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Egypt: FTA controversy

📅 28 February 2005

Egypt and the US held the most high-level bilateral trade meeting since 2002 last week - a sign that the eventual opening of formal negotiations for a Free Trade Agreement (FTA) could be in the works. However, officials on both sides were vague as to when that might be, saying that there were still important issues to be resolved before proceeding to the next stage of trade negotiations.

The meeting that took place between Minister of Foreign Trade and Industry Rachid Muhammad Rachid and US Assistant Trade Representative for Europe and the Mediterranean Catherine Novelli was held under the auspices of the Trade and Investment Framework Agreement (TIFA) the two countries signed back in 1999. There had been no TIFA meeting since 2002, and US officials had expressed on several occasions during the government of former Prime Minister Atef Ebeid that they were frustrated with the pace of economic reform in Egypt. The resumption of high-level trade talks suggests that the US is optimistic about Egyptian trade policy in the wake of reforms introduced by the Nazif government since last July and the Qualified Industrial Zones (QIZs) agreement signed between the US, Israel and Egypt in December.

Egyptian businessmen are mostly eager to sign an FTA with the US and disappointed that Egypt's chances have seemed to dim in the past few years while other Arab states such as Morocco have moved ahead. Although the slow pace of reform under the previous government was one reason bilateral trade relations were frozen, there were also a few public disputes. In summer 2003, for instance, the then US trade representative, Robert Zoellick, expressed his frustration with an Egyptian decision to back the European Union in a dispute over genetically modified foods.

In the current political environment, however, it seems that the US is once again warming up to the possibility of a bilateral FTA. Nevertheless, it remains unclear what kind of timetable to expect. While the US is beginning negotiations with other Arab countries such as Oman and the United Arab Emirates, it is still non-committal towards Egypt - aside from a vague pledge to create a Middle East Free Trade Area (MEFTA) by 2013. Novelli, while approving the steps taken so far by Egypt towards economic reform, indicated that she expected more and was evasive about when FTA negotiations might begin.

We came away extremely impressed by the determination to persevere to continue towards further reform, she stated at a joint press conference with Rachid after the TIFA meeting.

Because of public suspicion towards the US and a still ongoing debate over QIZs - with many Egyptians objecting on principle to collaboration with Israel while it continues to occupy Palestinian territories - the FTA is a controversial issue. Press reports, often unsubstantiated, often slam the Nazif government for its economic reform policy, saying it is directed at pleasing the US just as Egyptian foreign policy is sometimes criticised for supporting American goals in the region.

Conscious of this, Rachid stressed after meeting Novelli that the reforms his ministry and others were carrying out were independent of any trade negotiations. This was an Egyptian reform plan led by Egyptians, he said. We are doing these reforms not for the FTA, but because they are for the good of our country.

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But one key issue that has grabbed public attention is a letter from PHARMA, the American pharmaceutical industry lobby, to various Egyptian ministers and to the US Trade Representative expressing serious concerns about Egypt's policy in the sector and arguing against beginning FTA negotiations.

Egypt maintains price controls on medication to make it accessible to poorer segments of the population, a practice often followed in other countries, but foreign pharmaceutical companies based in Egypt say that prices are still tied to an old foreign-exchange rate and that the authorities do not make enough effort to combat the production of generic medicine based on their products.

In an interview with OBG last week, Rachid said that Egypt meets all of its obligations and said PHARMA's letter was full of errors.

Egypt will respect all of its international obligations, Rachid told OBG. We have no hesitation to be in compliance with our international commitments. That applies to intellectual property rights, which governs this whole issue of pharmaceutical products. We've been taking all the steps [necessary] in the last few years to be in compliance. I am not at all concerned about the situation. The letter that came from the US is full of false information and we want to clear this up.

PHARMA's letter has however caused a stir among local non-governmental organisations (NGOs) and medical associations, who have slammed it and expressed concern that the government might give in to pressure from the pharmaceutical industry.

The American pharmaceutical lobby, assisted by the US administration, is seeking to restrictively interpret international and Egyptian laws in order to prevent competition from cheaper generic drugs that could save the lives of thousands of Egyptian citizens, said Aya el-Hilaly, Health and Human Rights Programme Officer at the Egyptian Initiative for Personal Rights, an NGO.

The current government seems so eager to reach a free-trade agreement with the US that we fear it might be willing to forfeit Egyptian citizens' right to health, said el-Hilaly. We hope that Egypt will not join other countries in the region, such as Jordan and Morocco, who failed to defend their citizens' rights in bilateral agreement with the US in the face of severe pressures from American companies and state officials.

Thus far, the Egyptian government has stuck to its guns on its pharmaceutical policy and says it is fully compliant with TRIPS, the World Trade Organisation agreement that covers intellectual property rights issues such as medical patents. But it will have to convince US trade negotiators that an FTA deal with Egypt would be worth it despite the concerns of pharmaceutical companies. Rachid and other Egyptian officials will soon get another opportunity to lobby for that when they meet their American counterparts in Washington next month in advance of the annual April meeting between the two countries' presidents.

Rachid remains optimistic that this will see some real progress. We hope that this will be the last TIFA meeting, and after that we will move into free trade agreement negotiations, he told OBG. I will be in the US in March and I hope we will be able to launch the negotiations for an FTA.

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