

A NEW BOOST TO EGYPTIAN AFRICAN RELATIONS

January 2018

For the second time in two years, Egypt hosted an important economic African event in Sharm El Sheikh city on the 8th of December, where the “Africa 2017 Forum” was held under the name of “Driving Investment for Inclusive Growth” in a move to develop trade and investment among the continent’s countries.

In 2015, Sharm El Sheikh also witnessed the launch of the “Tripartite Free Trade Area (TFTA)”, which integrates the largest three African existing trade blocs (Eastern African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), including Egypt, and Southern African Development Community (SADC). The objectives of the TFTA are enhancing market access and harmonizing policies in areas of common interest. The main goal of the agreement is to establish a Free Trade Area (FTA) on the existing COMESA, EAC and SADC FTAs.

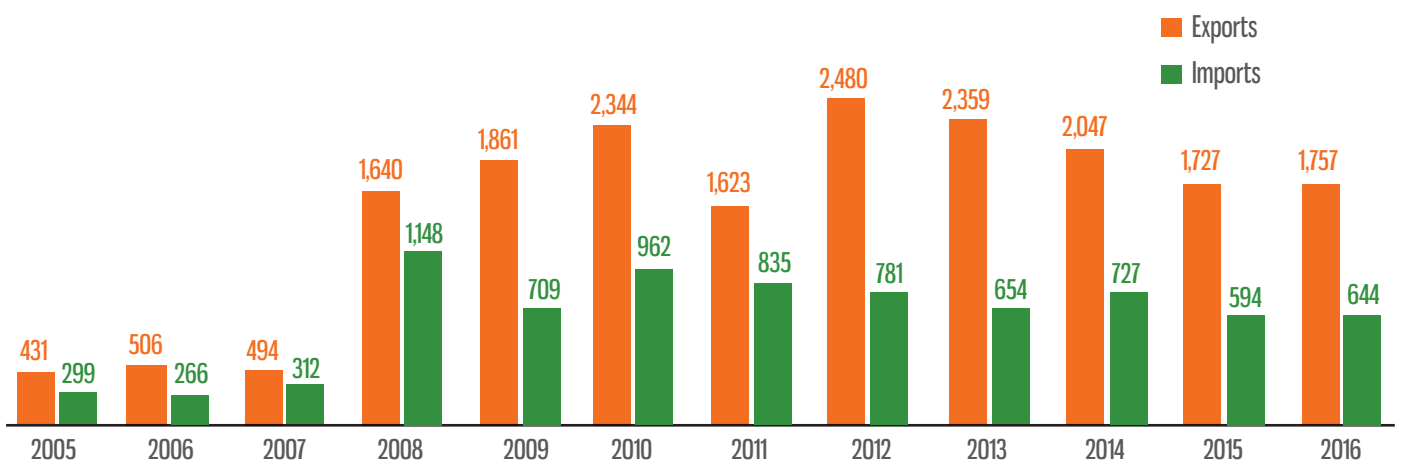
These active moves came as part of Egypt’s strategy adopted in recent years to regain its historical role in Africa, through establishing a strong and constructive relationship with African countries that would have great chances to accelerate Egypt’s potential growth in terms of investment, trade and industrialization levels. Despite that Egypt has a wide ranging economy which continues to expand, it has so far not exploited the opportunities offered by the growth seen in the continent and Egypt’s share of African trade just has averaged about 0.5% over the last 3 decades.



EGYPT’S ENGAGEMENT IN AFRICA

- Since Egypt has joined the COMESA in 1998, trade with COMESA countries has developed and hiked noticeably over the last decade, recording USD2,401 billion in 2016 compared to USD772 million in 2006. However, it appears to be affected by the 2011 uprising, but was able to recover in a short period.
- Although the trade balance is always registering surplus in favor of Egypt, the intra- trade between the two sides is still modest and in need for support.

TRADE BETWEEN EGYPT AND COMESA (IN USD MN.)



Source: COMSTAT Data Portal, COMESA

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EGYPTIAN EXPORTS: TOP AFRICAN DESTINATIONS (in 2016)



1st

KENYA

Total Exports
USD264.4 million



2nd

SOUTH AFRICA

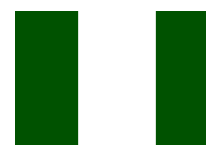
Total Exports
USD226.3 million



3rd

ETHIOPIA

Total Exports
USD106.2 million



4th

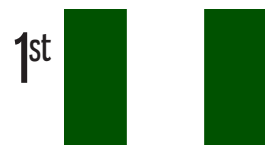
NIGERIA

Total Exports
USD90.6 million

Source: The Central Agency for Public Mobilization and Statistics (CAPMAS)
This data excludes Arab countries.

- Egypt's main exports to COMESA countries are aluminum products, pharmaceuticals, petroleum products, carpets, ceramics, foodstuff, furniture, fertilizers, insecticides, cement, iron, rice and fabrics.

