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The Egyptian-Turkish Free Trade Area Agreement:
What are the Expected Benefits?
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Abstract

The Egyptian and Turkish governments are currently seeking to liberalize their regional trade and consolidate their power positions in the Middle East through the establishment of a free trade area. This proposal has triggered numerous questions that this paper attempts to discuss, namely: What is the Egyptian-Turkish free trade area expected to offer in terms of economic gains, considering that both countries are already engaged in similar agreements with other parties in the Middle East and in other parts of the world? Will this agreement optimize the economic benefits from the other agreements or offset them? Are the real reasons behind the establishment of the free trade area political in nature? If so, are these political motives sufficient to activate the Egyptian-Turkish free trade area without significant economic incentives?

The study concludes that due to its limited coverage and extended duration, the suggested agreement will not promote Egyptian exports to Turkey in the short run. It also shows that although the Free Trade Area between the two countries might have long-term dynamic benefits related to investment and growth, the suggested draft agreement limits possible short-term dynamic gains for Egypt. The agreement neither promotes the sectors where Egypt has comparative advantages such as tourism and construction services, nor does it encourage investments and joint-venture projects between the two countries. Finally, the analysis notes Egypt is likely to benefit politically from this agreement by strengthening its role as a mediator, curbing Turkish-Arab tensions in general, in addition to consolidating its position in the region and enhancing its relationship with the super powers.

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ملخص

فى إطار برامج الإصلاح الاقتصادى وسياسات تحرير التجارة التى تنتهجها حكومتا جمهورية مصر العربية وجمهورية تركيا، تسعى الحكومتان فى الوقت الراهن الى تحرير تجارتهما الإقليمية وتدعيم موازين قوتهما فى إقليم الشرق الأوسط، وذلك من خلال التفاوض بشأن إقامة منطقة تجارة حرة بين البلدين. ويثير هذا التحرك الاقليمى العديد من التساؤلات التى تناقشها هذه الدراسة ومن أهمها: ماذا تقدم منطقة التجارة الحرة المصرية – التركية من مكاسب اقتصادية للدولتين وخاصة ونحن نعلم أن الدولتين مرتبطان باتفاقيات مماثلة مع بعض الأطراف الأخرى داخل إقليم الشرق الأوسط وخارجه؟ هل تؤدى هذه الاتفاقية الى تعظيم الاستفادة من المكاسب الاقتصادية للاتفاقيات الأخرى أم تتناقض معها؟ هل الدوافع الحقيقية وراء إقامة منطقة التجارة الحرة المصرية التركية ترجع الى أسباب سياسية فى المقام الأول؟ وإذا صدق هذا التصور هل تكفى المبررات السياسية لتفعيل منطقة التجارة الحرة المصرية – التركية أم أن الأمر يستلزم توافر دوافع اقتصادية فى ذات الوقت؟

وقد خلصت الدراسة الى أن المشروع المقترح فى صياغته الراهنة ومع ضيق نطاقه وامتداد الأفق الزمنى لتطبيقه لن يحفز الصادرات المصرية الى تركيا بشكل ملموس فى الآجل الطويل. كما إن التعاون الاقليمى بين البلدين يحمل فى طياته احتمالات لتحقيق مصر مكاسب ديناميكية متعلقة بالنمو والاستثمار فى الأمد الطويل. إلا أن المشروع المقترح لا يتسع ليشمل مجالات تتمتع فيها مصر بميزة نسبية (مثل خدمات السياحة والمقاولات) ولا يعمل على حفز الاستثمارات وعلى تشجيع لإقامة مشروعات مشتركة بين البلدين. غير أن التحليل يشير الى أنه من المتوقع أن تحقق مصر مكاسب سياسية من توقيع الاتفاقية من خلال تدعيم قيامها بدور الوسيط المهدئ للتخفيف من حدة التوترات العربية–التركية بوجه عام، بالإضافة الى تعزيز مكانتها الإقليمية وتوثيق علاقتها مع القوى العظمى.

