**

The EU allocated 95 billion euros, approximately 40% of its budget, to support PAC between 2014 and 2020. As shown in the above figure, CAP is divided into two main packages. The first supports farmers through direct aid and that constitutes 70% of the CAP budget or through supporting agricultural markets and maintaining their stability as well as achieving food security and that constitutes 5% of the CAP budget. The second package is linked to rural development and includes economic and social development in rural areas, improving environmental services, and sustainable forest management. This package constitutes 25% of the CAP budget.

This system undoubtedly supports European farmers and maintains food security in Europe, but the effect of those policies on European exports to the south is subject to an ongoing debate. The biased definition of "dumbing" coined by the WTO relies on the relation between local prices and the price in the international market, which means that no dumping takes place at all since the price of exported prod-

Clés pour un accord agricole solidaire à l'OMC. Paris: L'Harmattan, 2001.

ucts is not higher than the local market price. Following complaints by several countries over those policies, modifications were introduced so that the main focus would be direct support to farmers. It was necessary to stir away from market intervention and replace it with direct payments to farmers. This meant that farmers' incomes no longer mainly relied on the price of their products, but rather on those direct payments. Even though those changes aimed at reducing the impact of European policies on trade through shifting to direct payments to farmers, studies reveal that direct payments still have a substantial effect on agricultural production and world trade.[72]

Lifting agricultural subsidies in Egypt:

Agriculture and rural communities constitute a major pillar of the Egyptian economy and society. According to the 2017 census, rural population reached approximately 54.75 million, 57.8% of the total population of Egypt, compared to 57% in 2006 .[73] According to the 2009/2010 agriculture census, 28.4 million people belong to rural families, that is 38% of the total population, and 70% of residents of the countryside work in agriculture. In 2016, agricultural pro-

72- Ole Boysen et al. "Impact of EU agricultural policy on developing countries: A Uganda case study," 2014.

73- Central Agency for Public Mobilization and Statistics. Table on the main characteristics and indicators of population, housing, and facilities, 2017.

duction constituted 11.9% of the gross domestic product and covered 63% of local food demands. The number of people who work in agriculture constituted in the same year 25% of the total Egyptian labor force.

Since the statute law that introduced private ownership of land in the late 19th century, small farmers that own less than five acres have constituted around 90% of the ownership structure and rural families that own less than one acre have constituted 37.7% of the rural community. This percentage increases to 69% for those who own less than three acres while around 9% own less than 20 acres and 1% of the owners own more than 20 acres, but also own 24.9% of the total cultivated area. Small farmers are, therefore, the main pillar of agriculture in the Nile Valley and the Delta and are the main producers of food in Egypt [74]. Farmers benefited from the partial agrarian reform that took place during Nasser's rule, yet state support for farmers started dwindling with the implementation of liberal policies. Throughout the past three decades, support for farmers declined and the agriculture sector was liberalized with the support of the World Bank and United States Agency for International Development, the

74- For more details on small owners and their role in Egyptian agriculture see:

Marzin، Jacques، *et al.*، *Study on small-scale family farming in the Near-East and North Africa region: synthesis*. *2017*. FAO، Rome.

latter having played a major role in designing rural and agricultural development policies. The state worked on lifting all forms of subsidy on farming in the Nile Valley and the Delta as it started supporting export crops through a set of procedures that facilitated access to international markets[75]. In addition to reducing support for small farmers, several other factors led to the decline of agriculture in Egypt such as the deterioration of the soil, water pollution, growing pesticide residue, and the decline of natural diversity in the Valley and the Delta. However, farming in both the Valley and the Delta remains the main source of food in Egypt.[76] **Figure (7)-Annexes**

The above graph demonstrates that local agriculture does to some extent provide self-sufficiency for Egyptians in several crops and foodstuffs and had an approximate share of 13% of the gross domestic product in 2009/2010. Local agriculture provides for around 63% of the consumption needs of Egyptian people [77]. The production of wheat was

75- Mohamed Abu Mandour and Gamal Seyam, eds. *Land and farmers in Egypt: A study in the impact of liberalizing Egyptian agriculture* [Arabic]. Mahrousa Book no. 10. Cairo: Center for Economic Agricultural Studies and Mahrousa Center for Research, Training, and Information, 1995: p.28.

76- Saker El Nour. *The Land, the Farmer, and the Investor: A Study of Agricultural and Farming Questions* [Arabic]. Cairo: Dar al-Maraya, 2017.

77- Pierre Blanc and Sébastien Abis. “Égypte، entre insécurités alimentaires et inconnues géopolitiques.” Paris، *Le Demeter*، 2015.

estimated at 1.5 million tons in the 1960s, reached 4 million tons in the mid-1980s, and ranged between 7 and 8.5 million tons in 2015-2016. Egypt produces around 22.5 million tons of grains, 10 million tons of vegetables, 10 million tons of fruits, 3 million tons of beet root, and 15.9 million tons of sugar cane .[78] In 2012, agricultural products constituted 17% of exports and 26% of imports. Potatoes, onions, and oranges were particularly exported in large quantities. In 2013, exports of oranges reached 1.08 million tons (31.3% of GDP), potatoes 815 thousand tons (18.8%), and onions 490 thousand tons (21%) in addition to smaller quantities of grapes, strawberries, and medical and fragrance plants.[79] Through a number of executive measures, the state supports export crops and increases the areas allocated for them and supports desert reclamation while the agricultural development strategy for year 2030 aims at achieving self-sufficiency in wheat and corn by 81% and 92%, respectively.[80]

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pp. 193-250.

78- Ahmed al-Sayed al-Naggar. "Farmers: Nasser's reform, Mubarak's repression, and current hopes [Arabic]." Al-Ahram, Sep 2014: http://www.ahram.org.eg/News/41320/4/NewsPrint/328410.aspx (accessed Nov. 1, 2017)

79- Jacques Marzin *et al.*، *Study on small-scale family farming in the Near-East and North Africa region: synthesis*. *2017*. FAO، Rome.

80- Ministry of Agriculture and Land Reclamation. "Agricultural development strategy 2030 [Arabic]," 2009

Liberalization of trade between Egypt and the EU:

The EU is Egypt's biggest import and export partner, covering 28% of Egypt's trade volume .[81] Egyptian exports to the EU have been witnessing a remarkable growth in the past few years especially fruits, vegetables, flowers, and medical and fragrance plants. The agriculture sector constituted a major component of Egypt's agreements with the EU since the signing of the first agreement on June 1, 2004 to increase the liberalization of trade in industrial and agricultural products. In 2008, a new round of negotiations was launched for the aim of increasing the liberalization of agricultural products and these concluded with the signing of the agricultural agreement as part of the free trade agreement between Egypt and the EU and it came into effect in June 2010. This agreement removed tariffs on 90% of European agricultural and fish products with the exception of tobacco, alcohol, pastry, and baked goods whose tariffs were reduced by half. In return, the European Union gave all Egyptian agricultural products access to its markets. Around 70% of Egyptian agricultural exports benefit from full liberalization with the exception of tomatoes, cucumbers, rice, artichokes, and strawberries and which are sub-

81- Pierre Blanc and Sébastien Abis. Op. cit.

ject to market quotas.[82]

Table (1): Development of agricultural trade liberalization between Egypt and the EU:

Agricultural products	Egyptian exports to the EU	EU exports to Egypt
2004-2010	- Facilitating access of agricultural products and processed agricultural and fish products to European markets - Fully removing tariffs on some agricultural and processed food products - Allotting export quotas to some agricultural products and processed food products	- Reducing tariffs by 25%-100% within the agreed upon quotas - Reducing tariffs on some processed products
DCFTA	- Reducing agricultural tariffs by 95% - Reducing non-tariff barriers - Improving access to European markets	- Reducing tariffs by 80% - Full liberalization

Source:

- Egyptian Ministry of Industry and Trade website, Trade Agreements section

- ECORYS Nederland BV. "Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Egypt." Report made under

82- Neveen Torayeh. "The Competitiveness of The Egyptian Agricultural Export In The EU Market: Should Egypt Diversify Its Trade Pattern?" *Applied Econometrics and International Development,* Vol. 13-2 (2013).

the request of the European Commission– DG TRADE، Rotterdam، 2 September 2014.

Negotiations on the Deep and Comprehensive Free Trade Agreement (DCFTA) involve reaching a strategy for the inclusion of agricultural, processed agricultural, and fish products whether through the export quota system or tariff exemptions. In the interval between signing the trade agreement in 2004 and starting DCFTA negotiations, funding was provided to support monitoring mechanisms and improve quality so that Egyptian products could meet the standards of the European market. As demonstrated in the above table, tariffs on EU imports of Egyptian agricultural products will be reduced by 80% while tariffs on Egyptian imports of European products by 95%.

In the past few years, oranges, grapes, onions, and potatoes have become the major crops Egypt exported to Europe and the main sources of export revenue in Egypt [83]. Table (2) highlights the development of Egyptian exports to Europe and European exports to Egypt. In 2017, Egyptian exports constituted 12% of trade exchange with the EU and the value of those exports reached 853 million euros while that of European imports was estimated 1.2 billion euros. It is obvious that European agricultural exports declined in the past few years

83- Yumna Kassim et al. *An agricultural policy review of Egypt: First steps towards a new strategy*. Vol. 11. Intl Food Policy Res Inst, 2018.

despite the relative increase in Egyptian exports to Europe.

Table (2): Egyptian exports/ imports of agricultural products and live animals (in K€)

	2014	2015	2016	2017
Egyptian exports to the EU	646	718	780	853
Egyptian imports from the EU	1,815	2,043	1,614	1,219

Source: European Commission, Trade in goods with Egypt, European Union, 2018.

In 2017, Egyptian exports of vegetables and fruits to Europe constituted 78% of the total agricultural export volume in Egypt while the percentage of extracts and processed crops did not exceed 7%. Meanwhile, wheat, milk, and sugar have the biggest share of Egyptian imports from Europe and constitute around one third of European exports to Egypt. **Figure (8&9)-Annexes**

CFTA: Winners and losers:

In an attempt to examine the potential impact of signing the Deep and Comprehensive Free Trade Agreement (DCFTA) between Egypt and the EU, a Dutch economic research company called ECORYS Nederland BV conducted an assessment study of the agreement in 2014 upon the request of the EU.[84]

84- The fact that the center that conducted the study is European and based in the Netherlands and that the study was funded by the EU does

The study argued that the agreement would have a positive impact on Egyptian agriculture since it is expected to lead to an increase in Egyptian exports to Europe and noted that Egypt can import agricultural products from Europe although the latter does not really benefit economically.[85] The study, therefore, concluded that the agreement benefits Egypt more than Europe since it gives Egyptian agricultural products access to European markets. The study focused on the competitive edge of Egyptian products and on the relative advantage of exporting horticultural fruit and vegetable crops to the European market. While the

indicators used by the study do offer an insight into the potential status of Egyptian exports in European markets, they are rather lacking since they overlook balances of power whether in the fields of export and agricultural production inside Egypt or on the international level. The study also deals with the production and consumption of food as if food is a commodity like any other, hence overlooking a number of issues pertaining to the right to food as well as the social and cultural aspects associated with production of and access to food.

not imply questioning the findings of the study or the integrity of the center. The purpose here is to underline the nature of balances of power and which do impact the negotiating space each party is given.

85- ECORYS Nederland BV. “Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Egypt.” Report made under the request of the European Commission– DG TRADE, Rotterdam, 2 September 2014.

The next section will deal with the impact of the agreement based on a horizontal reading that focuses on potential effects on the production and consumption of food in Egypt through analyzing the Egyptian agri-food system. This system involves understanding and analyzing a number of activities and relations that interlace in order to determine how food is produced, who produces and distributes it, and in what quantities [86]. Studies on African countries that signed partnership agreements with the EU and on North African countries currently involved in negotiations will be used.

European support and potential dumping: What do we eat? And from where?

None of the studies on trade relations between Egypt and the EU addressed the support provided for European farmers under the Common Agricultural Policy (CAP). The EU, in fact, refuses discussing this support, estimated at 45 billion euros paid directly to farmers in Europe, since it falls under the green box, which is permissible according to the GATT[87]. As previously mentioned, agricultural policies in

86- S. Whatmore 1995. "From farming to agribusiness: the global agro-food system." In Johnston, R.J. Taylor, P.J. and Watts, M.J. (eds.) *Geographies of Global Change: Remapping the World in the Late Twentieth Century*. Blackwell, Oxford, pp. 36-49.

87- Driouech, Noureddin, Hamid El Bilali, Roberto Capone, Luigi Sisto, Europe focused on supporting farmers and achieving food security for the continent while boosting its exporting abilities whereas agricultural policies in Egypt focused on supporting desert reclamation and increasing areas allocated to export crops at the expense of local farming in the Nile Valley and Delta. Farmers in Egypt were subjected to several crises as a result of a number of repressive laws, reducing subsidies, not investing in rural areas, and the systematic impoverishment of farmers. The direct payment system offered under the CAP is the clearest example of the discrepancy between agricultural policies in Egypt and Europe, for

while European farmers receive direct payments, Egyptian farmers are deprived of subsidies. Meanwhile, the agreement will lead to the liberalization of trade and competition between European and Egyptian agricultural producers and even though the EU argues that rules are fair and unified, there is no doubt that players do not stand on equal footing. Therefore, equal rules between unequal players are no longer equal.[88]

Egypt currently imports around 50% of its food needs and deficiency increases in grains, meat, and legumes, which

Sinisa Berjan, and Izabela Hanna Lipińska. "Exploring linkages between the Common Agricultural Policy and food security in the Mediterranean region." Zagadnienia ekonomiki rolnej 2 (339) (2014): 79-103.

88- Michael Carolan. *The real cost of cheap food*. Routledge, 2018.

are essential nutritional elements. Between 1994 and 2014, agricultural trade deficiency increased from 2.3 million dollars to 10.8 million, hence deficiency in 2014 was four times that in 1994 [89].

The study conducted by ECORYS Nederland BV argues that Europe will not really benefit from exporting fruits and vegetables to Egypt. This might be true, but it is extremely likely that European agricultural products would flood the Egyptian market, especially wheat, meat, poultry, fresh and powder milk, all essential to the local nutrition system. Those imported products are bound to have a negative effect on local producers and industries. The experience of several African countries also indicates that dumping is likely to occur in the aftermath of free trade agreements. Jacques Berthelot examines the negative impact of the partnership agreement between West Africa and the EU on small farmers as a result of support policies for foodstuffs coming from the EU and which lead to a form of dumping. Berthelot notes that this support reached in 2015 around 238 million euros for grains, 72 million for dairy products, and 162 million for meat products. However, the EU refuses to

89- I. Tellioglu and P. Konandreas. 2017. *Agricultural Policies, Trade and Sustainable Development in Egypt.* Geneva: International Centre for Trade and Sustainable Development and Rome: Food and Agriculture Organization: http://www.fao.org/3/a-i7117e.pdf address the issue claiming that it can only be open for discussion at the WTO .[90] The poultry sector is one of the most vulnerable. Due to the flow of European products to African markets, 70% of local poultry businesses in Senegal closed and in the Cameroon 120,000 people lost their jobs. In Ghana, the capacity of local poultry factories was reduced by 25% and fodder factories by 47%[91]. In his speech at the UN General Assembly meeting in 2016, former Ghani president Johan Mahama underlined the relationship between free trade and illegal immigration: "Some of the young Africans who hazard the desert and Mediterranean Sea to cross to Europe from my country are young poultry farmers or other entrepreneurs who sell their shops and undertake the jourey because they can no longer compete with the tonnes of frozen chicken dumped on African markets annually".[92]

Berthelot argues that despite the fact that grains, dairy products, and meat were dumped by the EU on African markets, African countries cannot for political reasons sue the EU at the WTO. True, products are available in African markets

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90- Jacques Berthelot. "The West Africa-EU Economic Partnership Agreement: A lose-lose agreement," 2016: https://is.gd/hUd3uf

91- Chris Ward. "EU chicken dumping starves Africa." *Mail and Guardian*, 10 Nov 2017, https://is.gd/WpOnJx

92- Daan Bauwens, Nicholas Ibekwe and Kolawole Talabi. "Investigation: Europe in Africa: The Price of Partnerships." ***Premium Times***, November 11, 2017. https://is.gd/e85LIW for lower prices, but this happens at the expense of local producers, especially small ones of lesser ability to compete. This in turn leads to an increase in poverty rates as well as in migration from affected rural areas.

Exporting vegetables, fruits, and flowers: What is produced? And for who?

It is necessary to note that the chances Egyptian products have in European markets are not as guaranteed as the study conducted by ECORYS Nederland BV argues. Several other studies revealed the challenges that can face Egyptian products' access to European markets. Those include the inconsistency of state plans and lack of proper quality control to ensure that Egyptian products meet European standards[93] as well as competition from other Southern Mediterranean countries that have longer trade relations with the EU.[94]

93- Seham Dawoud (2010) "Competitiveness of the Most Important Egyptian Agricultural Exports in European Markets" J. Agric. Economics and Social Sciences, Mansoura Univ. Vol.1 (7)

- Soliman Ibrahim and Gaber, Mosa, (2004) "Analytical Study for Market Performances of the Major Egyptian Vegetables and Fruits Exports", *L Égypte Contemporaine, Société Egyptian d' Économie politique de Statistique et de legislation*, 75 ANNEE, No. (473-474), P. (23-60).
- Boghdady, M. M. and Sabry, E. M. (2009) "The Competitive Position of Exports for Some the Egyptian Food Products Manufactured in the World Market." *Egyptian Agricultural Economics Journal*, Vol. 19, No. 4, pp. 1361-1372.

94- Hatab, A.A., Romstad, E. and Huo, X., 2010. Determinants of Egyptian agricultural exports: A Gravity model approach. Modern

One of those studies used a mathematical model to predict that the relative privilege Egyptian fruits and vegetables enjoy is likely to decline. However, an increase in Egyptian exports to Europe is still possible owing to support given by the state to export crops, the improvement of quality control systems, transformations in the European agri-food system, increasing tendency towards a balanced diet that requires more consumption of fruits and vegetables, and a declining inclination on the part of European farmers to grow fruits and vegetables owing to their labor-intensive nature, which increases demand for imports.