EGYPTIAN IMPORTS: TOP AFRICAN SOURCES (in 2016)



1st

NIGERIA

Total Imports:
USD331.6 million



2nd

KENYA

Total Imports:
USD306.8 million



3rd

ZAMBIA

Total Imports:
USD135.4 million



4th

SOUTH AFRICA

Total Imports:
USD131.5 million

Source: CAPMAS
This data excludes Arab countries.

- Egypt's main imports from COMESA countries are tea and coffee, cocoa, legumes, sesame, raw leather, tanning substances, plant essences and livestock.

EGYPTIAN- AFRICAN INVESTMENTS

Although the business climate in Africa has witnessed an improvement over the past decade, Africa is still considered an untapped market based on its potentials and natural resources. In 2016, Foreign Direct Investment (FDI) inflows recorded USD59.4 billion (3.4% world share).

- According to the "African Economic Outlook Report 2017", Egypt is considered the top destination in Africa for FDI, followed by Morocco, Angola, Ghana, Mozambique, South Africa, and Ethiopia.

TOP FOREIGN DIRECT INVESTMENT DESTINATIONS IN AFRICA IN 2016

COUNTRY	VALUE (USD BN.)	MAIN RECIPIENT SECTORS
Egypt	10.1	Real estate, oil, gas, alternative/renewable energy
Morocco	4.9	Alternative/renewable energy, real estate, automotive
Angola	4.4	Oil, gas, communication, transportation
Ghana	3.6	Oil, financial services, construction
Mozambique	3.4	Transport, coal, gas, real estate
South Africa	2.8	Coal, oil, gas, transportation, automotive
Ethiopia	2.7	Chemicals, real estate, textiles

Source: African Economic Outlook Report 2017

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- Egypt is currently directing its efforts towards enhancing investments in Africa, Egyptian investments in Africa amount to around USD7.9 billion, distributed over 62 projects. These investments are mainly in the sectors of construction, infrastructure, energy, mining, agriculture, communications and information technology. The main African destinations for Egyptian investments are Algeria, Sudan, Libya, Nigeria, Morocco, Ethiopia, Swaziland, Tanzania, Kenya and Cote d'Ivoire.
- African investments in Egypt amount to USD2.8 billion, as announced by Heba Salama, the Head of the Regional Investment Agency of COMESA, in December 2017.

THE EGYPTIAN GOVERNMENT'S RECENT EFFORTS TO ENHANCE ITS ENGAGEMENT IN AFRICA

Egypt is currently making great efforts to restore its historical role in Africa and exploit the opportunities and potentials in the African continent. This is evident in the below steps:

- The Ministry of Trade and Industry (MTI) is working on establishing a new strategy that aims at increasing exports to Africa within the next three years. The strategy includes a business plan with a timetable, targeted countries, and implementation mechanisms that open new markets for Egyptian exports to Africa.
- The MTI opened five new representative offices in Tanzania, Ghana, Uganda, Djibouti, and Côte d'Ivoire, in addition to the establishment of the first logistics center in Kenya to facilitate the movement of trade between Egypt and East Africa. The ministry is also studying the establishment of a logistics center in Ghana or Côte d'Ivoire to develop trade relations with the countries of West Africa.
- Egypt has completed the operation of a shipping line with Kenya, aiming to shorten the period for the transfer of Egyptian exports to the Kenyan markets to 10 days from 45 days.
- The Egyptian Exporters Association - Expolink (EEA) is planning to establish 12 logistics centers in a number of African nations in three years. EEA is a non-profitable private sector association, founded in 1997. The centers will give the Egyptian goods a permanent presence in the African markets, and will eventually boost the Egyptian exports to those countries.
- The Egyptian banking sector is taking considerable steps to penetrate the African continent. Banque Misr announced its plans to open five representative offices in Kenya, South Africa, Nigeria, Tanzania and Senegal. Similarly, the Commercial International Bank (CIB) and the Export Development Bank of Egypt (EBE) announced their intentions to expand their activities in Africa during the next period. In addition, the National Bank of Egypt (NBE) already has two representative offices in South Africa and Ethiopia along with a unit in Sudan.



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AFRICA 2017 FORUM OUTCOMES

- The African Export-Import Bank (Afreximbank) signed an agreement worth USD500 million with EBE, aiming to support Egyptian exports and investments in African countries.
- Afraximbank signed a Memorandum of Understanding (MoU) with Attijariwafa Bank to boost trade exchange between Egypt and Africa. Attijariwafa Bank will act as a domestic representative for Afraximbank through its network of branches located in 15 African countries.
- Additionally, Banque Misr signed an agreement worth USD50 million with the Arab Bank for Economic Development in Africa aiming to boost trade in Africa.
- Egypt's Ministry of Higher Education and South African Regent Business School signed an agreement to establish an international university in Egypt.