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I. Introduction

The Egyptian and Turkish governments are currently seeking to liberalize their regional trade and consolidate their power positions in the Middle East through the establishment of a free trade area. This proposal has triggered numerous questions which include, for instance: What is the Egyptian-Turkish free trade area expected to offer in terms of economic gains, considering that both countries are already engaged in similar agreements with other parties in the Middle East and in other parts of the world?[1] Will this agreement optimize the economic benefits from the other agreements or offset them? Are the real reasons behind the establishment of the free trade area political in nature? If so, are these political motives sufficient to activate the Egyptian-Turkish free trade area without significant economic incentives?

Before attempting to answer these questions, however, it is imperative to present the basic hypotheses of the study. The Customs Union Theory and the experiences of regional integration throughout the world have illustrated three facts: First, the successful establishment of a free trade area depends on the economic and political motivation of the concerned parties (Anderson & Blackhurst, 1993). Second, the ability of member countries to benefit from the free trade area depends on a standard set of preconditions (Viner, 1950). Third, the extent to which the parties benefit from the free trade area is also conditioned by the constituents of the agreement: its comprehensiveness, time frame, and the implementation plan agreed upon (Havrylyshyn, 1997).

The purpose of this paper is to explore Egypt's expected economic benefits from the creation of an Egyptian-Turkish free trade area by seeking answers to the following questions:

- Do the nature, time frame, and comprehensiveness of the draft agreement guarantee the realization of economic benefits for Egypt?

- To what extent are the necessary preconditions for the Egyptian economy to benefit already satisfied?

- What are the economic and/or political incentives that justify Egypt's signing of the agreement?

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[1] Egypt started implementing the Arab Free Trade Area Agreement in 1998 - the same year it signed a free trade agreement with the COMESA. Egypt will also sign a free trade area agreement with the European Union in the near future. As for Turkey, it concluded a free trade area agreement with Israel that came into force in 1998, in addition to maintaining a customs union agreement with the EU since 1996.

Accordingly, the study will consist of four parts, in addition to the introduction (Part I) and the conclusion (Part VI). Part II provides a brief comparison of Egypt and Turkey's economic performances and political conditions. Part III examines the evolution of economic cooperation between the two countries, from bilateral agreements to the free trade area. This part of the study will explore the current economic relations and present a critical analysis of the prospective project. Part IV focuses on evaluating the potential economic gains that the Egyptian economy is expected to reap from the agreement. Part V analyzes the political benefits that Egypt may possibly realize by establishing the proposed free trade area. Finally, the conclusion sums up the most important findings and recommendations of the study.

II. Egypt and Turkey: A Comparative Study

Through evaluation of economic indicators, institutional performance, as well as domestic and regional political conditions, the following section presents a brief comparison of Egypt and Turkey's economic and political situations prior to the negotiation of the agreement.

Economic Performance Indicators

The following economic and institutional performance indicators are the most important determinants affecting economic benefits from the suggested free trade area.

Macroeconomic Indicators

Table 1 indicates that although the economic growth rate in Egypt has been slightly higher than Turkey's during the nineties, Turkey's GNP is almost two and half times that of Egypt. Bearing in mind the comparable populations of the two countries, the higher GNP per capita in Turkey (measured in current prices) indicates that the domestic Turkish market is relatively larger than its Egyptian counterpart.

The table also illustrates the extent to which the Turkish government has been successful in limiting the role of the state in economic activity (measured by the ratio of government expenditures to GDP), thus allowing the private sector to play a more dynamic and efficient role. Indeed, in 1996, the ratio of private investment to total national investment amounted to 80 percent and 60 percent in Turkey and Egypt, respectively (ERF Indicators, 1998).