In addition, balances of power in agricultural exports and trade in agricultural products in general are always overlooked. An increase in the volume of Egyptian agricultural exports to Europe and improving Egyptian exporters' ability to access the European market, especially through fruits and vegetables, will not benefit all parties in an equal manner. This form of liberalization will only benefit big exporters with strong political connections. Through dominating the Egyptian Exporters Association, the Export Council, and the Agriculture Committee at the House of Representatives, those businessmen were able to get hold of most of the benefits of exporting Egyptian agricultural products.

Economy, 1(03), p.134.

While big farmers almost monopolize the cultivation of fruits trees, which is neither labor-intensive nor requires a long time of the year, contract farming is used with the cultivation of vegetables and herbs, which is labor-intensive, costly to mechanize, and not supported by stable investments. Contract farming is a form of integrating small producers into world trade while they do not really benefit from the revenues of their exports. Contract farming is done under unequal power relations between the producer and the farmer so that the former ends up with more privileges while the latter sells his crops for more than the local price yet handles risks and labor on his own.

Another problem related to exporting fruits and vegetables is lack of flexibility in terms of the type of products to be exported to the EU, and fruits and vegetables in particular need to be consumed fresh. Added to that is the fact that similar products are exported by other countries like Tunisia and Morocco, which negatively affects the relative privilege Egyptian products enjoy and increases competition among "weak" parties. As previously mentioned, the EU negotiates as one single entity while insisting that North African countries negotiate separately. In fact, the EU lets those countries compete for access to the European market and the main beneficiary becomes the European consumer.

Meanwhile, labor power and natural resources in the south are drained and farmers are not fairly paid for their work.

Exploitation of resources: Neo-colonialism?

Mustafa al-Rajhi [95], who examines the Tunisian case, and Omar Aziki and Lucile Daumas [96], who examine the Moroccan case, argue that the free trade agreement is a form of neo-colonialism since countries in the south are required to produce labor-intensive goods that are not available in enough quantities in Europe in return for receiving European meat, dairy products, and grains, which has a negative effect on local industries working in the same fields. In Tunisia, the Popular Front, an opposition party, condemned the agreement as a crime against the Tunisian people arguing that it will destroy the services and agriculture sectors and citing the partnership agreement signed with the EU in 1995 and the way it destroyed the textile industry. The front called for stopping negotiations on the agreement[97].

95- Marco Jonville, En Tunisie, "L'ALECA c'est la reproduction du pacte colonial de 1881", 1 OCT. 2018, *Blogs.Mediapart*, URL: https://is.gd/D0BM9P (11 Novembre 2018).

96- Omar Aziki and Lucile Daumas. "Euro-Mediterranean relations and Moroccan-European free trade agreements: Colonial policies [Arabic]." *Attac Maroc*, April 10, 2018: https://is.gd/cpT8Sj (accessed Nov. 20, 2018)

97- "Controversy in Tunisia over the Deep and Comprehensive Free Trade Agreement with the EU [Arabic]." *Middle East Online*. June 2, 2018: https://is.gd/pULRC4 (accessed Nov. 1, 2018)

Sophia Murphy[98] notes that free trade agreements signed in the past 20 years played a major role in the recent wave of land grabs that constitute a new form of colonialism. In the case of Egypt, the agreement will help in supporting direct European investment in Egypt. This makes it easier for European investors and international corporations to access arable land and water resources for the production of export crops. This form of investment is known as "resources grabbing," which means taking natural resources required for agricultural production, land and water in this case, from locals so that foreign investors can make use of them. This also involves the exploitation of the local labor force. This type of investment is usually given exceptional tax privileges and/or exemptions, especially in the first years.[99]

Increasing the quantities of fruits and vegetables grown for exporting is likely to reduce the areas allotted to the cultivation of the same products for local consumption. The same applies to the cultivation of grains and legumes with the decline of the local producers' competitive edge following the dumping on the Egyptian market of their cheap, heavily

98- Murphy, Sophia. (2013). "Land Grabs and Fragile Food Systems." *Institute for Agriculture and Trade Policy*.

99- For more details see Saker El Nour. "Food sovereignty challenges in the Arab world: The case of Egypt [Arabic]." Rosa Luxemburg Foundation and the Arab Forum for Alternatives, 2017.

subsidized European counterparts. The agreement is likely to aggravate this situation as more resources will be drained in favor of a negative development plan that only benefits a small number of international food corporations known for their history of resource grabbing.

Potential transformation in the Egyptian food system: More hunger and subordination?

In 2016-2018, Egypt went through an immense inflation wave. In September 2017, the inflation rate reached 33.3%, compared to 25.9% in December 2015. Despite the gradual drop in the inflation rate in early 2018, its repercussions and the hiking prices of basic food needs led many families to lose a substantial portion of their purchasing power [100]. Food crises followed and scenes of Egyptians fighting to get to outlets selling low-priced vegetables as well as the food aid outlets established by the Armed Forces became quite common.[101]

At the time when the first phase of the economic reform program, supported by the International Monetary Fund (IMF), was deemed successful and macroeconomic indica-

100- Nasser Amer et al. "Egypt IMF loan in 1991 and 2016: Between economic reform and shock treatment [Arabic]." *Democratic Arab Center for Strategic, Political, and Economic Studies*, 2017.

101- See for example al-Ahram Portal, May 10, 2017: https://is.gd/Z2OpUH (accessed Aug. 1, 2018) tors started rising, hunger increased, and food decreased. This was not the first case of its kind for in 2008, the IMF announced that economic reform in Egypt is “another success story” [102]as growth rates were rising. At the time, the global food crisis took place and the prices of grains rose in international markets. By mid-2008, the price of corn doubled, the price of rice rose three times, and wheat reached its highest price in 28 years.[103]

In Egypt, prices of grains, including wheat, increased by 129%, the price of tomatoes increased eight times, lentils and milk four times, and cooking oils three times. The price of one ton of rice rose from 1,200 to 2,200 Egyptian pounds, that is 83% .[104] Meanwhile, many Egyptians died as they were fighting in queues to get subsidized bread as a result of the global crisis. And because Egypt relies on imports for more than 50% of its food consumption, the country is always affected by changes in the prices of food in international markets.

102- International Monetary Fund (IMF., Regional Economic Outlook: Middle east and central Asia, Washington DC: IMF. 2007. p. 32.

103- Pinstripe-Andersen P (end). 2014. “Food Price Policy in an Era of Market Instability: A Political Economy Analysis.” Oxford University Press: Oxford, UK.

104- Paul Weber and John Harris, Egypt and food security, *Al-Ahram Weekly*, 23 - 29 October 2008, Issue No. 919.

A study conducted by the International Food Policy Research Institute[105] revealed that 31.2% of Egyptian children (5-6 years) suffer from dwarfism and 29.2% are overweight. Among those suffering from dwarfism, 45% are overweight. This means that approximately 14% of children suffer from dwarfism and are overweight at the same time. A large number of women are also overweight. The same study notes that there are many reasons for the disproportionate relationship between economic growth and malnutrition. These include shifting to a diet that relies on high-calorie foods and less diverse food, an unbalanced diet, and an expanding urban lifestyle where consumption of fast food and meat increases. Added to these are other factors such as the recurrence of economic crises, an increase in poverty rates, lifting subsidies on basic foodstuffs, and lack of proper investment in nutritional guidance.

The agreement is expected to increase dependence on high-calorie foods that are available through import such as grains, meat, and dairy products, while consumption of fruits and vegetables that are kept for export will decrease, hence complicating the already problematic food situation

105- Olivier Ecker et al. “Nutritional Economic Development; exploring Egypt’s exceptionalism and the role of food subsidies.” *IFPRI*, Washington DC, 2016, pp 41-42.

in Egypt. The fluctuation of the prices of grains make the recurrence of another food crisis, similar to the ones in 2008 and 2011, quite likely.

Conclusion:

Supporters of the free trade agreement with the EU argue that this agreement will open European markets to Egyptian agricultural products and that consumers in Egypt will get bread, meat, and dairy products at reduced prices. However, this optimistic view overlooks two main factors: first, the number of small and very small farms that will be destroyed due to their inability to compete in the light of the discrepancy between the production systems of the two parties and the support European farmers get; second, the possibility of an increase in food prices and the recurrence of more food crises in light of the fluctuations to which the food market is exposed and the effect of climate change on basic food crops.

There is a contradiction between the liberalization of trade policies and agricultural investment on one hand and achieving food sovereignty and protecting natural resources on the other hand. The government cannot liberalize investment, prioritize export crops, and open local markets to European products while reaching self-sufficiency and maintaining sovereignty since it needs to make a choice. According to Article (79) of the Egyptian constitution, priority should be given to local products for local consumption before export. The agreement, on the other hand, defeats that strategic goal as it increases Egypt's food subordination and makes its economy more fragile.

Consecutive hunger and food crises Egypt have witnessed lately prove that free trade does not work in agricultural markets since they are not self-regulatory. Egypt needs an agricultural policy that is founded on food sovereignty in order to face regular food demands while taking into consideration the fluctuation of food production as a result of climate change. This policy should also prioritize citizens' right to food and farmers' right to a dignified life.

The agreement contradicts the right to food, which regards food as a human right and not a commodity, hence cannot be subject to market laws and commercial bids. In addition to stressing the right to food, food sovereignty also warrants the right of food producers to a secure job and a dignified life and gives local producers control over land, water, grains, livestock, and grazing. It also prioritizes local consumption to export. None of this is expected to materialize if the agreement is signed since it gives precedence to export crops, threatens the livelihood of farmers and local producers in addition to allowing for resource and land grabbing as a means of facilitating European investment.

The impact of the Deep and Comprehensive Free Trade Agreement (DCFTA) and the Compact with Africa on public services, social security, and employment policies in Egypt

Reem Abdel Halim

Introduction:

The Deep and Comprehensive Free Trade Agreement (DCFTA) was described by former European Commissioner for Trade Karel De Gucht as a means of boosting the economy of Southern Mediterranean countries, which will gain access to the European market while benefiting from the European Union's expertise in governance. The agreement, currently the subject of negotiations between the EU and Southern Mediterranean countries, is the culmination of years-long trade cooperation between the two parties.

Starting 2000, when the free trade agreement with the EU was put into effect, decision-making circles in Europe have been working on a series of consecutive agreements that would deepen and extend the first one. In 2002, the European Neighborhood Policy was formulated as part of the EU's plan to help its southern neighbors achieve prosperity and stability, as the policy states. The policy also aims at enhancing Europe's security, economic, and cultural hegemony in the Southern Mediterranean. The policy came into effect in 2003 through a number of bilateral agreements, working programs, and funding mechanisms, all of which aimed at reformulating Europe's relationship with its neighbors.

Egypt signed several free trade agreements in addition to the Compact with Africa. All these agreements are part of a plan to integrate into international markets and compete with foreign products. While developing countries could benefit to some extent, those agreements focus more on the way developed countries can benefit from the resources of their weaker neighbors who have less negotiating leverage, hence less power to propose terms that protect their resources and the rights of their workers. This paper examines the impact of those agreements on social justice and economic and social rights in order to analyze the extent to which they benefited and/or harmed Egypt. The paper will particularly lay emphasis on employment, the labor force, and social security.

What matters most about those agreements is the fact that negotiations that precede them do not take place between equal partners. The EU as an entity holds bilateral negotiations with individual developing countries. This means that negotiating parties do not stand on equal footing whether in terms of economy, political weight, or the benefits to be gained from the agreement. That is why the agreements mainly revolve around Europe's plan to establish a zone of subordinate countries with which it can establish close ties based on three main objectives: controlling immigration waves, implementing reform that creates an investment-friendly environment, and establishing a free trade area.

It is noteworthy that when the EU expanded from 15 to 25 then 28 states, existing free trade agreements were not revised so while the EU got stronger economically, the economy of each country with which the agreements were signed remained the same. Countries with which the EU is negotiating the expansion of free trade agreements and to which the European Neighborhood Policies applies are not confined to the Southern Mediterranean, but also include countries outside the eastern borders of the union. These countries are Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia, and Ukraine. The EU negotiates with each of those countries separately.

The Deep and Comprehensive Free Trade Agreement (DCFTA) focuses on a number of points. These include removing tariff barriers on all goods including agricultural products, facilitating customs procedures, equating foreign and local investors, integrating all goods and services into international markets, abiding by European criteria in the production of food and animal products, and protecting intellectual property rights. A transitional period is to be agreed upon by the two parties in order for market liberalization procedures to be implemented and logistics pertaining to marine transportation and shipping to be arranged. DCFTA stipulates the liberalization of service sectors in favor of European monopolies. This means applying the case of Lydec and Amendis to public services such as education and healthcare. The Egyptian government is, in fact, taking the required steps towards liberalization through a number of laws that respond to European demands including the medical liability law, university reform, and the law the regulates partnerships between the public and private sectors.

Social security, which encompasses in its broader form access to public services, employment policies, and workers' rights, will be remarkably affected by both DCFTA and the Compact with Africa. The paper will start with surveying trade relations between Egypt and the EU followed by analyzing impacts on social security in general and public services, employment, and workers' rights in Egypt in particular.

First: History of EU-Egypt Trade relations: Figure (10)-Annexes

The EU is Egypt's biggest trade partner. Trade with the EU constitutes 33% of the total volume of Egypt's trade. In 2017, trade exchange between Egypt and the EU reached 7.6 billion dollars in exports and 18.6 billion in imports while exchange in services between the two parties reached 11 billion euros in the same year. The EU is also the main source of direct foreign investments in Egypt with more than 60% of investments in Egypt and which amounted to 250 billion euros in 2018. This section highlights the initial indicators that reveal which party benefits more from the free trade agreement between Egypt and the EU.

Since the partnership agreement between Egypt and the EU was put into effect in 2004, a free trade area in industrial products was established as a result of lifting customs tariffs on imports and exports between the two parties. The EU lifted all tariffs on the first day of implementing the agreement while Egypt opted for lifting them gradually until 2019. As a result of this agreement, Egypt's exports to the EU increased by 125% in 2004 and 2011 while EU exports to Egypt increased by 83%. In 2010, the agreement was expanded to include the liberalization of agricultural products and last year, when the agreement was put into effect, witnessed an increase of Egyptian agricultural exports to the EU by 15%.

Despite the growth of Egyptian exports to the EU and the percentage of these exports to Egypt's GDP, the EU is still the party that imposes a lot of conditions on Egypt's access to its markets. In terms of exchange of services, both parties stand on equal footing. European direct foreign investments in Egypt witnessed a remarkable growth, but more than 80% of those investments are channeled towards oil and gas, a sector that is known not to be labor-intensive and where the European side imposes extremely strict conditions that serve its interests.

While Egyptian exports to the EU are exempted of tariff barriers, the EU imposes restrictions on Egypt in terms of non-tariff barriers. This particularly applies to access given to Egyptian agricultural products into European markets even when within the agreed upon quotas. Meanwhile, Egypt abided by the quota system while reducing tariffs by 25%-100% for European products.

EU programs in Egypt spend 155 million euros on social development, 100 million on education reform, 110 million on healthcare, 250 million on industrialization, and four million on investment entities. Added to this is a program to boost trade, which included boosting export, budget support, and establishing business management centers. None of these programs had a direct impact on the living standards of citizens or on their access to public services that the state is in the process of liberalizing. **Figure (11&22&13)-Annexes**

Second: Tripartite Free Trade Area:

The Compact with Africa came in the aftermath of several agreements that established a free trade zone. The Tripartite Free Trade Area aims at establishing the biggest free trade zone in Africa and signatory states are expected to benefit in a number of ways:

- Market expansion across 26 members will increase economic growth by 6%-7% annually. Based on this percentage, the joint African GDP is expected to reach 29 trillion US dollars by 2050, hence equaling the GDP of the EU and the US together. Economic growth would achieve prosperity and eliminate poverty.
- Facilitating market access to more than 626 million citizens provides an opportunity for establishing regional franchises that would facilitate the transfer of African intermediate goods, 12% of which are currently able to reach international markets.
- African intra-regional trade will be boosted since lifting tariff barriers inside Africa has so far been capable of

increasing intra-regional trade from 2.10% in 2013 to 5.15% within 10 years and this percentage is expected to double by 2022 following increased trade facilitation and the reduction of trade cost.

- The agreement will provide more opportunities for local and foreign investments in the most attractive markets that have promising sectors such as energy, transportation, logistical services, oil, gas, and others.
- Lifting import charges will enable signatory states of importing raw material needed in Africa for a lower cost, which in turn will reduce the production cost of manufactured export goods made of this material, hence rendering those goods more capable of competing in regional and international markets.
- The free trade area to be established under the agreement would boost the exchange of services. The financial sector is expected to be the first beneficiary and financial services will increase cross-border investment by African startups.
- The free trade area would resolve problems arising from multiple memberships in several African unions or alliances, limit negotiation rounds, reduce the cost of doing business, boost industrialization, and support

cross-border infrastructure projects through an economic alliance with an organizational framework and unified trade policies.

Egypt drafted a list that identified the steps through which the liberalization of 85% of customs tariffs would be achieved. This list was divided into three categories:

- Category (1): The liberalization of 60% of tariffs including goods with tariff rates of 0%, 2%, and 5% as well as other goods with higher tariff rates
- Category (2): The liberalization of 25% of tariffs including goods subject to tariff rates of 10%-20%

Category (3): The liberalization of 15% of tariffs including goods subject to tariff rates of 30% and more

Even though the impact of the Compact of Africa is yet to be seen, it will in all cases make the entire African continent abide by EU terms for the liberalization of trade in goods and services. This is expected to hinder intra-regional agreements and to have a negative effect on the agriculture sector.

Third: The impact of DCFTA on social security, public services, and employment:

Because of the discrepancy between the economies of

Egypt and the EU, in the latter's favor of course, the Deep and Comprehensive Free Trade Agreement (DCFTA) and the full liberalization of trade would have a stronger effect on the Egyptian side. Studies about DCFTA argue that the agreement will raise the wages of medium-skilled Egyptian workers by around 5%, yet it will have an extremely limited effect on the wages of high-skilled workers. The expected raise in the wages of low or medium-skilled workers is also impossible to sustain for more than a year or two, after which it will be reversed. This is because trade liberalization leads to higher demand for high-skilled workers and at times requires enhancing the skills of workers in some sectors. Several traditional industries, which would not be able to compete in an open market, are expected to dwindle and these are the industries in which the demand on low-skilled workers is high.

In the short term, growing competition as a result of trade liberalization will lead to a decline in inflation rates since with loosening trade restrictions, cheap imports will trigger a decrease in prices. However, prices will increase once the market is stabilized and demand will increase in some sectors that would expand under the agreement.

Reducing non-tariff barriers remains a major challenge. Under the DCFTA, Egypt will reduce customs tariffs, a vital source of public budget resources. That is why if this loss is not compensated with giving Egyptian exports access to European markets and starting investments that create real job opportunities and allow the nationalization of technology and revenue, Egypt will not benefit at all from tariff reduction.

Impact on sectors:

According to data issued by the Central Agency for Public Mobilization and Statistics, the most important labor-intensive sectors in Egypt are elementary ones associated with food manufacture. Around 60% of unskilled workers in Egypt work in elementary sectors and 77%-82% of medium and high-skilled workers work in the services sector. The elementary sector is also vital for the employment of female workers. Most industrial input material for elementary sectors and industries are produced locally and will remain so. This is not the case with more complex industries. The elementary products sector is expected to witness a remarkable decline, especially tobacco and food industries, which will have a negative impact on labor in these sectors. Positive impact on trade might also be quite weak since most Egyptian exports are basically elementary and simple products and the percentage of complex products does not exceed 25%.

In order to look at the impact of the agreement on social security, it is important to examine the social security system in Egypt and which is rather fragile. Social security in Egypt was founded on total support, yet this changed following the lifting of subsidies on combustibles and shifting food subsidy to an in-kind system. Only 22% of youths between 20 and 29 years old are members of the social security system and this percentage reaches 58% with citizens between 50 and 59 years old. This means that the majority of citizens reach the age of 60 without adequate pension based on a contributory system, hence an increase in poverty rates. The World Bank estimates the number of people working in the informal sector inside formal entities at more than 50%. This means that the entity itself is registered and legal yet refuses to have a formal relationship with its workers. This percentage is doubled in informal entities.

Wages in traditional sectors are expected to drop and prices will increase with growing demand for Egyptian exports and as competition increases, the rights of workers in agriculture and elementary industries are going to be negatively affected. This effect will be aggravated when the price of food becomes linked to the international market.

Labor displacement between different sectors is expected to take place and studies estimate that around 12% of the labor force will be displaced in five years. Companies that become unable to compete will infringe on workers' rights and social security. The drop in tariff revenues will render the state incapable of intervening to make up for the damages sustained by the social security system and the rise of unemployment will aggravate the situation. Public services and living standards will be negatively affected as well.

The agreement involves the liberalization of services, which can be divided into three categories: first, financial and telecommunication services and these are subject to general preset rules and there is no problem in liberalizing them; second, special services that are subject to the services directives of the year 2006; and third, public services such as education and healthcare. The latter is closely linked to social security and human rights, hence is more likely to be negatively affected by the agreement even though it states otherwise.

According to the agreement, increasing services while reducing their cost would allow the industry and agriculture sectors to compete in international markets and would create alternative opportunities for the labor force, hence reducing the cost of the adaptation process that accompanies the liberalization of trade. International agreements that liberalize trade in goods as part of a comprehensive reform process that includes the improvement of services could achieve a positive change. However, trade agreements focus excessively on tariffs and related cross-border procedures, which is why their benefit is extremely limited. Reform should not be partial and that is why trade reforms should be paralleled with reforms in the services sector. Trade agreements can be used for the implementation of structural reforms in the services sector and linking the two together would lend those agreements more credibility and drive parties involved to embark on serious reforms. Those agreements should include deals with major trade parties such as the EU and the US in addition to multi-lateral terms in effect within the WTO.

Although trade and foreign investment are crucial for economic growth, there are other equally important indicators. These include comprehensive social and economic policies, tax policies, a spending policy, and business systems, each of which has an impact on trade and investment incentives. Most countries in the region have remarkably improved their economic policies throughout the past decade.

Examining potential effects on the public services sector can be done through analyzing a set of factors that influence those services and demand for them.

The first factor:

Demand for good, cheaper public services that are subsidized by the state will increase in light of the anticipated decline in demand for low-skilled workers. This will require access to free healthcare, education, and utilities, especially with the total absence of social security systems pertaining to the layoff of workers in case a business goes bankrupt. Added to this is the fact that 50% of workers in formal entities work informally and the percentage naturally increases in the informal sector in addition to the number of informal workers in the agriculture sector.

The second factor:

The share of low-skilled workers of the GDP, currently 25%, will decline because with the decline of wages and the possible loss of jobs, consumption is bound to decrease. This share is mainly comprised of cheap goods that are accessible to those workers and available in their local surroundings. These goods might gradually disappear as the industries that produce them are expected to dwindle and lose the ability to compete. Liberalization, therefore, is expected to crush the market upon which the poor depend for their consumption and which cannot be replaced by foreign alternatives.

The third factor:

The agreement stipulates improving the quality of public services while the EU lobbies through the European Neighborhood Policy for the privatization of these services, especially transportation and utilities. The liberalization of public services will undoubtedly affect their prices, especially that the agreement involves the funding of these sectors by the European Bank for Reconstruction and Development through facilitated loans conditioned upon the liberalization of utilities to guarantee the repayment of those loans as is the case with agreements signed with the World Bank.

The fourth factor:

A decline is expected, at least in the short term, in state resources that could be used for spending on social security such as pensions and investment in education and healthcare. This will be the result of the decline in tariff revenues following the implementation of the agreement.

The fifth factor:

The general protection offered to foreign investors and the possible subsequent liberalization of government purchases contradicts alleged state policies. According to law number

5 for the year 2015, local products are given precedence in government purchases and so are products of medium, small, and very small businesses.

The sixth factor:

The rise in the cost of transporting goods, the obstacles that face the transportation of workers, and the decline in the productivity of workers in disenfranchised regions that basically depend on elementary industries which will be crushed by unequal competition are all factors that would lead to intensified regional poverty. The market in some regions does not grow by the same rate as in urban areas that are to benefit most from the agreement. Services in these regions would be more costly than those in others with higher population density and access to elementary education is already limited and will deteriorate even more. Residents of low productivity regions will become unable to work outside those regions due to the increase in the cost of transporting goods and workers, the deterioration of education, and lack of proper housing in urban regions. In northern Egypt, port cities overlooking the Mediterranean and the Red Sea witness fast development in terms of income and living standards and their consumption is becoming almost equal to that in Cairo. In fact, Egypt's integration into global economy in the early 2000s and the growing percentage of goods and services subject to trade exchange of the GDP explain the rapid growth of consumption. In the same decade, demand for high-skilled workers concentrated in urban areas increased, which increased the income of university graduates. Meanwhile, demand for the less educated declined.

The seventh factor:

With the possibility of a decline in spending on education and healthcare, this in the long term would lead to the continuation of producing low-skilled workers, but this time they would not find work as low-skilled jobs will have dwindled. This means that a large percentage of workers in the labor force will be unemployed. It is noteworthy that between 1998 and 2012, there was a remarkable shift to the informal sector as formal employment in all industries declined between 1998 and 2006 and declined more between 2006 and 2012. The transportation and storage sectors witnessed the largest decline of formal employment by 16.7% between 1998 and 2012 and the foreign trade sector by 14.5%. Workers' movement across industries was extremely limited, which proves lack of formal employment in any of those industries. This was confirmed in a study conducted by Assad et al. in 2014. According to the study, one third of the decline in formal employment can be attributed to changes through which Egyptian industrial sectors have gone. Added to this is the fact that a large number of formal industrial facilities do not hire workers formally. It is not possible to attribute the rise in informal employment to a change in the structure of the work force since this rise continued despite an increase in the number of the educated in the market. Looking at the educational levels of the recently employed according to the nature of the job reveals that the percentage of those working informally with post-high school education rose from 11% to 23.5%.

Sectors	Level of education	1998	2006	2012
Private formal	Illiterate	9.2	9.3	7.3
	Pre-high school	17.4	17.3	13.6
	High school	14.7	15.8	15.8
	Post-high school	20	22	24
Public	Illiterate	1.3	10.4	9.5
	Pre-high school	27.6	20	15
	High school	36.3	26.6	24
	Post-high school	58.6	48.6	43.3
Private informal	Illiterate	54	47.5	58
	Pre-high school	38,7	45.9	59.4
	High school	26	38.6	47.5
	Post-high school	11.7	16.8	23.5

Sectors	Level of education	1998	2006	2012
Agriculture	Illiterate	22.3	41.5	23.7
	Pre-high school	12	14.8	9.7
	High school	9.3	11.9	7.7
	Post-high school	2.2	3.2	2.2
Unemployment	Illiterate	3.3	1.3	2.1
	Pre-high school	4.3	1.9	2.4
	High school	13.7	7.1	4.9
	Post-high school	7.5	9.5	7

Source: Central Agency for Public Mobilization and Statistics, Research on employment and the labor market, different years.

Conclusion:

Despite marketing the DCFTA as an agreement that would provide job opportunities for the highly skilled, it becomes obvious that the harm resulting from the decline of low-skilled jobs is much bigger than the benefit of offering more jobs in other levels. It is noteworthy that in the long run, it will no longer be possible to continue creating high-skilled job opportunities. On the other hand, the agreement is bound to have a negative impact on the local development of underprivileged areas, particularly those that depend on agriculture, especially that those areas are not part of a development plan that involves agricultural industries and that links urban regions to the countryside.

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The Deep and Comprehensive Free Trade Agreement (DCFTA) and environmental justice in Egypt

Abdel Mawla Ismail

Introduction:

It is not possible to separate the Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union (EU) and Egypt from other factors that govern the relationship between Europe and Southern Mediterranean countries, including Egypt. In fact, the treaty will not be signed with Egypt only, but also with other Southern Mediterranean countries and that is why they are all connected. Among the factors that need to be addressed when examining DCFTA is the funding role of European banks in Egypt and which help European corporations and investors to access the Egyptian market.

The relationship between Southern Mediterranean counties and the EU went through a number of phases starting with the Barcelona Declaration in 1995 followed by the European Neighborhood Policy and several Egyptian-European partnership agreements then the Union for the Mediterranean in 2008 in addition to deals signed with European financial institutions. All those agreements resulted in deep economic gaps, but the EU attempted to alleviate this effect following the uprisings staged in 2011 through changing some of its policies towards the Southern Mediterranean.

However, those revisions were soon retracted in favor of a free trade agreement. Added to this is another agreement called the Compact with Africa and which also affects countries in the Southern Mediterranean, but it is not the focus of this paper.

This paper examines the Deep and Comprehensive Free Trade Agreement (DCFTA) between Egypt and the European Union through a number of phases that resulted in the liberalization of the environmental resources market both before and after the January 2011 revolution and the effect of these changes on environmental issues in Egypt. The paper also tackles the effects of DCFTA on the integration of Egyptian environmental resources into the international trade market.

The paper poses a number of questions: What is the nature of this trade agreement? What is its potential effect on environmental resources in Egypt? What is the relationship between free trade agreements, including DCFTA, and other European policies? Have those agreements assisted in the sustainability of and fair access to environmental resources? Or have they rather widened the gap? What are the main effects of DCFTA and its association with other policies? What are the possible alternatives to this agreement that would actually achieve justice in access to environmental resources? The first section of this paper identifies the different stages that led to the signing of free trade agreements with Southern Mediterranean countries, including Egypt, before 2011. The second section examines the transformations that trade agreements went through before and after the 2011 uprisings. The third section tackles the effect of different European agreements with Egypt on the sustainability of environmental resources. The fourth section includes the findings of the paper and alternatives to current policies in an attempt to achieve environmental justice.

First: Pre-2011 EU policies in the Southern Mediterranean:

1/1 <u>Barcelona Declaration (1995):</u>

The Barcelona Declaration was founded on three frameworks:

- The political and security framework
- The economic and financial framework
- Neighborhood and cultural and social diversity framework

The Barcelona declaration was based on bilateral agreements, which means that the EU as an entity negotiated with each country in the Southern Mediterranean separately. This gave the EU negotiating power that none of the individual countries had on its own.

The declaration was reduced into two main foci: regulating political dialogue and establishing a free trade zone. Other than that, hardly any of the other goals of the declaration were implemented on the ground. This is attributed to a number of reasons:

- The direct association between the Barcelona Declaration and the peace process in the Middle East in the sense that it was initiated within the context of predictions related to the progress of this process
- Giving priority to economy and trade over political issues

1/2 <u>The European Neighborhood Policy (2003):</u>

The policy aimed at achieving complete economic integration in case of implementing the required reforms which were identified in a work plan that was not legally binding. The plan, which covered a 3-5-year interval subject to renewal, addressed a number of issues:

- Problems that faced the Neighborhood Policy
- Giving precedence to the security aspect and preferring

bilateral relations.

- Giving preference to positive conditionality, which means providing more financial aid in return for economic and trade reform and security cooperation and the absence of negative conditionality in cases of human rights violations.

1/3 European financial institutions:

The EU manages its relations with Southern Mediterranean countries through two financial institutions: the European Investment Bank and the European Bank for Reconstruction and Development. The European Investment Bank has been working since 1958 under the Treaty of Rome to achieve the goals of the EU through providing long-term funds for investment and access to markets. Despite the fact that the bank works from inside the EU, its legal status is still unclear[106]. The European Bank for Reconstruction and Development was established in 1991 to support the transition of former Soviet republics into market economy and now works with 29 countries in Eastern and Central Europe. The bank had no activities in the Arab region, yet with the eruption of Arab Spring uprisings the bank announced

106- See the Guide to European Neighborhood Mechanisms and their relationship with the International Financial Institutions, the European Banking Monitoring Network and the NGO Network for Development, Beirut, 2014.

in September 2012 launching its first investments in Egypt, Tunisia, Morocco, and Jordan. This was done through a one-billion-euro special fund. The bank supports the private sector especially in its partnership with the public sector. This means it works on the privatization of economic activities that are state-run or public, hence following the same European approach founded upon free trade and the economic liberal system as the basis of the neighborhood policy with Southern Mediterranean countries.

Projects run by European financial institutions are characterized by the absence of monitoring and transparency mechanisms, especially regarding the role of civil society organizations in evaluating the environmental impact of projects that receive funding from these institutions. This applied to the Framework Agreement Egypt signed with the European Investment Bank in February 1998[107]. Added to this are several other projects that were implemented in Egypt and funded by the European Investment Bank or the European Bank for Reconstruction and Development mostly in the fields of energy and gas. None of these projects were subject to societal discussions in order to assess the environmental impact. This was the case with the North Giza project for generating electrical energy and which started

107- *The Official Gazette*, April 18, 2002.

in 2009 and was funded by the European Investment Bank.

1/4 Egypt-EU Association Agreement:

Egypt signed the Association Agreement with the EU, hence joining Euro-Mediterranean Cooperation Agreement and its appendices, in 2002[108] under presidential decree number 235 for the year 2002 and which asserted state support for free trade. Fifteen years later, those agreements still stir much controversy especially as far as their purpose is concerned. Questions were posed about whether the agreements really aimed at improving economic and social conditions and achieving sustainable development or if they only serve the interests of governments through economic liberalization policies and structural reforms. Looking at the general framework of those agreements reveals that it includes a number of aspects that deal with economic, social, and political conditions. The first article of the Association Agreement identifies the main goals that govern cooperation between Egypt and Europe. These include:

- Steady liberalization of trade in goods, services, and capital
- Supporting balanced development in economic and social relations

108- *The Official Gazette*, November 30, 2003.

- Taking part in economic and social development
- Encouraging regional cooperation to support peaceful coexistence and economic and political stability
- Cooperation in fields of common interest[109].

The second article stated clearly that the relationship between signatories of the agreement has to be based on respect for the principles of democracy and human rights as stipulated in the Universal Declaration of Human Rights, which constitutes a major component of the agreement and should be respected in both domestic and foreign policies[110].

The sixth article stated that Egypt and the EU are to establish a free trade zone within a transitional period that does not exceed twelve years from the date on which the agreement was put into effect. Chapter Two of the agreement was dedicated to trade in agricultural and fish products, which according to Article 13 were to be liberalized.

Environmental issues were only addressed in general terms through two articles out of a total of 91. Article 44 asserts the necessity of cooperation to prevent any damage to the environment and to reduce pollution through the wise use

109- Also, see presidential decree number 11 for the year 2004 and which approves the early implementation of some articles in the agreement Egypt signed with the EU. The *Official Gazette*, March 25, 2004.

110- Ibid.

of natural resources in order to guarantee the achievement of sustainable development. Article 53 mentioned in very general terms the development of renewable energy and the second paragraph of this article addressed integrating Egyptian energy markets with their European counterparts. The agreement did tackle the potential impact of cooperation in the fields of energy, agricultural and fish products, water resources, and other forms of economic cooperation included in the agreement and which are expected to have numerous effects, direct and indirect, on environmental resources. On the other hand, the agreement addresses economic and social development without details and without highlighting the impact of the liberalization of trade on the agriculture sector especially as the living conditions of farmers keep deteriorating.