With respect to the Human Development Index, Turkey occupied the 95th rank, achieving a relative advance on Egypt's ranking of No. 112 out of 174 countries. In

contrast, the principal financial indicators (inflation rate, and ratio of budget deficit to GDP) show the obvious predominance of Egypt in the economic stabilization field, a fact confirmed by international financial institutions. Undoubtedly, the financial crisis that assailed the Turkish economy during July of 1999 testifies to that.

Table 1. Selected Macroeconomic Indicators

Indicator	Egypt	Turkey
GDP at current prices, 1997 (US$ million)[1]	75,482	181,464
GDP average annual growth rate, 1990-1997 (%)[1]	3.9	3.6
Population, 1997 (in millions)	60	64
GDP per capita (US$)[1]	1,105	2,867
Inflation rate, 1997 (%)[2]	4.39	85
Share of government expenditure to GDP, 1995 (%)[1]	37.4	22.2
Budget deficit to GDP, 1996 (%)[1]	0.3	-8.3
Human development index, 1995[3]	0.612	0.782
Rank among 174 countries	112	95

Sources:
1- World Development Report, World Bank, 1998/99.
2- International Financial Statistics, IMF, October 1998.
3- UNCTAD, Handbook of International Trade and Development.

Foreign Trade Indicators

Analysis of the foreign trade sector performance demonstrates (Table 2) that although the share of trade to GDP is higher in Egypt, Turkish export performance is relatively more dynamic as reflected by Turkey's contribution to world exports, its annual exports' growth rate, and the share of intermediate industrial commodities – excluding petroleum – to total exports during the period 1980-1995. Furthermore, Turkey's low exports concentration index reflects a healthier export performance and higher competitiveness.[2]

Table 2. Foreign Trade Indicators

Indicator	Egypt	Turkey
Trade to GDP, 1995 (%)[1]	54.9	45.2
Exports to world exports, 1995 (%)[1]	0.22	0.56
Exports growth rate (average per annum, %)[1]:		
1981-1985	0.6	26.2
1986-1990	7.9	14.3
1991-1995	7.7	11.7
Share of manufacturing industries in non-petroleum exports (%)[2]:		
1985	41.5	61.3
1990	65.1	65.1
1994	63.7	70.3
Exports concentration index, 1994[3]	0.275	0.113

Sources:
1-World Development Report, World Bank, 1998/99.
2-International Financial Statistics, IMF, October 1998.
3-UNCTAD, Handbook of International Trade and Development.

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[2] See Table A1 in the Appendix for a comparison between the exports structures of the two countries.

Turkey's more desirable export performance can be attributed to a number of factors, the most significant of which may be its precedence in the implementation of the structural adjustment and reform programs since the early eighties. Turkey's remarkable reduction of tariff rates, which established rates drastically lower than those in Egypt, achieved significant progress in trade liberalization (Figure 1), while manufacturing industry performance indicators, shown in Table 3, give further evidence of a large and diversified industrial base (Ercan, 1998).[3]

**Table 3. Manufacturing Industries' Performance Indicators**

Indicator	Egypt	Turkey
Industrial value added to GDP (average 1991-1995, %)[1]	15.96	19.54
Industrial value added annual growth rate (average 1991- 1995, %)[1]	0.45	5.16
Labor productivity in the manufacturing industry, 1995 (US$)[2]	5,211	25,898
Unit labor cost in the manufacturing industry, 1995 (US$)[2]	9	7

Sources:
1-UNIDO Database.
2-Economic Research Forum (ERF), Indicators, 1997.

Figure 1. Custom Tariffs Weighted Average, 1996 (%)
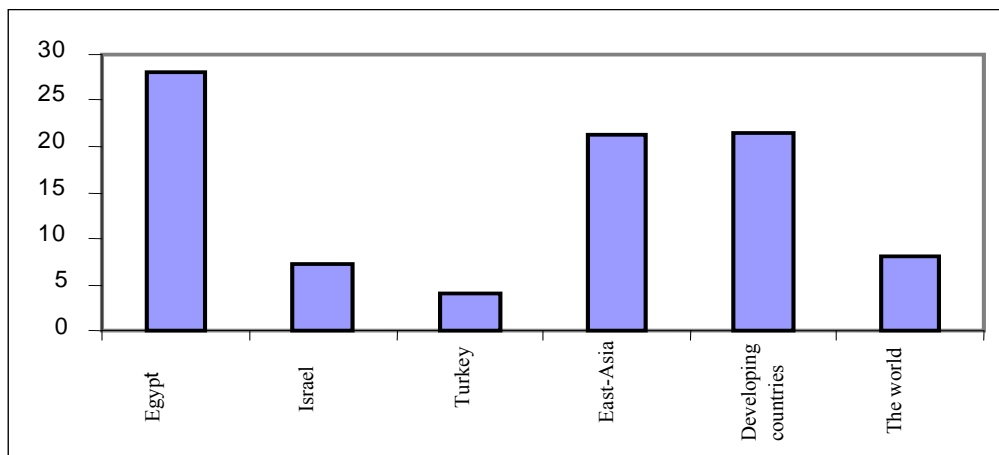
Source: Nathan Associates, "Enhancing Egypt's Exports," report submitted to the USAID, June 1998.

Institutional Performance

Since the success of regional cooperation does not only depend on analogous levels of economic development in the member countries, but also on the effectiveness and efficiency of institutional frameworks, study of these frameworks becomes necessary (Isfahani, 1995).

Institutional performance indicators for Turkey and Egypt show a relative precedence of Turkey in general, particularly in those aspects related to foreign direct investment incentives and protection. This will probably affect the ability of both

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[3] See Table A1 in the Appendix for a comparison between the intermediate industry structures in the two countries.

countries to realize dynamic benefits from the free trade area (as explained in detail in Part IV).

Table 4. Institutional Aspects: Legal and Organizational Systems, 1997 (Higher value = better rating)

Weights (%)	Organizational/ legal items	Egypt	Turkey	Israel
15	Basic property rights and protection guarantees provisions	7	7	6
15	Restrictions on foreign investors	6	9	8
10	Registration and approval of foreign investments	8	13	15
10	Post-registration treatment of foreign investors	10	11	12
13	Investment protection (against risks)	17	17	18
8	Taxes on foreign investments	8	8	4
12	Re-investment and freedom of transfer	14	19	14
10	Investment incentive programs	9	10	17
7	Other interests related to investors (labor laws, trade and intellectual property rights)	5	8	7
	Total	84	102	101
	Weighted total	953	1149	1133

Source: Nathan Associates, "Egypt: A Comparative Study of Foreign Direct Investment Climates", report submitted by the Development Economic Policy Reform Analysis Project to USAID, 1997.

Investment Climate and Competitiveness

Based on the above analysis of macroeconomic indicators and institutional performance, it is possible to argue that the investment climate in Turkey reflects a higher competitiveness than its Egyptian counterpart. This argument is further confirmed in Table 5, which presents the most important elements of this environment and illustrates the relative distinction of Turkey's investment environment as compared to Egypt's. This result is compatible with previous studies conducted in the same field (El- Khawaga, 1995).

Table 5. Determinants of Business Climate, 1997 (Ranking: 5=Best, 1=Worst)

Items of comparison	Egypt	Turkey	Israel
Political stability	4	1	2
Pro-Business Policies	1	4	2
Regulations/ Red Tape	1	5	3
National treatment	1	3	5
Investment incentives	2	1	5
Taxation	2	3	1
Remittance Freedom	3	5	4
Exchange rate stability	5	1	2
Trade liberalization	2	4	1
Market size and growth rate	3	5	4
Unweighted average score	2.4	3.2	2.9
Weighted average score	2.25	3.34	3.06

Source: Nathan Associates, "Egypt: A Comparative Study of Foreign Direct Investment Climates", report submitted by the Development Economic Policy Reform Analysis Project to USAID, 1997.