The establishment of free trade zones also lead to the emergence of informal economy, which violates the rules of competition, widens the gap between different segments of society, undermines social and economic rights, leads to the deterioration of working conditions, and harms the formal economy. All these factors increase, in turn, the rates of illegal immigration. Despite the fact that articles 68 and 70 of the agreement detail the means through which illegal immigration is to be curbed, other articles of the same agreement are bound to increase it especially among farmers who are affected by the restriction of agricultural activities and the subsequent fragility of environmental resources as a result of trade liberalization, hence are forced to look for job opportunities in the Northern Mediterranean. The changes introduced to the agriculture sector have a direct impact on the daily lives of farmers especially regarding access to land and the types of crops to be cultivated. They also affect farmers' tendency to invest in production improvement measures and sustainable management[111].

Second: Post-2011 EU policies in Egypt:

2/1 More for More:

Following the 2011 uprisings in the Arab region, the EU launched the More for More initiative that aims at developing a stronger partnership with countries undergoing democratic transition. The initiative is based on The Support to Partnership, Reform and Inclusive Growth, also called the SPRING program, and supports civil society through the Civil Society Facility. The initiative was the result of the announcement issued by the EU on May 25, 2011 to evaluate EU policies in the Southern Mediterranean, particularly

111- "Voluntary guidelines on the responsible government of tenure of lands, fisheries and forests in the context of national food security." Food and Agriculture Organization (FAO), 2012.

Arab Spring countries, and which argued that these policies can be based on the "more for more" principle. This document was, however, a purely European one and was not the product of negotiations between the EU and Southern Mediterranean countries. The "more for more" policy is based on more financial aid from the EU in return for more economic and political reforms by the countries that receive that aid.

2/2 <u>Deep and Comprehensive Free Trade Agreement (DCFTA):</u>

On September 26, 2011, the EU launched a new round of negotiations to establish free trade zones as part of democratic transition and economic reform. The negotiations are based on a number of criteria from the previously-mentioned SPRING program. These include several economic conditions and commitments on the part of Southern Mediterranean countries including European access to their markets, particularly agricultural markets, services, and public and investment goods including government purchases. In return, customs tariffs on European products would be reduced. This will all be part of the Deep and Comprehensive Free Trade Agreement (DCFTA), which is based on a set of rules that aim at more trade liberalization and opening markets in Southern Mediterranean countries, including Egypt, in return for a set of commitments.

These commitments include reforming the legal and legislative structure in order for the EU and Southern Mediterranean countries to find a common ground. Intellectual property laws constituted one example. In 2002, Egypt issued law number 82 on intellectual property, which stripped Egyptian farmers of their traditional assets of plants and livestock. It also undermined farmers' right to genetic resources especially seeds as the Egyptian market became open to multinational European and American companies and Egyptian farmers were incapable of reusing or reproducing foreign seeds or even exchanging them with other farmers. This signals a decline in the role of the EU, especially regarding several privileges given to farmers in the first version of the International Union for the Protection of New Varieties of Plants (UPOV) agreement that gave farmers some rights pertaining to the exchange of seeds amongst them as long as they are not used for commercial purposes. Another commitment on the part of Southern Mediterranean countries is linking trade to sustainable development.

It is noteworthy that the EU proposed a deep and comprehensive free trade agreement in 2007 as part of the Euro-Mediterranean Neighborhood Policy that aimed at enhancing economic cooperation. Proposing the same type of agreement following the Arab uprisings in 2011 emphasizes that the EU policy on trade and investment has not changed and that the liberalization of trade will extend to public goods such as government purchases and vital sectors such as education and healthcare. This means undermining the objectives of the uprisings that were staged against this particular economic system and overlooking the demands of the people in the region such as freedom, social justice, and dignity.

2/3 EU- Egypt Partnership Priorities (2017-2020)[112]:

The framework of the partnership between Egypt and the EU is determined by the Association Agreement, signed in 2001 and effective as of 2003. The EU-Egypt Partnership Priorities is a document that identifies the priorities of cooperation between the two parties in light of the European Neighborhood Policy. The document guides the partnership for the years between 2017 and 2020.

The document aims at addressing the issues and challenges that face cooperation between Egypt and the EU, strengthening common interests, and achieving long-term stability

112- The document was signed by Egypt and the EU in Brussels in June 2017.

on both sides of the Mediterranean. Partnership Priorities are informed by a shared commitment to universal democratic rules, the rule of law, and respect for human rights. The document also aims at enhancing cooperation in support of Egypt's Sustainable Development Strategy- 2030. In fact, partnership priorities are founded on a number of aspects that are mainly based on the 2030 strategy. These include the economic reform aspect, which emphasizes the importance of small and medium enterprises (SMEs) as well as mega projects such as the Golden Triangle Project for Mineral Resources in Upper Egypt and the reclamation of four million hectares for agriculture and urbanization. As for the trade and investment aspect, the focus is on strengthening ties between Egypt and the EU through establishing a free trade area (FTA) and working on the Deep and Comprehensive Free Trade Agreement (DCFTA) in order to expand already existing free trade agreements.

In terms of development and social justice, the EU is to support Egypt's efforts in protecting the disenfranchised from the potential effects of economic reforms. This should be done through social security networks. The EU and Egypt will also continue to promote rural and urban development as well as improving basic services.

2/3/1 Energy security, environment, and climate action:

Egypt and the EU are to cooperate in the diversification of energy resources, especially renewable energy. Upon the request of the Egyptian government, the EU will support Egypt's efforts to upgrade its comprehensive energy strategy that aims at addressing the demands of sustainable development in the country and reducing green gas emissions. In addition, the discovery of offshore natural gas fields in Egypt offers Egypt and the EU an opportunity to cooperate in the field of conventional energy in light of the existing liquefaction infrastructure in Egypt. This would lead to generating more energy, hence bridging the consumption gap for the Egyptian population. The diversification of energy exported to the EU would strengthen the ties between Egypt and the EU in the field of energy and would determine key areas for future cooperation such as the EU providing Egypt with technical support for the construction of a regional energy hub, joint research activities, exchange of expertise and practice, and technology transfer.

The EU and Egypt will promote actions on climate and the environment for the purpose of achieving sustainable development in line with their commitment to the 2015 Paris

Agreement on climate change. This will be done through EU support for Egypt's Intended Nationally Determined Contributions in the fields of adaptation and mitigation. In addition, Egypt and the EU will cooperate to achieve the goals stated in the 2030 Development Agenda and the Framework for Disaster Risk Reduction.

Egypt and the EU will explore potential cooperation in several fields such as sustainable resources management, including water resources, the conservation of biodiversity, solid waste management—including the reduction of industrial pollutants and chemicals—sanitation, and combating desertification and land degradation. Both parties will also work on exploring possible cooperation opportunities available under the Union for the Mediterranean (UFM) Ministerial Declaration on Blue Economy through IMP/CC and which include cooperation in integrated management of tourist zones and marine fisheries.

Third: Impact of EU trade policies on the Egyptian environment:

As demonstrated in the previous sections, EU policies, at the heart of which lies the DCFTA, mainly revolve around trade and security and basically aim at protecting European commercial interests. It also becomes clear that the EU focuses on signing bilateral agreements with Egypt rather than regional or international ones that would include Egypt or even trade partnerships through the World Trade Organization (WTO). The Deep and Comprehensive Free Trade Agreement (DCFTA) is among the most prominent examples.

3/1 The Deep and Comprehensive Free Trade Agreement (DCFTA):

While WTO agreements do not require signatory states to be members of any given international alliance, the partnership agreement with the EU requires that Egypt becomes a member of intellectual property entities, which has a negative impact on Egypt's rights.

The patent system offers an example of intellectual property rights. Individuals or companies can patent plant genes based on the fact that they invented/discovered them. This was the case when an American company obtained a patent on an extract of the neem tree even though the tree has existed in India from time immemorial. Another form of intellectual property is sui generis, which provides protection of an entire plant breed and is implemented through the International Union for the Protection of New Varieties of Plants (UPOV). A third system merges the two previous ones as it protects plant genes through patent or protects the entire breed through sui generis. Even though the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) does not require signatories to join any particular entity that works in the field of intellectual property rights, this is not the case with the partnership agreement between Egypt and the EU, which obliges Egypt to join the UPOV. Egypt, therefore, applied to become a UPOV member in 2012 and the application was accepted in 2015 after Egypt implemented several structural and legislative reforms in order to abide by the criteria of joining the union. The reforms included applying intellectual property rights on plants in accordance with article 69 of the 2014 Egyptian constitution: "The state shall protect all types of intellectual property in all fields, and shall establish a specialized body to uphold the rights of Egyptians and their legal protection, as regulated by law."[113] Earlier reforms included decree number 804 for the year 2005, issued by the minister of agriculture and land reclamation [114]. The law identified the plant breeds that are protected under intellectual property laws so that Egypt can patent all Distinctness, Uniformity and Stability (DUS) testing conducted on those breeds inside the country even if done by a foreign entity provided

113- *The Official Gazette*, Jan. 18, 2014.
114- *Al-Waqai al-Misriya*, July 26, 2005.

that the country in which research took place is a member of the UPOV. The Plant variety Protection Office in Egypt may approve conducting DUS tests abroad for technical reasons, provided that the country in which the tests are conducted is a UPOV member. On the same day, decree number 807 for the year 2005[115] was issued to identify plant breeds to which intellectual property laws apply. The number of plants amounted to 100, including wheat, corn, rice, and alfalfa, compared to only 20 types when law number 82 for the year 2002 was issued.

Presidential decree number 26 for the year 2015[116], which amended law 82/2002 on intellectual property rights, constituted the culmination of integrating Egyptian environmental resources into the global market. The law states in its preface that the amendments to the plant variety system in Egypt are meant to ensure compliance with the partnership agreement Egypt signed with the EU. The new law amended articles number 189, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, and 202. The most remarkable amendments were included in Article 189 that gave local and foreign plant breeders who reside and/or work in Egypt or who belong to one of the countries and/or entities affiliated to the WTO or UPOV equal protection for plant varieties under

115- Ibid.

116- *The Official Gazette*, June 22, 2015.

this law. The law linked plant varieties in Egypt with their counterparts in the UPOV, hence declining the registration of any plant variety in the Egyptian Plant Variety Protection list if it is similar to another plant variety registered at the UPOV. Also, any UPOV member can apply to register a plant variety with no advantage given to local breeders.

Fourth: Conclusions and alternatives:

There are several conclusions that can be drawn from the issues addressed in the paper:

- It is hard to separate between the Deep and Comprehensive Free Trade Agreement (DCFTA) and other EU policies in Egypt. In fact, one agreement leads to another. The Association Agreement signed in 2001 is closely linked to other free trade agreements and most recently the DCFTA and international financial institutions have played almost the same role since then.
- The centralization of free trade and easy access to natural resources on both sides of the Mediterranean are the governing framework of the relationship between Europe and Egypt.
- While Egyptian environmental resources are being integrated into European markets through different part-

nership agreements, there are no partnerships with civil society organizations and farmers in order to address the negative effects of those agreements. In fact, there is no framework through which civil society organizations on both sides of the Mediterranean can coordinate and take part in formulating the relationship between the EU and Egypt.

- Mechanisms to monitor EU policies in its relationship with the Southern Mediterranean are absent.
- The EU insists on adopting the same neoliberal approach towards Southern Mediterranean countries especially as far as the liberalization of trade and investment is concerned and without taking into consideration the necessity of integrating social justice.
- European financial institutions, particularly the European Investment Bank and the European Bank for Reconstruction and Development, act in isolation of the political context that regulates the partnership between the EU and Egypt. This is shown in lack of emphasis on the necessity of respecting human rights, the role of civil society, and the evaluation of the environmental effects of this partnership.
- Different aspects of the agriculture sector are absent

from Egypt-EU agreements especially as far as farmers' rights are concerned, for while the EU demands the liberalization of environmental resources in Egypt, state support for farmers in Europe keeps growing.

Several alternatives can be taken into consideration in order to create a mutually beneficial relationship between Egypt and the EU:

- EU reevaluation of its policies in the Southern Mediterranean so that human rights become a priority in any future partnership
- Changing the approach to trade and investment cooperation so that it becomes in line with developmental goals, which is not the case with the current agreements that have since the Barcelona Declaration been putting more pressure on resources in the Southern Mediterranean
- The necessity of designing a mechanism through which the impact of the agricultural liberalization can be accurately evaluated
- Reevaluating the rules that govern the protection of plant varieties so that they take farmers' rights into consideration and abiding by transparency criteria in order

to eliminate all forms of bio-piracy that drain the resources of the Southern Mediterranean

- Observing framework agreements, particularly TRIPS, in the signing of bilateral agreements in order to avoid further infringements upon agricultural rights, especially intellectual property and protection
- Evaluating and reconsidering the role of European financial institutions, particularly the European Investment Bank and the European Bank for Reconstruction and Development
- The European Investment bank needs to set its own policies in the fields of energy, forestry, transportation, water, land, waste management, and others in line with developmental goals.
- Shifting the focus of partnerships from economic growth to the establishment of a system that prioritizes the enhancement of production capacities, designing redistribution mechanisms, providing opportunities for adequate jobs, and supporting equality in benefiting from the revenues of economic growth[117]

117- Paper submitted to the EU by the Arab NGO Network for Development and several Arab organizations to list those demands

Free trade agreements and women's economic and social rights

Mona Ezzat

Starting the mid-1970s, Egypt witnessed substantial transformations in its economic policies. This was mainly demonstrated in adopting the open-door policy, which involved partial and gradual measures towards the liberalization of the economy. In the early 1990s, those policies gained more momentum and became commonly known as "economic reform and structural adaptation" in reference to the whole set of economic liberalization measures taken by the Egyptian government in accordance with agreements signed with the World Bank and the International Monetary Fund (IMF). The first of these measures was in March 1991 when the letter of intent was signed with the IMF[118]. Reform policies encompassed five main issues: reduction of public spending, demand control, privatization, trade liberalization, and agricultural liberalization.

These policies had several effects including the redistribution of national revenue in favor of capital at the expense of labor and harsh social repercussions such as the layoff of government employees, growing unemployment rates, and the reduction of public spending on social services. Workers, small owners, impoverished farmers, and several seg-

118- Howaida Adli» .Women in the Labor Market :(2) The Investment Sector] Arabic [The New Woman Foundation, 2012 ments of the middle class were the most affected by these policies. This effect also extended to women in both the public and private sector as layoffs targeted them in larger numbers. In 2010, the employment rate in the public sector was 1.4 for women and 3.4 for men.

When the government started implementing the early pension system to prepare for privatization, it started with industries that have a large female labor force, taking advantage of preconceived gender roles that confine women to domestic life and promoting the idea that laying off women would solve the unemployment problem since their sons will replace them [119]. As the state's role in supporting basic services declined and those services deteriorated, women were more affected than men, hence triggering the phenomenon known as the "feminization of poverty." The number of women working in the informal sector started increasing while the jobs they took were quite menial, therefore did not improve their financial situation.

Women in Egypt have been suffering for the past 50 years on two fronts: first, a patriarchal culture that reduces their role to the domestic sphere; second, economic policies that increase unemployment rates among women. Women are

119- "Women and men in Egypt- 2011 [Arabic]." The Central Authority for Public Mobilization and Statistics, Nov 2011.

seen as cheap labor and are believed to be weak and to accept the worst of working conditions because of their need for money. This was particularly demonstrated with female workers in free trade areas and who mainly came from the countryside or the impoverished outskirts of cities. The state contributed to this situation with labor law number 12 for the year 2003, which offered privileges and incentives for both local and foreign investors while allowing the work environment to deteriorate and not providing workers with the least level of stability through facilitating layoffs and lack of monitoring. Women were also stripped of their basic rights including maternity leave and daycare for their children in addition to being subjected to different forms of violence and discrimination.[120]

Despite the negative impact these policies had on the social and economic rights of citizens, both males and females, successive governments never reviewed them, nor have they attempted to look into alternatives that would create sustainable job opportunities, address the gaps caused by privatization, and eliminate inequality and discrimination. Instead, the state continued along the same path and even worked on closer ties with the global market. This was

120- Mona Ezzat. "Women's economic and social rights in Egypt [Arabic]." *Texts on women's rights and economic and social justice in the Arab region*. Arab NGOs Network for Development, 2012.

demonstrated in the agreements Egypt signed with the EU and which led to more social and economic deterioration. These agreements included other countries in the region such as Morocco, Algeria, Tunisia, Palestine, Lebanon, Syria, and Jordan and are known as the European Neighborhood Policy. The EU treats the Arab region as a market for its products and a place for lucrative investment as well as an adequate environment for the resumption of some industries especially polluting and labor-intensive ones. All this is done at the expense of the productivity of the states that sign these agreements, especially that the EU as an entity deals with each country in the Arab region individually in the absence of a joint framework through which all Arab countries can negotiate as one bloc with the EU. Consequently, the two parties do not stand on equal footing and naturally the EU has more leverage as far as negotiations and terms are concerned [121].

Arab uprisings played a major role in the reconsideration of the European Neighborhood Policy more than one decade after it was put into effect. In 2015, the EU announced that the policy will be adapted to the political transformations in

121- "The impact of EU economic and social policies on development and human rights in the Southern Mediterranean [Arabic]." A research paper presented at the Majalat Seminar, Amman, Jordan, April 20-21, 2018.

the region and that there will be a shift from conventional free trade agreements to the Deep and Comprehensive Free Trade Agreement. Three priorities were identified in this regard: economic development to support stability, security, and immigration and mobility.[122]

According to the EU-Egypt Partnership Priorities for 2017-2020 [123], a document that identifies the basis of cooperation between the two parties, it is necessary to serve the interests of Southern Mediterranean countries, especially in terms of social justice, job opportunities, economic prosperity, and the improvement of living standards for the purpose of achieving stability on both sides of the Mediterranean. Both parties agreed that to make this possible, it is necessary to work on comprehensive development and participatory governance founded on the rule of law, human rights, and basic rights. Both the EU and Egypt are also to cooperate in achieving the social and economic goals of the 2030 Agenda for Sustainable Development adopted by the UN.