Domestic and Regional Political Conditions

As previously mentioned, the rate of benefits accruing from regional cooperation depends on both the domestic and regional political conditions of each party. In this context, it is necessary to briefly review the Egyptian and Turkish political scenes.

Domestic Political Conditions

Turkey has been suffering from escalating political instability since the early nineties as a result of a multi-party system and a list of impinging influential elements in the political system, at the top of which is the army.[4] These factors have induced consecutive government reshuffles.

In addition, the presence of Kurdish groups, especially the Kurdistan Workers Party (PKK), and their continuous aspirations for independence and the establishment of a national state, as well as their use of violence have furthered Turkey's political instability. The arrest of Abdullah Ocalan, president of the PKK, and his ensuing trial did not put an end to the tensions in Turkey. On the contrary, it subjected the Turkish Government to accusations of human rights' violations primarily from the European Union and the United States.

In contrast, Egypt has witnessed a high degree of political stability. Radical changes are not expected, as indicated by the reelection of President Mubarak for a fourth mandate. It is unlikely that the results of the next legislative elections in November 2000 will affect the absolute majority enjoyed by the National Democratic Party. Nevertheless, the opposition parties will exert effort to increase the number of seats they occupy in parliament in order to enhance their representation in the political system.

The last two years have also witnessed an obvious regression in extremist groups' activities in Egypt. This trend bolsters the strength and continuity of the political system and indicates a reduced possibility of terrorist attacks, which have negatively affected the tourism industry and its related returns (Economist Intelligence Unit, 1999). Accordingly, it is possible to argue that Egypt enjoys a higher political stability than Turkey.

Regional Political Conditions

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[4] The most influential political forces in Turkey are the following: Centrist/right-wing and centrist/left-wing parties, the conservative Islamist party, rightist nationalist and Islamist parties, Kurdish groups, and the army.

Foremost among regional conditions, it should be noted that Turkey's military capabilities drastically increased following Gulf War II. This was a direct result of Turkey's rising importance to the allied forces throughout and after the war, which led to increased American and Western military aid. Other factors further enhanced Turkish military capabilities such as the development of the Turkish defense industries program in cooperation with American and European companies, and the February 1996 Turkish-Israeli Cooperation in War Industries Agreement.[5] From this point until the end of 1997, Israel's military exports to Turkey jumped to more than 1 billion US$ (Muawwad, 1997).

The rise in Turkish military capabilities and the launching of its nuclear reactor program in 1998 deepened the power imbalance in the Middle East. This disruption coincides with a general tension in Arab-Turkish relations, in addition to an implicit competition between Egypt and Turkey to play an active and influential role in the Middle East.

Though the levels of economic development and political stability are basic criteria used to evaluate the expected impact of a suggested free trade area, they do not offer a complete picture. The current state of economic relations between the two countries and the nature of the proposed project are also crucial determinants and shall be examined in the following part of the study.

III. From Bilateral Economic Cooperation to a Free Trade Area

A review of trade relations between Egypt and Turkey shows that the proposed free trade area agreement will add one link to a series of treaties started from the seventies seeking to promote and encourage economic ties between the two countries. This series includes: the 1976 Trade Agreement, the Double Taxation Avoidance Agreement in 1993, the Economic and Technical Cooperation Agreement in 1994, the 1996 Trade Agreement substituting that of 1976 and the Investment Promotion and Protection Agreement in 1996.

Current Bilateral Trade Relations

Despite a number of bilateral agreements for the development and facilitation of trade between Egypt and Turkey, the real volume of trade remains extremely limited. In fact, from 1985 until 1997, trade between the two counties claimed only 2 percent and 1 percent of Egyptian and Turkish foreign trade, respectively (Table 6).

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[5] The cooperation covers various fields such as the production and modernizing of aircrafts, tanks, and some types

Table 6. Regional Distribution of Egypt and Turkey's Foreign Trade (Average 1985-1997, % of total trade)

Country	Exports to	Imports from	Total trade
A. Egypt's trade			
Turkey	2.48	1.32	2.00
Israel	8.03	0.32	2.00
European Union	41.00	38.00	39.00
Middle East	19.90	5.23	8.42
USA	11.44	20.04	18.05
B. Turkey's trade			
Egypt	1.16	0.82	1.00
Israel	1.49	0.48	1.00
European Union	46.67	51.12	50.00
Middle East	2.28	2.89	5.61
USA	7.70	8.94	8.51

Source: IMF, Direction of Trade and Statistics Yearbook, 1998

Figure 2 shows a permanent deficit in the balance of trade between the two countries in favor of Turkey. The deficit climaxed in 1996 reaching US$ 138 million, but regressed in 1997 to US$ 77 million.

Figure 2. Evolution of the Egyptian Balance of Trade Deficit with Turkey, 1985- 1997 (US$ millions)
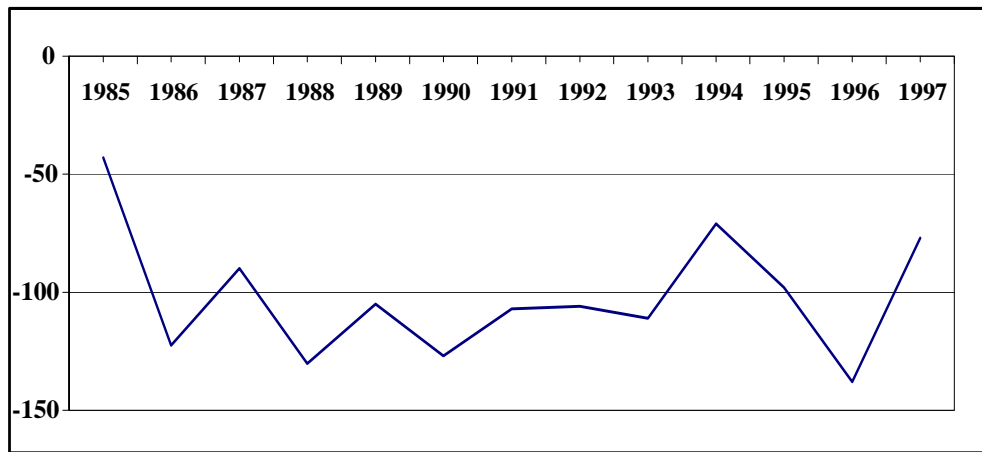
Source: IMF, Direction of Trade and Statistics Yearbook, 1990 and 1997.

The analysis of the Egyptian structure of exports to Turkey in 1997 (See Table A3a in the Statistical Appendix) reveals a high degree of concentration, as four groups of commodities dominate two thirds of the total exports. Crude petroleum alone accounts for 29 percent of the total, rice claims 19 percent, coke of coal represents 8.5 percent, and finally, raw cotton accounts for 6.6 percent. This shows that most Egyptian exports are either primary mineral materials or agricultural commodities characterized by a low value added.

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of missiles (Galal Muawwad, 1998).

On the other hand, Egypt's import structure from Turkey in 1997 (Table A3b) is characterized by a high degree of diversity, as it includes agricultural commodities such as beans, fresh and dried fruits, various industrial products, spare parts, chemical and engineering products, consumer and durable goods, as well as machinery and equipment. Such a commodity structure shows a higher diversification of Turkish exports than Egyptian exports, as well as a higher industrial performance indicator for Turkey.

Other Forms of Economic Cooperation

It should be noted that the economic relations between Egypt and Turkey have not been confined to commercial exchange, but actually include joint venture projects from the early nineties. Moreover, the Organization of Islamic Cooperation and the Islamic Group of 8[6] provided another framework for cooperation between the two countries.