The document also stipulates the empowerment of youths and women through creating job opportunities, integrating the informal sector into the economy, providing the legal tools that enable women and youths to play an active role in

122- Ibid.
123- EU-Egypt Partnership Priorities 2017-2020.

their community, and countering all forms of discrimination against women. The EU is to support Egypt's efforts to protect the disenfranchised from the potential setbacks of economic reforms through social security networks and social protection. In addition, both Egypt and the EU are to continue supporting rural and urban development and improve the quality of basic services with special emphasis on education, particularly technical and vocational, and healthcare and EU is to share with Egypt its expertise in these fields.

In 2017, the G20 launched the Compact with Africa (CwA)[124] in order to boost investment in the continent. So far, 11 countries joined the initiative: Benin, Ivory Coast, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo, and Tunisia. The G20 and African signatories identified in their meeting in December 2016 priorities pertaining to women rights. In this regard, it was agreed to improve working conditions, support gender equality to achieve social justice and sustainable development, and empower women economically. The G20 pledged to bridge the employment gap between men and women by 25% by 2025 and improve the quality of women's work including social and employment security, and digital transformation in order to create more job opportunities for women[125].

124- About the Compact with Africa: https://goo.gl/xZPGtk
125- "Priorities of the 2017 G20 Summit."

It is noteworthy that those agreements never dealt with gender issues in a comprehensive manner. In fact, women's issues are mentioned in separate articles and women are seen as a single segment of society that has particular needs, which overlooks the fact that they overlap with all segments and their rights have to be respected in all fields, a fact that should be taken into consideration upon signing agreements. The paragraphs that addressed women's issues are quite broad and there is no mention of particular measures to be taken to address them. Also, the agreements do not specify how the challenges facing women and depriving them of their economic and social rights can be overcome, particularly ones pertaining to the dominant patriarchal discourse that prevents women from accessing economic resources and taking part in the decision-making process and limits them to few jobs, hence increasing unemployment rates.

In the EU-Egypt Partnership Priorities for 2017-2020, both parties are committed to achieving the 17 goals of the UN 2030 Agenda for Sustainable Development. The first goal is "to end poverty in all its forms everywhere," the eighth is to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all," and the ninth is to "build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." The fifth goal is to "achieve gender equality and empower all women and girls." The fact that gender equality was mentioned in a separate goal indicates how eliminating discrimination is key to achieving sustainable development.

Under each goal is a set of key issues that constitute a working plan and a number of procedures member states should follow in order to achieve the goal as well as an evaluation of progress in each country. The agenda includes a number of issues pertaining to the economic empowerment of women and which were mentioned in several goals. These issues include:[126]

- Acknowledging unpaid care services and domestic chores and supporting the division of labor within households
- Implementing reforms that give women equal access to economic resources, land ownership, financial services, inheritance, and natural resources in accordance with domestic laws
- Supporting the use of technology, particularly information and telecommunication technologies, as a means of empowering women
- Creating job opportunities for men and women and im-

126- Ibid.

proving working conditions

- Supporting comprehensive and sustainable industrialization for all, encouraging innovation and leadership, especially for women subjected to economic and social marginalization

Each country should prepare a national plan that achieves the goals of the agenda. In this context, the Egyptian government issued in 2015 the Sustainable Development Strategy: Egypt's Vision-2030 [127]. The strategy includes three aspects: the economic, the social, and the environmental. Under each aspect are several key issues and impact indicators. In terms of gender, the strategy comes up short. In the economic aspect, the target percentage of women in the workforce is to reach 35% by 2030, but there is no mention of procedures to be taken towards that end. In a section about investment policies, there is a brief paragraph about a women empowerment program that focuses on access to healthcare services and social security in the informal sector. The Ministry of Planning is coordinating with other ministries to develop this strategy, but the final version has not so far been released. The economic aspect included brief references to the economic empowerment of women,

127- The official website of the Ministry of Planning, Monitoring, and Administrative reform: http://sdsegypt2030.com/

which necessitated the release of a separate strategy that tackles this issue, hence the National Strategy for the Empowerment of Egyptian Women- 2030: Vision and Pillars issued by the National Council for women in March 2017.[128]

The strategy includes the measures the state aims at taking in order to achieve the objectives pertaining to gender equality in the 2030 Agenda for Sustainable Development. In terms of economic empowerment, the strategy adopted a general objective: "Develop women's capacities to enhance their employment options, expand their participation in the workforce, support their entrepreneurship, and realize equal opportunities for women's employment in all sectors, including holding senior position in both the public and private sector."

Detailed objectives:

- Support working women: support and increase the productivity of working women in informal and agricultural sectors; expand the provision of support services to working women and ensure a safer work environment; gender-responsive laws and work relations in all sectors; greater role for women in the governance of companies and entities

128- The official website of the National Council for Women: http://ncw.gov.eg/wp-content/uploads/2017/04/womens-stratagy.pdf

- Increase female employment rates: introduce new fields of work for women; eliminate discrimination against women in securing job opportunities; encourage new projects owned and managed by women; encourage new labor-intensive projects that employ women
- Women's access to economic resources and developing their capacities: provide training and capacity building programs for females including the marginalized; promote a culture of entrepreneurship among females; provide access to financial services.

Impact indicators	Current value	Target value by 2030
Percentage of bread-winning women below poverty line	26.3%	9%
Percentage of female participation in the workforce	24.2%	35%
Unemployment rate among women	24%	16%
Percentage of women in administrative jobs	6%	12%
Percentage of women in professional jobs	38%	48%
Percentage of female estimated income to male estimated income	29%	58%

Impact indicators	Current value	Target value by 2030
Percentage of small enterprises managed/ owned by women	22.5%	50%
Percentage of microfinance targeting women	45%	53%
Percentage of women with bank accounts	9%	18%

Impact indicators of economic empowerment:

The national strategy is more detailed and contains measurable indicators. It also stressed the necessity of cooperation between the three development parties: the government, the private sector, and civil society. However, there is a wide gap between the comprehensive view presented by national strategies and their compliance with the broad objectives listed in the 2030 UN agenda on one hand and the social and cultural challenges that obstruct women empowerment on the ground on the other hand. Women's right to work is also still restricted by a number of discriminatory laws such as labor and personal status laws. Added to this is the absence of gender-sensitive policies that could achieve equality in the workplace.

The part about economic empowerment in the 2030 vision requires the implementation of developmental policies that are capable of achieving social justice. However, the EU-Egypt Partnership Priorities document does not specify how the 2030 objectives are to be implemented. Both the priorities document and the G20 initiative basically focus on boosting investment and the role of the private sector in creating job opportunities. The priorities document does stipulate providing women and youths with the legal tools that enable them to play an active role in society and in the meeting held in December 2916 between the G20 and African countries it was agreed that working conditions need to be improved and that gender discrimination is to be eliminated. However, it is not clear how countries would oblige investors and employers to hire women and create a dignified working environment for them, especially that most multinationals, free trade areas, and private companies do not abide by the laws as far as work relations and minimum wage are concerned. In addition, many businesses do not prefer to hire women to avoid respecting their rights such as labor and maternity leave and daycare for their children. Unemployment rates among women have, however, witnessed a slight decline in the past 10 years. In 2005, unemployment rates among women reached 25.1% and drooped by 2% to reach 23.1% in 2017. According to the 2030 vision, this percentage is expected to drop to 16%. According it to the EU-Egypt Partnership Priorities, the empowerment of youths and women includes integrating the informal sector into the economy and the G20 initiative with Africa called for creating unconventional job opportunities for women through digital transformation in order to face the rising numbers of workers in the informal sector and which are estimated at 30%-40% of the GDP [129]. However, economic strategies aiming at addressing the problem of the informal sector are not based on accurate statistics that determine the size of this sector and the type of activities it encompasses. In addition, workers in this sector are impoverished and do not enjoy any form of legal protection.

Women in the informal sector:

The informal sector is the first source of jobs for impoverished women who do not have the skills required to join the formal sector. Most these women are breadwinners. Their percentage in urban areas reaches 17% and in the countryside 16.5% and the percentage of illiterate women among them is 44.7% in urban areas and 66.6% in the countryside while the percentage of widows and divorcees is 83.9% in urban areas and 70.9% in the countryside[130]. With the rise

129- "The government's workplan, 2018/2019-2021/2022." The Egyptian Cabinet, June 26, 2018.

130- "Women and men in Egypt- 2015 [Arabic]." The Central Authority for Public Mobilization and Statistics, Feb 2017.

of unemployment rates, women from different educational levels resort to working in the informal sector. The percentage of women in the informal sector is 44.7% and men 47.3%.

Policies adopted by the state in the coming stage are bound to increase the number of workers in the informal sector, both male and female. Those policies are in line with the global approach that would lead to the expansion of this sector, especially as government jobs are no longer available and the private sector would not be able to solve the problem alone.

Based on a report on the relationship between the EU and Egypt under the European Neighborhood Policy (2017-2018)[131], the EU supports several programs of business leadership and small, medium, and very small projects and believes this approach would take part in achieving economic growth and alleviating some of the negative effects of economic reforms. The EU allocates 400 million euros to give small and medium companies access to funding, provide the suitable business environment, and channel economic reform in favor of those companies. Two projects are to be implemented: one on taxes and another on banking supervision

131- https://eeas.europa.eu/headquarters/headquarters-homepage/55129/report-eu-egypt-relations-framework and monitoring. The projects aim at strengthening trade ties, boosting export, and empowering small and medium companies. Two agreements were signed with the European Investment Bank and the European Bank for Reconstruction and Development to identify the procedures that support the best tax and tariff system for small and medium companies. Procedures that create the suitable environment for innovation in these companies are also being formulated.The EU organizes training programs that prepare more than 50 thousand youths, many of whom are women, for the job market through acquiring skills that enable them to find the suitable work. Around 10 thousand were assisted in finding stable jobs or starting their own businesses. The EU implements direct programs with several official entities such as the Ministry of Labor in order to develop vocational and technical education. These programs focus on the employment of youths and target six sectors: clothing, commercial and agricultural businesses, food industries, information technology, telecommunications, and construction[132].

The Egyptian government announced in its 2018-2022 plan[133] that the number of the unemployed reached 3.2 million and that the target is creating 900 thousand jobs annually with

132- Ibid.

133- "The government's workplan, 2018/2019-2021/2022." The Egyptian Cabinet, June 26, 2018.

a total of 3.6 million jobs in the coming four years. However, the percentage of targeted women was not specified and the measures to be taken towards that end only mentioned women in the section about women's participation in the workforce particularly in small and very small projects, which provide female breadwinners with an income especially in rural areas. The program should lead to the implementation of 335 thousand projects and creating opportunities for 460 thousand more as well as increasing the percentage of women in the work force to 48%. The program also aims at implementing 2,400 awareness programs that focus on business management for youths and students, both male and female. The programs target training 4,000 youths and issuing more than 48 thousand business licenses in addition to the program called "one village, one product" of which eights villages would benefit and creating 10.2 thousand job opportunities for fresh graduates, both male and female.

The government aims at expanding the scope of small and very small projects for both men and women who received little or no education or who lack basic skills in addition to expanding the scope of business management in order to integrate male and female university graduates and linking industries to the job market. These measures constitute the alternative policies adopted by the state in order to solve the unemployment problem following the suspension of government hiring. While the private sector cannot possibly hire all unemployed men and women, men are always a preference for companies operating within this sector in order to avoid obligations towards female workers as previously mentioned. There is, however, no guarantee that under the new policies women will get the rights they are deprived off in the current workplace. This can only be changed if the state announces the strategies it intends to follow in order to put article 11 of the constitution into effect: “The state commits to the protection of women against all forms of violence, and ensures women empowerment to reconcile the duties of a woman toward her family and her work requirements.”

Training programs that prepare women for the job market according to the government plan focus on traditional jobs women have been known of mastering such as sewing, embroidery, rugs, the manufacture of food products and dairy products, and food preparation while adding new crafts such as carpentry, plumbing, and blacksmithing. While previous programs targeted increasing the number of workers integrated into medium, small, and very small projects, there are no studies to show the capacity of this new market.

In fact, this sector has been suffering from stagnation and a considerable number of men and women were unable to secure stable jobs in it for several reasons, among which was being unable to repay the loans they took to start the projects.

It is noteworthy that the Ministry of Social Solidarity[134] and the Ministry of Manpower [135] are the ministries most involved in solving problems pertaining to the informal sector. Articles 131 to 144 of labor law number 12 for the year 2003 identified the roles of the Ministry of Manpower in dealing with the informal sector, especially in terms of training, measuring skill levels, issuing licenses to practice different crafts, and drafting training policies. The Central Department for Vocational training, affiliated to the ministry, is in charge of training workers in the informal sector and its training centers are spread across 22 governorates. Training fields include electric appliances, welding, air conditioning, electronics, cars, and sewing in addition to a language lab. The Ministry of Social Solidarity utilizes education and training systems and establishes partnerships with relevant government entities, civil society organi-

134- The official website of the Ministry of Social Solidarity: http://www.moss.gov.eg//ar-eg/Pages/sector-service-detail.aspx?sid=13

135- The official website of the Ministry of Manpower: http://www.manpower.gov.eg/

zations, and the private sector to implement a number of projects including the Productive Families Project and programs that involve offering loans based on statistics posted on the ministry's official websites as follows:

- The total number of Productive Families Projects is 12 thousand, 9 thousand of which are run by women.
- The total value of loans offered by the Mastoura Project affiliated to Nasser Bank amounts to 63.546 for 2.687 small and very small projects.
- The number of projects targeting the development of rural women amounts to 75 thousand across the country and the number of women is 79 thousand.

The National Council for Women also implements a number of programs and projects that train breadwinning and impoverished women in working class neighborhoods, slum areas, and villages so that they can find adequate jobs. The council also launched loan programs in several Egyptian villages as well as training programs in project management and marketing related to handcrafts, environment-friendly projects, and information technology.

It becomes obvious from the above that the roles played by international and domestic entities and civil society organizations are quite similar for they all focus on increasing the number of workers in alternative projects. However, a comprehensive vision on how to develop this sector or how it can be integrated into formal economy is still lacking. One of the steps taken towards that end was the financial inclusion initiative launched by the Egyptian Central Bank[136] . The initiative aims at integrating marginalized women into the banking system. In this context, the central Bank signed with the National Council for Women a memorandum of understanding on September 13, 2017 in order to regulate cooperation between the two parties for the purpose of empowering women economically and financially. The MOU included a number of measures that abided by the National Strategy for the Empowerment of Egyptian Women- 2030 such as increasing the number of women with bank accounts from 9% to 18% in 2030. This will be done through increasing banking services offered to wom-

136- The Egyptian Central Bank definition of "financial inclusion": each individual or association in the community can have access to financial services that cater to their needs such as saving accounts, current accounts, transfer services, insurance, loans, and other services offered by particular entities such as banks, post offices, and civil society organizations. Through financial inclusion, all segments of society are offered the opportunity to manage their money and savings in a safe and adequate manner and are encouraged to stir away from informal entities that are not subjected to any form of monitoring or supervision. For more details, see the newsletter on the Central Bank of Egypt's official website dated April 6, 2017: http://www.cbe.org.eg en and increasing the financial awareness of women and girls[137]. These measures would enable women to take part in the decision-making process as far as economic matters are concerned and enhance their financial management skills. However, this requires overcoming the social and cultural challenges that render women financially subordinate within the household and addressing key obstacles such as lack of entities that offer financial services to women in rural and impoverished areas. This also requires setting strategies to study the market and its needs and the economic feasibility of those projects especially how far they create sustainable jobs that improve the living standards of women and their households. In addition, laws need to be issued in order to regulate this sector and design the proper social security network to protect its workforce. Otherwise, it is not possible to aspire for social justice and the economic empowerment of women.

137- The official website of the National Council for Women: http://ncw.gov.eg/ar-

The Impact of DCFTA and CWA on political and cultural rights in Egypt

Shimaa El Sharkawy

Introduction:

In 2011, negotiations between Egypt and the European Union over the Deep and Comprehensive Free Trade Agreement (DCFTA) started. The agreement aimed at creating a friendly investment environment in Egypt and supporting economic reforms Egypt adopted since the signing of the International Monetary Fund (IMF) loan. The agreement will extend the limits of free trade agreed upon in the Egyptian Euro-Mediterranean Partnership (EMP), put into effect in 2004, to include trading in services, government purchases, competition, intellectual property rights, and the protection of investment. The Compact with Africa also aims at encouraging investment in Africa, including infrastructure projects.

The economic impact of these agreements is inseparable from their political and social impacts. This applies to the way they would affect the participation of citizens in the policy-making processes especially regarding economic policies and policies pertaining to public services whose development is covered by the agreement. The agreements are also expected to affect cultural rights such as intellectual property rights. This paper examines the potential impact of the Deep and Comprehensive Free Trade Agreement (DCFTA) and the Compact with Africa on political and cultural rights in Egypt, mainly through a theoretical framework founded upon the impacts of free trade agreements on signatory states. It will also attempt to analyze the positive and negative aspects of the two agreements.

First: The impact of trade agreements on political and cultural rights:

The past few years saw the emergence of a debate over whether free trade agreements support or undermine human rights and whether those agreements should include articles that guarantee the protection of human rights with special focus on economic and social rights. Members of one camp insisted that the rules under which free trade agreements operate should be in line with human rights while members of another camp are concerned that human rights might undermine free trade and restrain economic welfare. Added to these are activists in the field of development who mainly use human rights as a slogan[138]. This debate and the apprehensions that accompany it are basically associated with the nature of trade policies that are regarded by many undemocratic and lacking in transparency, which in turn are associated with human rights violations. Apprehensions mainly arise from the contradiction between articles of free trade

138- Caroline Dommen, "Trade and human rights: towards coherence," Sur. Revista Internacional de Direitos Humanos, December 2005: https://goo.gl/48uGFC agreements and human rights principles. For example, Article 21 in the Universal Declaration of Human Rights states that “Everyone has the right to take part in the government of his country,” while Article 19 of the International Covenant on Civil and Political Rights states that everyone has the “freedom to seek, receive and impart information and ideas of all kinds and Article 25 of the same covenant states that every citizen has the right “to take part in the conduct of public affairs”[139]. While World Trade Organization (WTO) documents and negotiations have become relatively more accessible, a number of major documents are still not made public and several negotiations, especially bilateral ones, are held in extreme secrecy[140]. In fact, bilateral negotiations are always conducted behind closed doors and progress quite fast so that civil society organizations, and at times even ministries other than the ones directly involved, are left with no time to study the proposed agreements and provide feedback.