The following list outlines the major joint venture projects between the two countries:

- In July 1997, the two countries agreed to establish a contractors' joint venture to implement activities in CIS, Mediterranean, Arab, and African countries.

- Regarding the power network between Egypt, Turkey, and the eastern Arab countries, the first phase linking Egypt and Jordan by a maritime cable was carried out in 1997. The second phase linking the Iraqi and Turkish networks is expected to start in the year 2002.

- The Egyptian project to provide Turkey with natural gas instead of the so-called the "peace pipeline" proposed to export natural gas through Gaza, Israel, Lebanon, Syria and Turkey which failed due to the freezing of the peace process.

- In April 1997, a cooperation treaty known as GAP was signed between Egypt and Turkey to exchange technical expertise between the "Toshka" and "South East Anatolia" projects.[7]

- A joint agreement has also taken place between Egypt, Turkey and Israel to promote cooperation in tourism. Despite imbalance in the tourism sector between Egypt and Turkey in favor of the latter (see Table A4 in the Statistical Appendix),

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[6] This group consists of: Turkey, Egypt, Iran, Pakistan, Malaysia, Indonesia, Bangladesh and Nigeria. Member states were among the largest Asiatic and African states in terms of economy and population (The name of the group was later changed to the Developing 8 Countries, or D8).
[7] This cooperation might raise the political sensitivies of some Arab countries, namely, Syria and Iraq as the GAP project has negatively affected the Euphrates and Degla water flow to both countries. The GAP project has been implemented since the early nineties without reaching a trilateral water sharing agreement.

there is a common interest to activate cooperation in the context of the joint tourism committee. The committee held its fifth meeting in Istanbul in June 1997, where a new protocol was signed to promote tourism between the two countries and undertake common marketing activities to encourage tourism from third parties.

A Critical Review of the Egyptian-Turkish Free Trade Area Draft Agreement

Although the free trade area draft agreement represents a step towards developing the bilateral trade relations, a thorough review of the draft agreement and comparison to the agreement signed between Israel and Turkey reveal some issues that must be taken into account for the proposed Egyptian-Turkish free trade area agreement to produce the expected results.

Time Frame

The draft agreement stipulates that the transitional period would be 12 years. This proposal is too long and could be shortened, considering the following:

- The transitional period in the Egypt-EU Free Trade Area Agreement is a minimum of 14 years. However, the determination of this time period was conditioned by the fact that the EU is Egypt's primary trade partner. Furthermore, it should be kept in mind that the technological and economic gap between Egypt and the EU is significantly wider than between Egypt and Turkey.

- The transitional period in the Pan-Arab Free Trade Area Agreement is 10 years.[8]

- The transitional period in the Turkish-Israeli Free Trade Area Agreement is only two years.

- The share of Egyptian trade with Turkey amounts to only 2 percent of Egypt's total foreign trade. Consequently, the Egyptian economy does not need such a long period to adapt itself to trade liberalization with Turkey.

Degree of Comprehensiveness

Though the agreement stipulates a mutual liberalization of trade in industrial goods, it falls short in terms of covering trade in agricultural commodities, services, and investments. The limited coverage of the agreement will, undoubtedly, reduce the potential returns for the Egyptian economy, especially since Turkey has, in general, a comparative advantage over Egypt in the industrial sector. Egypt, on the other hand, enjoys a higher relative advantage in the agricultural sector and some other services.

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[8] It is the opinion of the authors that this time frame is also exaggerated.

A further weakness in the draft agreement is that it categorizes industrial goods into five groups without defining the criteria of differentiation, the approach adopted for customs tariff reduction, and its time frame.[9]

Rules of Origin

The draft agreement does not set a precise basis for determining the rules of origin. Since the rules of origin are among the most crucial conditions for exporting in free trade areas, it seems imperative that these rules are compatible with their counterparts in other previously concluded free trade agreements in order to avoid discrepancies that might emerge in the methods of calculation. It is likewise important to be cautious vis-à-vis the cumulative rules of origin, given that Turkey has a free trade area agreement with Israel. In this regard, it would probably be useful to study the rules of origin applied by Turkey within the Customs Union Agreement with Europe, as well as in the Free Trade Area Agreement with Israel.