For example, reports by FTA Watch- Thailand on US-Thai trade agreement negotiations revealed that the US asked the Thai government to verbally approve keeping negotiations secret. The Thai government also signed a trade agreement

139- Ibid.

140- Ibid.

with Australia without involving the parliament and without making the content of the agreement public except after its signature and only in English[141]. In addition to violating universal human rights principles, the agreements also violate the Thai constitution that promotes public participation in the decision-making process and gives citizens the right to monitor the performance of their government. The first agreement violates US trade rules that aim at guaranteeing maximum transparency during the negotiation process. This case applies to several bilateral trade agreements that are negotiated between industrial and developing countries[142].

This lack of transparency leads to emergence of agreements that violate human rights. Several of those agreements assign a stronger role to business than public interest, which is demonstrated in the government's tendency to favor the interests of business groups over those promoted by civil society organizations. For example, interests of the Pharmaceutical Research and Manufacturers of America (PhRMA) are reflected in all recently signed bilateral trade agreements signed by the United States, which made affordable medicine unavailable for many people, hence violating the right to health care and the principle of access to medication[143].

141- Ibid.

142- Ibid.

143- Ibid.

In fact, while promoting free trade the WTO and bilateral agreements strive to do away with any regulations that might interfere with the free flow of goods and services, which curbs the government's authority to issue regulations that would serve development, protect the environment, or defend the interests of the disenfranchised. This gave rise to real concerns over the essential elements of livelihood including food and health and the provision of basic services such as education, healthcare, or water[144].

The liberalization of trade should depend, even in its narrow concept as a strategy for economic growth, on the rule of law and transparent administrative and judicial procedures in which public officials are monitored and held accountable for their actions. That is why the trade policies of corrupt, oppressive governments that turn a blind eye to violations of the law and corruption in the private sector are likely to create distorted, insecure markets. In these cases, it does not matter if multilateral trade agreements include articles that guarantee border control or condemn overt discrimination. Even though the General Agreement on Tariffs and Trade (GATT) includes major provisions that should warrant transparency, they are hardly applied on the ground or used in resolving disputes. Meanwhile, the WTO, which

144- Caroline Dommen, Op. cit.

is assigned the role of addressing transparency issues, does not have institutional expertise in this field. In fact, the institutional isolation of the WTO from human rights organizations rendered it unable to deal with transparency issues and provisions related to due process in agreements signed by the organization[145]. Transparency during the negotiating process, on the other hand, would promote the accountability required to assist developing countries in signing trade agreements that are more in line with development goals and that protect the environment and the underprivileged. However, bilateral negotiations always witness a remarkable imbalance of power in which developing countries are pressured to sign agreements that do not serve their interests[146]. In addition, trade agreements do not only affect the economies of countries involved and their trade partners, but also have a remarkable impact on societies and the environment. That is why in response to harsh criticism levelled by civil society against the bias of the international trade system, the European Union decided to conduct a "trade sustainability impact assessment" as part of its sustainable development policy.

145- Robert Howse and Makau Mutua. "Protecting Human Rights in a Global Economy: Challenges for the World Trade Organization." HUMAN RIGHTS IN DEVELOPMENT YEARBOOK 1999/2000: THE MILLENNIUM EDITION, pp. 51-82, Hugo Stokke, Anne Tostensen, eds., 2001, https://goo.gl/iFZwSP

146- Caroline Dommen, Op. cit.

Human rights advocates slammed the impact assessment conducted by the EU based on the fact that neither methodology nor practice at the present time could lead to a satisfactory evaluation of the impact of a particular trade agreement on human rights. They also noted that such assessment failed in facing the main challenges faced by impoverished countries such as low productivity, growing unemployment rates, and lack of an adequate infrastructure[147]. Several developed countries such as Canada and EU members now include a human rights discourse in their trade agreements, which is a step forward. However, the problem is that some provisions pertaining to human rights are binding while others are not, so they end up as sheer rhetoric. These include privacy rights, political participation, indigenous rights, cultural rights, access to information provisions, and due process among others. While these agreements might drive some countries to change their laws or allocate more resources for the protection of human rights, little is known about their actual impact on human rights. In addition, human rights provisions are seen as quite costly for developing countries to implement, such as intellectual property rights[148].

147- Elisabeth Bürgi Bonanomi. "Improving the Methodology for Measuring Social And Human Rights Impacts Of Trade Agreements." CDE Working Paper, 2014: https://goo.gl/e1bo1A

148- Susan Ariel Aaronson and Jean Pierre Chauffour, The Wedding of Trade and Human Rights: Marriage of Convenience or Permanent Match?, WTO Publications, February 15, 2011: https://goo.gl/QBNoEi

In this context, several methodologies were developed in order to conduct "human rights impact assessment." In 2011, the "Guiding Principles on Human Rights Impact Assessments of Trade and Investment Agreements" were presented at the 19th session of the United Nations Human Rights Council. However, they do not have the same level of legitimacy as other guidelines such as the UN Guiding Principles on Business and Human Rights since they were not adopted following an intensive participatory process as the latter. As a result, a new generation of EU trade agreements started to integrate into their content a human rights perspective[149]. The criteria used to assess impact on human rights would probably focus at the beginning on the effect on trade agreement on economic rights, yet the inclusion of political and cultural rights, even if provisions related to them are not binding, plays a major role in drawing attention to those rights.

Second: The Deep and Comprehensive Free Trade Agreement (DCFTA):

In December 2011, the EU Foreign Affairs Council started negotiations with Egypt, Jordan, Morocco, and Tunisia over the Deep and Comprehensive Free Trade Agreement (DCFTA). The initiative, launched by the EU, came in

149- Elisabeth Bürgi Bonanomi, Op. cit.

the aftermath of the Arab revolutions. A report released in May 2011 under the title “A New Response to a Changing Neighborhood,” [150] identified a number of channels through which cooperation between Europe can enhance cooperation with its southern neighbor. Among those channels was establishing partnerships with societies and not only governments through supporting civil society, democratic transition, and human rights. According to the report, the EU would create a platform that facilitates the work of civil society and would support the establishment of the European Endowment for Democracy to help political parties, civil society organizations, labor unions, and other social players in addition to supporting media freedom through facilitating access to the internet and communication technologies[151].

One of the main hypotheses adopted by the report was that a developed civil society is the means of empowering citizens and enabling them to take part in the decision-making process and to monitor the performance of the government as well as rendering economic growth more comprehensive. The report also stressed the importance of media free-

150- European Commission. A New Response to a Changing Neighborhood: A Review of European neighborhood Policy. May 25, 2011, https://goo.gl/WNadiQ

151- Ibid.

dom and access to information, especially social networking websites and communication technologies, as the basic foundations of democracy and democratic transition[152].

Regarding political rights in Egypt, the right to organize in civil society was restricted after the new NGO law was issued in May 2017. This law undermined the little space left for civil society in Egypt and obstructed the work of independent organizations. The law criminalizes the activities of non-governmental organizations and penalizes those who violate it, especially through receiving foreign funds without government approval, with five years in jail. According to the law, NGO's are to be monitored on daily basis by officials, including representatives of security entities and prohibits all activities that "harm national security, public order, public decency, and public health." The provisions of the law are broad enough to allow for the criminalization of a wide range of activities, including ones that are commonly legal [153]. This law had a negative impact on civil society in Egypt and drove several NGO's to either close or legalize their status in accordance with the law, which basically meant not being able to do their work whether in terms of advocacy or monitoring the policy-making pro-

152- Ibid.

153- Egypt report 2018. Human Rights Watch: https://goo.gl/EyXTtp cess. For example, the law regulating protests was modified in 2013 so that peaceful rallies are criminalized and violators penalized[154]. On the other hand, Egypt ranked 117 out of 180 in the Transparency Index [155]. It is noteworthy that Article 27 of the 2014 Egyptian constitution states the following: “The economic system is committed to the criteria of transparency and governance, supporting competitiveness, encouraging investment, achieving balanced growth with regards to geography, sector and the environment; preventing monopolistic practices, taking into account the financial and commercial balance and a fair tax system; regulating market mechanisms; guaranteeing different types of ownership; and achieving balance between the interests of different parties to maintain the rights of workers and protect consumers[156].” Article 218, in addition, states the following: “The state is committed to fighting corruption, and the competent control bodies and organizations are identified by law. Competent oversight bodies and organizations commit to coordinate with one another in combating corruption, enhancing the values of integrity and transparency in order to ensure sound performance of public functions, preserve public funds, and develop and following up on the

154- Egypt report 2018. Human Rights Watch: https://goo.gl/EyXTtp
155- Egypt Country profile. Transparency International: https://goo.gl/9My35h
156- Egypt’s 2014 constitution [Arabic]: https://goo.gl/UbS2WX

national strategy to fight corruption in collaboration with other competent control bodies and organizations, in the manner organized by law."[157] When the policy-making process, whose priorities are to be determined by the agreement, particularly in the fields of public services and economic policies, is monopolized by the government without involving citizens, public policies would lack one of their most important components in order to be efficient—transparency. This problem is aggravated by continuing restrictions imposed on the public sphere, freedom of expression, and access to information.

On May 16, 2014, Ecorys Europe, assigned by the EU to evaluate the impact of DCFTA, released its temporary report. For the first time, the report tackled human rights risks and particularly focused on issues like civil society participation in light of current restrictions on freedom of expression and the right to organize and the generally unstable political scene in Egypt. The report concluded that the agreement will have a negative impact on human rights if it failed to include provisions and mechanisms pertaining to democracy, transparency, governance, and the participation of citizens and civil society in the policy-making process and if the EU failed to use trade negotiations in order

157- Ibid.

to press for reform in these fields. If the agreement does not address these issues, Egypt's ability to draft laws protecting human rights will diminish and the agreement will be prioritizing competition at the expense of human rights[158].

The agreement does directly address cultural issues, but many of its provisions are expected to have an impact on the status of cultural rights. According to the International Covenant on Economic, Social and Cultural Rights, everyone has the right "(a) To take part in cultural life; (b) To enjoy the benefits of scientific progress and its applications; (c) To benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author" and "the steps to be taken by the States Parties to the present Covenant to achieve the full realization of this right shall include those necessary for the conservation, the development and the diffusion of science and culture."[159] Free trade agreements are linked in many ways to cultural rights on two fronts: intellectual property and the protection of cultural industries. Several states hesitated before accepting the WTO's Agreement on Trade-Related Aspects of In-

158- "Evaluating the impact of DCFTA between the EU and Egypt [Arabic]." The European Commission- The Directorate General for Trade: https://goo.gl/RX6J63

159- International Covenant on Economic, Social and Cultural Rights: https://goo.gl/RZx3DE tellectual Property Rights owing to concerns that high levels of intellectual property protection may not be in line with technology transfer and other social goals[160]. According to the afore-mentioned report evaluating the impact of DCFTA on Egypt, increasing the level of intellectual property protection in the agreement might lead to growing direct foreign investment in information technology and telecommunications. This will, in turn, affect Egyptian investments in these sectors. In addition, the implementation of the agreement might lead to the modification of restrictions associated with the status of direct investment, hence possibly leading to the disbanding of current partnerships and consequently increasing foreign competition in local markets[161]. DCFTA does not also address the protection of cultural industries, which are characterized by specificity and diversity across different countries. For example, DCFTA aims at lifting all customs tariffs on all goods, facilitating customs procedures, equating local and foreign investors, and putting all goods up for competition in the markets. The problem with this approach is that it jeopardizes local cultural industries, which might not be able to compete with foreign products, and compromises their cultural specificity[162].

160- Robert Howse and Makau Mutua, Op. cit.
161- "Evaluating the impact of DCFTA between the EU and Egypt," Op. cit.
162- Ibid.

Third: The Compact with Africa:

The Compact with Africa (CWA) is different from DCFTA because the former's main objective is increasing investment and fostering investment opportunities in Africa in addition to developing the private sector in African countries through investment projects adopted by foreign investors and international financial institutions. The Compact with Africa mainly focuses on the creation of an investment-friendly environment in the 12 signatory states, among which is Egypt, in order to attract foreign investments. The CWA, therefore, focuses on two main aspects. The first is the macroeconomic environment, which includes economic policies designed to maintain macro-stability and guarantee the development of the adequate infrastructure. The second is the business environment in which corporations work, including the general climate for private businesses, regulatory practices, policies pertaining to different sectors, project preparation support, the state's ability to manage partnerships between the public and private sectors, and the financing environment potential investors would encounter including the development of local capital markets and possible support from long-term institutional investors in major financial systems.[163] While CWA basically focuses on mac-

163- About the Compact with Africa, https://goo.gl/TBMCvQ roeconomics, it is likely to affect public policies, especially as far as financial and investment policies are concerned.

The Compact with Africa did not clearly deal with issues such as participation in the policy-making process or the criteria of governance, yet one of the indicators through which the improvement of the business and investment environment is measured according to the agreement is transparency as is obvious in reports written about countries involved, including Egypt[164]. It is important here to look into how serious the agreement and similar ones are about transparency indicators or the participation of civil society and citizens in the making of public policies, especially in light of growing restrictions imposed on political rights in Egypt. On one hand, information about these agreements are not made available to the public under the pretext of protecting national security, which makes citizens unaware of the provisions of the agreements and their impact on their lives. On the other hand, civil society, which can monitor negotiations and evaluate provisions of the agreements, is suffering from several restrictions that obstruct its work.

Although the CWA overlooked cultural aspects, many of its provisions are expected to have an impact on the status

164- Report to G20 Compact with Africa – Policy Matrix (Egypt), https://goo.gl/tPdBVJ of culture in the countries involved. The impact of CWA on cultural rights is not very different from that of DCFTA. In focusing on investment and business, the Compact with Africa overlooks other aspects related to the protection of local industries, including heavy industries. In addition, analysts argue that the CWA overlooks the United Nations Sustainable Development Goals [165], which assert the importance of the cultural aspect as a means of achieving sustainable development through protecting cultural diversity and the necessity of supporting local cultures and cultural products and stipulate the improvement of the working conditions of all citizens[166].

The impact of the two agreements on political and cultural rights cannot be compared with the impact on economic and social rights since the agreements do not directly address the former. However, those agreements contain provisions that are expected to have indirect impact on the political and cultural rights of citizens in the countries involved. The following section offers an overall view of this issue.

165- Ludger Schadomsky , New name but same mistakes in Compact With Africa, DW English, 30 October 2018, https://goo.gl/67pxRr

166- Sustainable Development Goals, United Nations, https://goo.gl/c5jGED

Conclusion: The impact of the two agreements on political and cultural rights in Egypt:

A first look at the Deep and Comprehensive Free Trade Agreement (DCFTA) and Compact with Africa (CWA) demonstrates that the impact might not be solely negative, for there are possible positive effects. For example, some of the provisions mentioned in those agreements, especially DCFTA, can relatively improve the status of political rights in Egypt. These include transparency and governance criteria and stipulating the participation of citizens and civil society in the policy-making process. The effect of such provisions will be particularly noticeable in case the law that imposes restrictions on the right to establish civil society organizations is reconsidered. While the challenge of strengthening civil society and supporting pluralism is applicable to all countries, it does acquire a particular specificity in countries involved in a rapid political transition or where regimes continue to repress pluralism and diversity. Both Egypt and the EU agree that civil society plays a major role in implementing the priorities of partnerships such as transparency and good governance and are capable of supporting sustainable development in Egypt[167].

167- EU-EGYPT PARTNERSHIP PRIORITIES 2017-2020, The Association Council, June 16, 2017: https://goo.gl/ev4WoQ

On the other hand, the EU's commitment to the protection of human rights in its foreign relations is expected to be mirrored in their trade policies. That is why the EU is committed to negotiate trade agreements that facilitate, rather than obstruct, the implementation of human rights principles through creating the climate that makes this possible. Impact on human rights is supposed to be evaluated before finalizing any negotiations, which necessitates the creation of a rights-based evaluation methodology and the availability of comprehensive and objective information[168].

Through lobbying for the implementation of political reforms, civil society organizations can be provided with the opportunity to underline the positive aspects of the agreement through taking part in developing trade policies on the local level. In some countries, alliances of civil society organizations do take part in this process, which not only leads to a better balance of interests, but also improves cooperation on the level of trade policies[169].

However, such development does not seem likely in the light of the rise of the far right across the world and the subsequent tendency towards exclusionist policies, which is, in turn, reflected on relationships between countries. This

168- Elisabeth Bürgi Bonanomi, Op. cit.

169- Ibid.

can be manifested in the difference between Egypt now and during the Mubarak era regarding the conditions imposed by trade agreements or loans from international financial institutions such as those related to the public sphere and access to information as a transparency indicator, which is not the case at the moment.

Even when the trade issues at hand are complicated, a rights-based methodology could have a major contribution through simple steps that include having the Ministry of Trade share information about ongoing negotiations in order to ensure that the resulting agreements will take human rights into consideration[170].

The participation of representatives of different segments of society on the local level makes the voice of developing countries heard in international negotiations, which increases those countries' ability to resist provisions that are contrary to development goals or public welfare. The case of Kenya, for example, proved that cooperation between civil society and the Ministry of Trade enabled the country to submit proposals at the right time to the WTO, hence managing to take part in the negotiations in an efficient manner[171].

170- Caroline Dommen, Op. cit.

171- Ibid.

In this context, it is also possible to develop additional tools that allow the EU to assist civil society and individual citizens in accessing the internet and other forms of communication technologies in addition to independent media outlets [172]. This would give organizations and individuals access to knowledge in a way that enables them to design the public policies that eventually, whether directly or indirectly, affect their daily lives.

On the other hand, those agreements can aggravate the crisis in Egypt if they do not abide by the criteria of political rights. This is because the success of negotiations and the implementation of the agreements would endow the current regime in Egypt with more legitimacy, hence allowing it to impose more restrictions on civil society organizations, especially those rejecting free trade agreements for economic and social reasons.

The social and economic effects of those agreements cannot be separated from the political and cultural ones. This is because the agreements' impact on the economic empowerment of citizens and their role in widening social gaps and increasing poverty and inequality will undoubtedly impact the political empowerment of those citizens and will undermine their participation in the political scene while further empowering the privileged minority.

172- Ibid.

Free trade agreements and investment partnerships: Between development promises and justice conditions

A conclusion

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The European Union is Egypt's largest trade partner. In 2017, European imports constituted 29.7% of Egypt's total trade volume while 33% of Egypt's exports are to the EU. In 2016, Egyptian imports of European food products reached 1.3 billion euros [173]. In 2005, Egypt signed the Barcelona Declaration, which encompasses two main categories: regulation of political dialogue and the establishment of a free trade zone [174]. The Barcelona Declaration focuses on three frameworks: the political and security framework, the economic and financial framework, and the cultural and social diversity framework. Based on the declaration, agreements between the EU and the Southern Mediterranean are to be bilateral, which means that the EU as an entity negotiates with each country in the Southern Mediterranean separately. This, naturally, gives the EU more negotiating leverage.

When the uprisings erupted in Tunisia and Egypt in 2010 and 2011, respectively, the EU announced in March 2011 its willingness to support the Arab people in their quest for freedom and social justice. This materialized in the Deauville Partner-

173- Saker El Nour. "Food, hunger, and free trade: The impact of DCFTA on Egyptian agricultural and food system." Published in this book. Also see "Egypt Trade" on the European Commission website: https://is.gd/dzfRbJ (accessed Nov. 9, 2018)

174- Abdel Mawla Ismail. "The Deep and Comprehensive Free Trade Agreement (DCFTA) and environmental justice in Egypt." Published in this book.

ship signed in May 2011. The agreement, however, reflected the continuation of the economic policies of the EU and the G8. It is noteworthy that the Deauville agreement does not only include members of the G8, but other major partners such as the International Monetary Fund (IMF) and other international financial institutions. Arab countries have for a while adopted the same economic policies, which only led to an increase in poverty and unemployment rates as well as the intensification of marginalization and social injustice. Owing to the conditions it imposes and the pressure exercised during negotiations, the Deauville Partnership obstructs the decision-making process in the Arab region and affects the policies southern countries adopt, hence defying the main objectives for which the uprisings were staged in the first place[175].

As a result of the repercussions of the 2011 uprisings, the subsequent financial crisis, and the growing influx of immigrants, the EU called for a new round of negotiations and the EU Foreign Affairs Council was assigned the task of starting new trade negotiations[176]. Egypt is one of the countries involved in negotiations over a deeper and more comprehensive free trade agreement with the EU[177].

175- For more information see Heba Khalil's "EU policies and social justice in Arab countries [Arabic]": http://www.socialjusticeportal.org/publication/1449/

176- Saker El Nour.Op. Cit.

177- Ibid.

New agreements with Egypt: The economic context:

The liberalization of the Egyptian market, lifting protectionist measures for local investors, and allowing foreign investors to compete with their local counterparts are examples of the impact of successive investment laws and bilateral trade agreements Egypt signed with the EU and which equated between local and foreign investors[178]. For these reasons, partnership agreements between Egypt and the EU address in some of their articles economic and social development in general and without connecting it to the negative impacts of trade liberalization. This is particularly applicable to the agriculture sector where the living standards of farmers are already deteriorating as the land market is being liberalized. In addition, the establishment of free trade zones will render competition unfair, which will lead to the growth of an informal economy as the only way out, hence widening the gap between the rich and the poor, undermining the social and economic rights of workers, and leading to a deterioration in working conditions. In case direct foreign investments do not remarkably grow or European agricultural markets are not liberalized, free trade zones are bound to have a negative impact in the countries

178- Heba Khalil. "Investing in development or developing investment? Free trade agreements and investment partnerships in the aftermath of Arab uprisings." Published in this book.

where they will be established [179]. The agreements focus on achieving economic development in its narrow, numeric form, which does not address the conditions of Egyptian citizens who lost one third of their savings and more than half their salaries when the government liberalized the exchange rate in 2016, hence devaluating the Egyptian pound and intensifying the economic crisis. The continuation of this financial policy is one of the conditions stipulated by the Compact with Africa (CwA)[180]. This heavily impacted a number of economic factors including inflation, poverty indicators, and the consumer price index [181].

According to a study conducted by the Central Authority for Public Mobilization and Statistics, Egyptian exports increased by around 113% from 2006 to 2015, yet the deficiency in the balance of trade, calculated in Egyptian pounds, grew by more than 900% and kept growing more rapidly since 2011[182]. Direct foreign investments increased as part of the GDP after signing partnership agreements with EU,

179- Abdel Mawla Ismail. Op. Cit.
180- Heba Khalil. "Investing in development or developing investment?"
181- Ibid.
182- Mohamed Gad. "The impact of DCFTA and Compact with Africa on industry and labor rights in Egypt." Published in this book. Also see Central Authority for Public Mobilization and Statistics, "Foreign trade and its impact on Egyptian economic in 2006, 2015, 2017 [Arabic]."

but this was not translated into an increase in the gross fixed capital formation, which remained at around 20%[183].

A survey of the recent history of Egypt's trade policies reveals a tendency towards the liberalization of the industry sector in the past few decades. However, the financial crisis that hit demand in developed countries had a negative impact of Egyptian exports[184]. Therefore, Egypt did not manage to solve many of its structural problems in order to benefit from the integration of the Egyptian industry into global and European markets[185].

However, it is necessary to note that the effects of these agreements are not entirely negative. Among the terms and conditions included in trade agreements, particularly the Deep and Comprehensive Free Trade Agreement (DCFTA), are ones pertaining to transparency, governance, and the participation of different segments of society, particularly civil society, in designing policies. Through lobbying for political reform, the agreement can be a channel through which civil society organizations can play a major role in society such as taking part in developing and drafting trade policies on the local level. This, however, seems a bit far-

183- Ibid.
184- Ibid.
185- Ibid.

fetched at the moment in light of the global rise of the far right and the subsequent tendency towards exclusionist policies, which in turn is reflected in relationships between countries[186].

The two agreements: Main features:

The Deep and Comprehensive Free Trade Agreement (DCFTA) aims at addressing several challenges that face Egypt and the EU, strengthening ties between the two parties in order to protect common interests, and achieving long-term stability on both sides of the Mediterranean. The agreement is to abide by universal values of democracy, the rule of law, and respect for human rights. It also aims at enhancing cooperation in order to support the Sustainable Development Strategy: Egypt's Vision-2030 [187]. The empowerment of women and youths is listed as one of the top priorities in the partnership between Egypt and the EU. This includes integrating the informal sector into the economy and providing women and youths with the legal and logistical tools that enable them to be active players in their communities[188]. In the Compact with Africa (CwA), African

186- Shimaa El Sharkawy. "The Impact of DCFTA and CWA on political and cultural rights in Egypt." Published in this book.
187- Abdel Mawla Ismail. Op, Cit.
188- Mona Ezzat. "Free trade agreements and women's economic and social rights." Published in this book.

countries are committed to work closely with international financial institutions to set a national reformist agenda that aims at attracting investment and achieving development[189]. Under the agreement, a legal framework through which African countries are to work with three international financial institutions will be established and each of the countries is to deal with the three simultaneously[190].

The problem with the two agreements is that they do not aim at establishing free trade zones in which all parties stand on equal footing since the EU negotiates with each country separately, which means that those parties do not enjoy the same economic or political leverage and will not equally benefit from the liberalization of trade [191]. A clear example of this lack of balance is the biased definition of "dumping" coined by the WTO and which states that dumping does not take place if the prices of imports are not higher than those of their counterparts in the local market. Yet after several complaints of dumping and the European subsidy system, some modifications were introduced in Europe, including

189- Heba Khalil. "Investing in development or developing investment?"

190- Ibid.

191- Reem Abdel Halim. "The impact of the Deep and Comprehensive Free Trade Agreement (DCFTA)
and the Compact with Africa on public services, social security, and employment policies in Egypt." Published in this book.

direct payments to European farmers in order to avoid the negative impacts of market intervention [192]. The case is, however, different in Africa as the agreement does not stipulate imposing taxes on high incomes or on companies that make high profits, but rather increases pressure on average citizens while giving foreign investors all the privileges they need in African countries [193]. The agreements, similar to ones that preceded them, do not focus on gender issues to which only a few scattered paragraphs are dedicated. There is also a constant tendency towards treating women as a single small segment of society while overlooking how their rights overlap with all aspects of life[194].

The two agreements and issues of growth and development:

Starting negotiations over expanded free trade agreements demonstrated that EU trade and investment policies have not really changed following Arab revolutions and that its priorities revolve around liberalization that would also extend to public goods like government purchases and services such as education and healthcare. This stands in stark contrast to the main objectives of the revolutions that erupt-

192- Saker El Nour. Op. Cit.
193- Heba Khalil. "Investing in development or developing investment?"
194- Mona Ezzat. Op. Cit.

ed to call for freedom, dignity, and social justice and that particularly rejected this economic model [195].

In those agreements, the roles played by international institutions, local governments, and civil society organizations are quite similar for they all presumably focus on the necessity of increasing the number of people who work in small and medium projects. However, there is no vision that demonstrates the means through which this sector can be developed or how it can be integrated into the formal economy [196]. It is noteworthy that a country like Germany supports the view that development is only possible through globalization, hence undermining local policies in each of the countries signing the agreements and overlooking the importance of protectionist measures[197]. Added to this is the fact that policies designed by the EU under the European Neighborhood Policy do not only target free trade, but also include political and security issues, privatization, intervention in the services sector, freedom of capital movements, and intellectual property rights, hence cover a wide range of fields [198]. In return, the EU pledges to boost the economies

195- Abdel Mawla Ismail. Op. Cit.
196- Mona Ezzat. Op. Cit.
197- Heba Khalil. “Investing in development or developing investment?”
198- Reem Abdel Halim. Op. Cit.

of southern countries through granting them more access to the European market and giving them political assistance in the formulation of the rules of governance [199] in addition to establishing the biggest free trade zone in Africa. The expansion of the market across 26 African countries is expected to achieve economic growth that, in turn, leads to prosperity and the elimination of poverty[200]. Member states of the G20, who initiated the CwA, said they will encourage their private sectors to invest in the infrastructure of African countries, yet they insist partnerships are to be established between the public and private sectors in each of the countries in order for this to be possible. This model is fraught with risks from the point of view of many Egyptian NGOs since it gives investors all the guarantees that profit would be generated, hence making local governments bear any potential losses in a given project[201]. The agreement also encourages direct European support in Egypt, which facilitates the access of European investors and multinational corporations to arable land and water resources for export purposes. This form of investment is known as "resources

199- Ibid.

200- Ibid.

201- Mohamed Gad. "Loan policy is against development [Arabic]." *Al-Shorouk*, 2012: http//:www.shorouknews.com/news/view.aspx?cdate&09092012=id=fe61c7cc58-aa493-b8858--358cdd92130f

grabbing," which means taking hold of natural resources to be used for the agricultural production for exporting purposes[202].

Experiences of other African countries reveal that the implementation of free trade agreements is likely to lead to the dumping of agricultural and food products on local markets, as argued by Jacques Berthelot in the study that examines the impact of the partnership agreement between West Africa and the EU [203]. The agreement between Egypt and the EU is also expected to increase dependence on high-calorie food made available through import such as grains, meat, and dairy products and decreasing consumption of fruits and vegetables that are mostly exported. In addition to a deterioration in the current food system, this transformation could lead to another food crisis similar to those in 2008 and 2011, especially in light of the fluctuation of the prices of grains[204].

The two agreements between sectorial development and justice:

In the EU-Egypt Partnership Priorities for 2017-2020, both parties agreed to commit to achieving the 17 goals of the UN

202- Saker El Nour. Op. Cit.
203- Ibid.
204- Ibid.

2030 Agenda for Sustainable Development. The fifth goal of this agenda is to "achieve gender equality and empower all women and girls." Under each goal is a set of key issues that constitute a working plan and a number of procedures member states should follow in order to achieve the goal [205]. The Egyptian government issued in 2015 the Sustainable Development Strategy: Egypt's Vision-2030 to identify the national strategies that will be employed to in order to achieve those goals, yet the parts about the empowerment of women were too general. This led the National Council for Women to issue the National Strategy for the Empowerment of Egyptian Women- 2030: Vision and Pillars[206]. The strategy includes the measures the state aims at taking in order to achieve the objectives pertaining to gender equality in the 2030 Agenda for Sustainable Development[207].

Trade volume underlines the loss Egypt is expected to sustain compared to the EU. Even though Egyptian exports to the EU have been growing and so is their percentage to Egypt's GDP, the EU is still the party that imposes strict conditions on trade and access to its markets [208]. Studies

205- Mona Ezzat. Op. Cit.
206- The official website of the National Council for Women: http://ncw.gov.eg/ar
207- Mona Ezzat. Op. Cit.
208- Reem Abdel Halim. Op. Cit.

claim that the agreement will raise the wages of medium-skilled workers in Egypt by 5%. While this might be true in the short term, it is not sustainable for more than a year or two, which will have a negative impact on justice within different sectors in Egypt. Also, the agreement will have a minimal, if any, positive impact on high-skilled workers. Negative impacts of the agreements include:

- State intervention to make up for the damages done to the social security system and to address the rise of unemployment rates will be curtailed by a decline in tariff revenues, which in turn will have a negative impact on public services such as education and healthcare and will contribute to the deterioration of living conditions.
- In the short term, there will be a decline in state resources that could be used for spending on social security such as pensions and investment in education and healthcare. This will be the result of the decline in tariff revenues following the implementation of the agreement.[209]
- The share of low-skilled workers of the GDP, currently 25%, will decline because with the decline of wages and the possible loss of jobs, consumption is bound to decrease. This share is mainly comprised of cheap goods that are accessible to those workers and available

209- Ibid.

in their local surroundings.

- The agreement stipulates improving the quality of public services while the EU lobbies through the European Neighborhood Policy for the privatization of these services, which proved in different cases to undermine the principles of social justice.
- The rise in the cost of transporting goods, the obstacles that face the transportation of workers, and the decline in the productivity of workers in disenfranchised regions that basically depend on elementary industries which will be crushed by unequal competition are all factors that would lead to intensified regional poverty[210].

Article 44 of the Egypt-EU Association Agreement asserts the necessity of cooperation to prevent any damage to the environment and to reduce pollution through the wise use of natural resources in order to guarantee the achievement of sustainable development. Article 53 mentioned in very general terms the development of renewable energy and the second paragraph of this article addressed integrating Egyptian energy markets with their European counterparts. The agreement did tackle the potential impact of cooperation in the fields of energy, agricultural and fish products, water resources, and other forms of economic cooperation

210- Ibid.

included in the agreement and which are expected to have numerous effects, direct and indirect, on environmental resources [211].

It is noteworthy that the agreements have positive aspects as far as funding is concerned[212], yet they are still limited since they overlook balances of power in the field of exports and agricultural production in Egypt as well as balances of power on the global level [213]. Challenges that can face Egyptian products' access to European markets include the inconsistency of state plans and lack of proper quality control to ensure that Egyptian products meet European standards as well as competition from other Southern Mediterranean countries that have longer trade relations with the EU[214] .

The impact of the two agreements on economic and social rights:

A study by Abeer Elshennawy and Dirk Willenbockel concludes that trade liberalization did not increase demand on skilled labor as expected. It also sheds light on the expansion of the informal sector, to which large numbers of unskilled workers resort and argues that the wage gap within

211- Abdel Mawla Ismail. Op. Cit.
212- Mohamed Gad. Op. Cit.
213- Saker El Nour. Op. Cit.
214- Ibid.

the Egyptian working class will not be bridged unless policies are adopted to facilitate the transfer of labor force from the informal to the formal sector[215]. With the expected decline in traditional sectors, the increase in prices as a result of higher demand on Egyptian exports, and growing competition, agricultural labor and elementary industries will be the most affected as far as workers' rights are concerned. This situation gets works as the price of food becomes more linked to global prices[216]. While Egyptian environmental resources are being integrated into European markets through different partnership agreements, there are no partnerships with civil society organizations and farmers in order to address the negative effects of those agreement. In fact, there is no framework through which civil society organizations on both sides of the Mediterranean can coordinate and take part in formulating the relationship between the EU and Egypt[217]. Partnership agreements between Egypt and the EU did manage to improve economic growth, yet an extremely wide gap remained between the per capita share

215- Mohamed Gad. Op. Cit. See also: Abeer Elshennawy and Dirk Willenbockel . "Trade Liberalization and the Costs and Benefits of Informality :An Intertemporal General Equilibrium Model for Egypt" *Economic research Forum (ERF)*, 2014 : https://bit.ly/2lvp71n

216- Reem Abdel Halim. Op. Cit.

217- Abdel Mawla Ismail. Op. Cit.

of the GDP in Egypt and European countries[218]. However, the agreements still insist on increasing value added taxes as a means of increasing revenue, but because of the negative social impact of these taxes, the agreements propose the intervention of the state to support the disenfranchised[219]. The privatization of infrastructure, which is already the case in Egypt through the liberalization of electricity, fuel, and subway tickets, is also a problem even though it contributes to the facilitation of obtaining funding for infrastructure projects[220].

The agreements also deal with the production and consumption of food as if food is a commodity like any other, hence overlooking a number of issues pertaining to the right to food as well as the social and cultural aspects associated with production of and access to food. Meanwhile, agricultural policies in Europe focused on supporting farmers and achieving food security for the continent while boosting its exporting abilities, agricultural policies in Egypt focused on supporting desert reclamation and increasing areas allocated to export crops at the expense of local farming in the Nile Valley and Delta[221].

218- Mohamed Gad. Op. Cit.
219- Ibid.
220- Ibid.
221- Saker El Nour. Op. Cit.

In terms of women rights, the agreements propose increasing the number of women taking part in medium, small, and very small projects, but there are no studies to show the capacity of this new market. In fact, this sector has been suffering from stagnation and a considerable number of men and women were unable to secure stable jobs in it for several reasons, among which was being unable to repay the loans they took to start the projects[222].

Conclusion:

Human rights advocates criticized the trade sustainability impact assessment conducted by the EU based on the fact that neither methodology nor practice at the present time could lead to a satisfactory evaluation of the impact of a particular trade agreement on human rights[223]. When the policy-making process, whose priorities are determined through those agreements, is confined to governments without the participation of citizens, the resulting policies will be lacking the most important criteria of transparency and effectiveness. This problem is aggravated by continuing restrictions imposed on the public sphere, freedom of expression, and access to information [224]**.** On the other hand, none of the two agreements addressed the protection of cultural

222- Mona Ezzat. Op. Cit.

223- Shimaa El Sharkawy. Op. Cit.

224- Ibid.

diversity and supporting local industries[225].

Meanwhile, the agreement will lead to the liberalization of trade and competition between European and Egyptian agricultural producers and even though the EU argues that rules are fair and unified, there is no doubt that players do not stand on equal footing. Therefore, equal rules between unequal players are no longer equal .[226] True, products are available in African markets for lower prices, but this happens at the expense of local producers, especially small ones of lesser ability to compete. This in turn leads to an increase in poverty rates as well as in migration from affected rural areas[227].

Negotiations, which place between the EU as one whole entity and each of the countries in the Southern Mediterranean separately, remain a vital tool of hegemony. This is not expected to change unless countries in the Southern Mediterranean develop their institutions or establish alternative ones that can deal with the EU. Despite a few positive effects, partnership agreements between Egypt and the EU did not take into consideration all the problems pertaining to social and economic aspects. Even the 2011 uprisings did not change this approach, for the decision-making process

225- Ibid.

226- Saker El Nour. Op. Cit. See also: Michael Carolan. *The real cost of cheap food*. Routledge, 2018.

227- Ibid.

in Europe seems to be informed by the hegemony of major corporations, especially in light of the rise of the far right. These agreements continue to intentionally mix development with growth while overlooking social justice and economic and social rights. Meanwhile, a few progressive concepts are embedded within the agreements such as women rights and the role of civil society yet not taking any action if none of those are implemented on the ground. In fact, the violation of these principles is overlooked in return for superficial reforms implemented by the Egyptian government.

If this approach does not change on both the European and Egyptian sides, partnership agreements will remain a tool for dominance not only in the Southern Mediterranean, for it is in fact the dominance of neo-liberal corporates on both side of the Mediterranean. These policies gradually prove that they do not achieve stability as promoted, which leads to the adoption of the security discourse by the state accompanied with a remarkable decline in democratic practices. Growing injustice resulting from these policies is bound to lead to a general state of resentment that would trigger more instability. This is the vicious circle the far right creates in order to promote its policies and come to power whether through direct movements such as Italy and Egypt or through politicians that support this trend such as France and Tunisia.

Annexes

Figure (1)

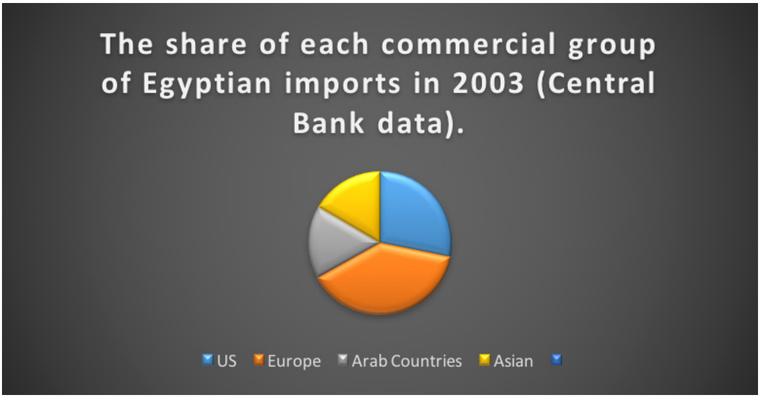


Figure (2)

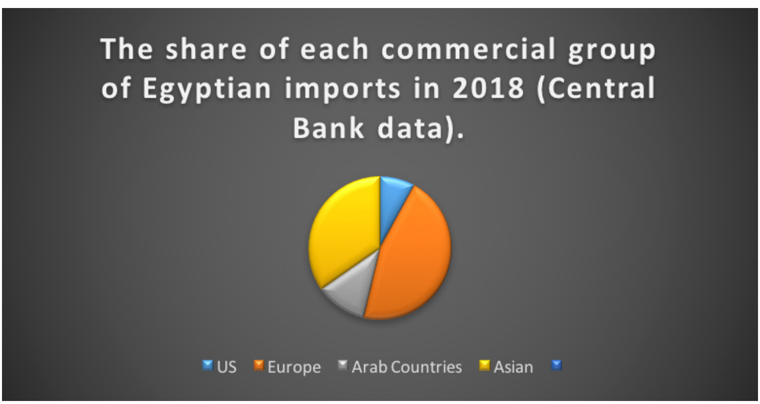


Figure (3)

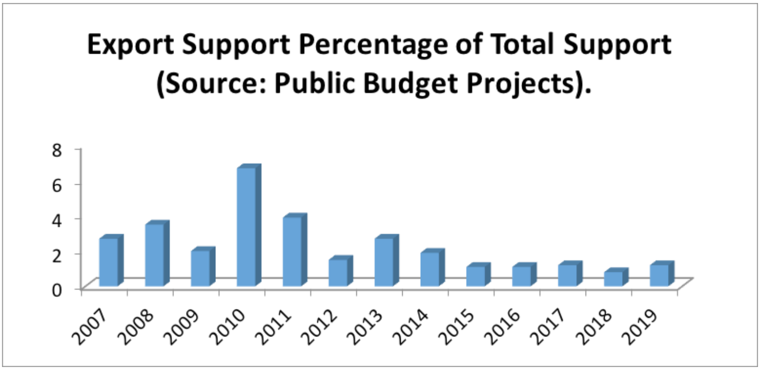


Figure (4)

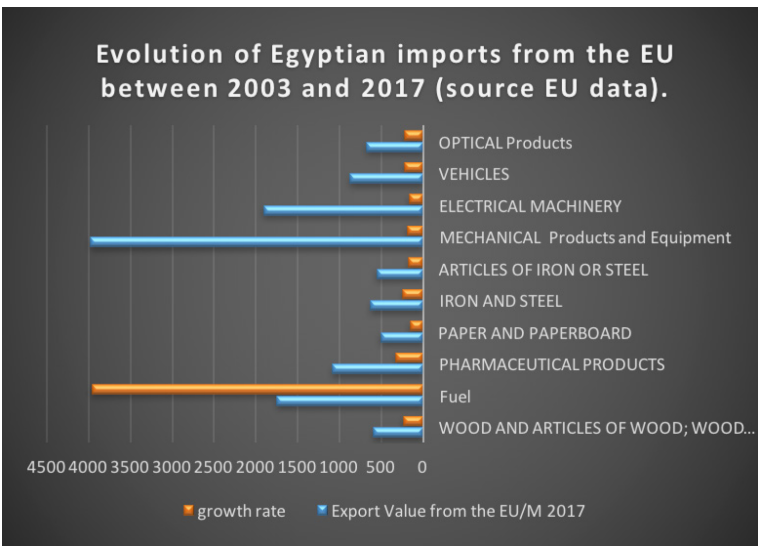


Figure (5)

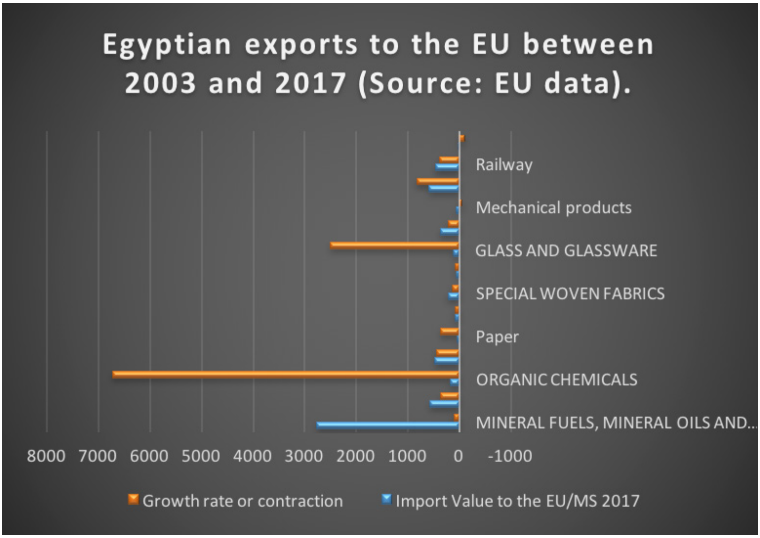
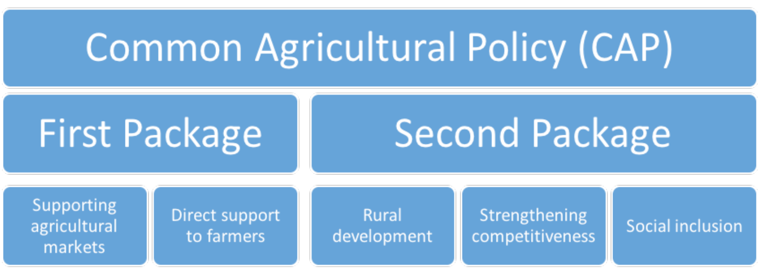
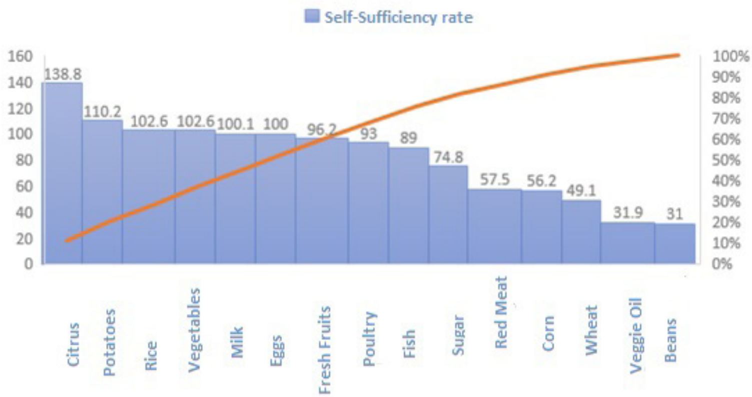


Figure (6): The structure of the Common Agricultural Policy (CAP) and subsidy categories (20142020-):



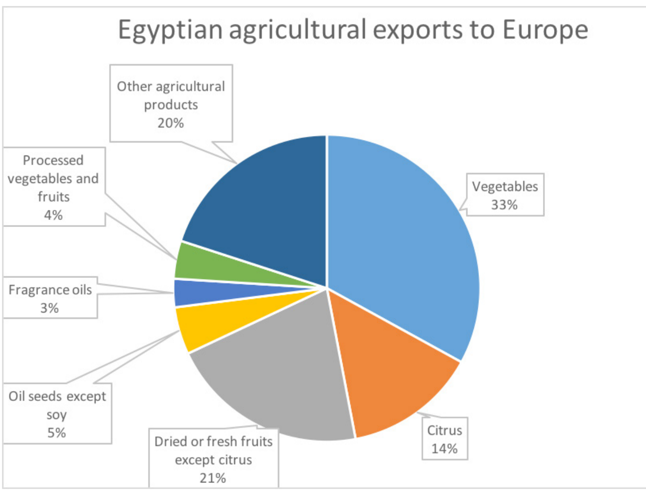
Source: The author based on data from the EU website: https://is.gd/cXvS8p

Figure (7): The structure of the Common Agricultural Policy (CAP) and subsidy categories (20142020-):



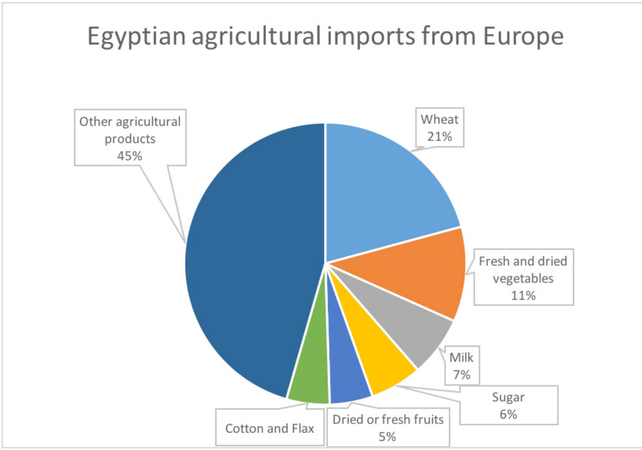
Source: Egypt's Bullitein- Agriculture, Central Agency for Public Mobilization and Statistics, March 2018. Statistics for 2013 include sugar and vegetable oils while the rest is from the 2015 statistics.

Graph (8): Self-sufficiency of crops and basic foodstuffs (2013 and 2015):



Source: European Union, Egypt agri-food trade statistical factsheet, European commission: Https://Is.Gd/D7h5yh (accessed Nov. 11, 2018)

Graph (9): Egyptian agricultural imports from the



Source: European Union, Egypt agri-food trade statistical factsheet, European commission: Https://Is.Gd/D7h5yh (accessed Nov. 11, 2018)

Figure (10)

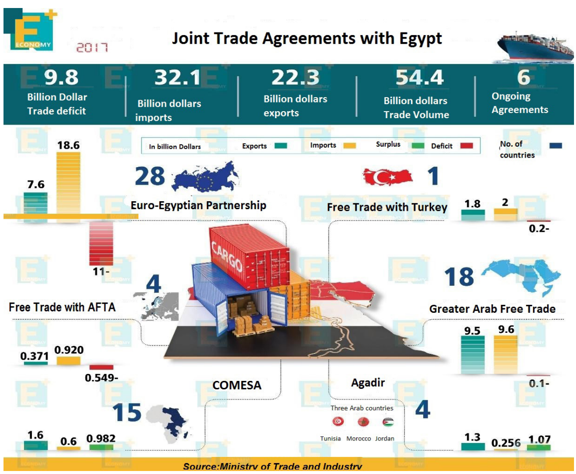
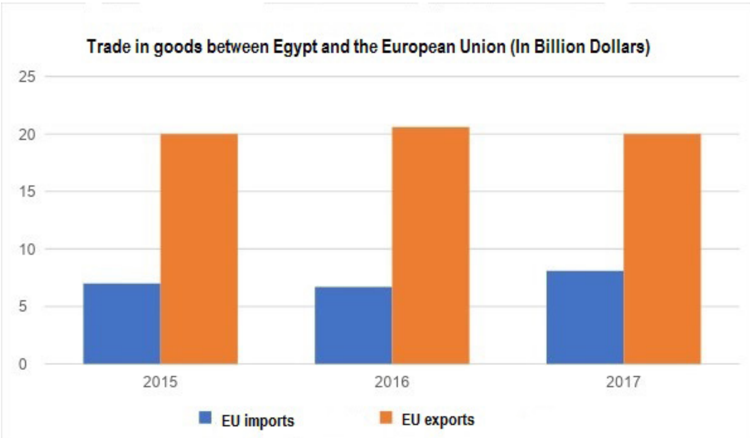
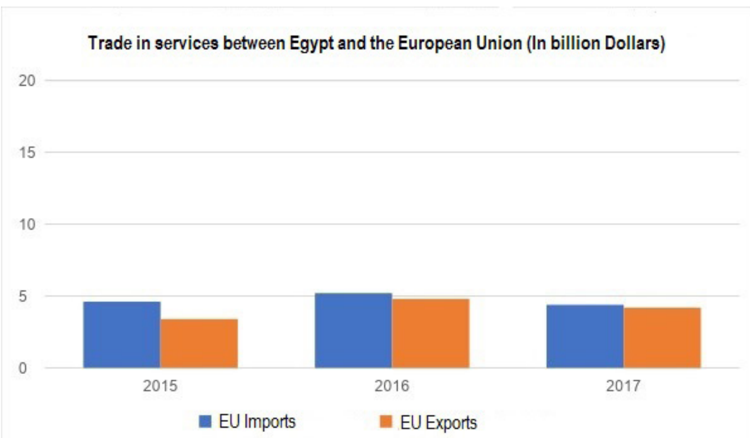


Figure (11)



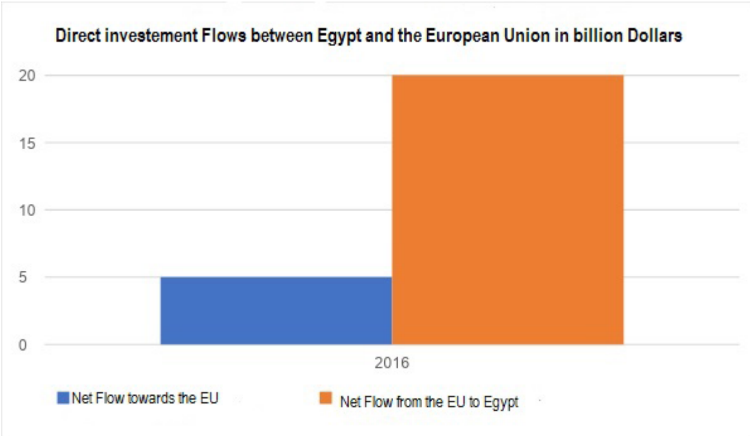
Source: UNCTAD database

Figure (12)



Source: UNCTAD database

Figure (13)



Source: UNCTAD database