Exceptions

There are some apprehensions concerning the multiple exceptions cited in article 15 of the draft agreement. These apprehensions suggest that the exceptions will limit the benefits of the agreements and increase the possibilities of conflicts. It should be noted that the Israeli agreement does not include an analogous provision.

Conflict Settlement Mechanisms

The agreement does not stipulate conflict settlement mechanisms, while the Turkish-Israeli text does (article 30).

Institutional and Organizational Aspects

Despite the existence of two agreements between Egypt and Turkey, one to avoid double taxation (1993) and the other for investment incentives and protection (1996), the present agreement does not stipulate any rules to harmonize internal institutions and organizations to guarantee access to investors and multinational companies. This omission restricts the agreement's ability to evolve from a shallow treaty into a deeper, more useful type of regional integration. The above analysis indicates furthermore that despite the economic benefits to be reaped from establishing a free trade area with Turkey that the study may identify, the draft agreement, in its present form, imposes many constraints on Egypt to fully benefit from it.

IV. Does Egypt Expect Economic Benefits from the Free Trade Area with Turkey?

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[9] See Appendix A5.

Both economic theory and practical experience indicate that regionalism gained ground because of the static and dynamic returns it provides to parties engaged in preferential trade agreements. However, the capacity of member states to benefit from these returns depends on a set of conditions, some of which are related to static benefits, while the others concern the capacity to achieve dynamic gains. The question raised in this respect is: Are these conditions fulfilled in the case of the Egyptian-Turkish Free trade area in such a way as to allow Egypt to reap economic gains?

Evaluating the Potential Static Benefits for the Egyptian Economy

According to the Customs Union Theory, regional cooperation generates two possible effects in the short run: trade creation and trade diversion (El Agra, 1994 and Viner, 1950). Trade creation is defined as the substitution of higher cost goods produced locally with lower cost imported goods from member states. This phenomenon positively affects welfare. Trade diversion, on the other hand, occurs when member states replace lower cost imported goods from non-member states prior to the establishment of the Customs Union, with higher cost goods from member states. This negatively affects welfare. The final outcome of a custom union or free trade area depends on the combined impact of trade creation and trade diversion.

Hereinafter is an overview of the pre-conditions for the realization of the static benefits (Salvatore, 1995 and Appleyard and Field, 1998):

- *Similarity (competition) of production structures*. The more similar the production structures are, the more probable trade creation is, and the less probable trade diversion is, and vice versa.

- *Height of the tariffs prior to the establishment of the free trade area*. The higher the tariffs are between the concerned parties, the higher the possibility of trade creation following the abolition of these tariffs.

- *Height of the tariffs applied on non-members after the creation of the free trade area*. The lower the tariff rates applied to non-members, the lower the possibility of trade diversion effects.

- *Number of members in the regional bloc*. The higher the number of members, the higher the possibility of finding efficient producers and the higher the opportunity for trade creation.

- *Strength of the economic relations between member states before the creation of the free trade area.* The stronger the relations, the higher the chance of raising the level of welfare for the member states.

Do such conditions apply to the Egyptian-Turkish free trade area? What expected economic returns could persuade Egypt to take part in this regional economic arrangement?

Possibilities of Trade Creation

The capacity of the Egyptian economy to benefit from the trade creation effect depends on the degree of exports similarity[10], the customs tariff rate, the prospective number of member states in the free trade area, as well as the strength of the prevailing commercial ties with Turkey.

The Impact of Exports Similarity on Trade Creation Possibilities

The exports similarity index between Egypt and Turkey[11] revealed a relatively modest level (25 percent) similarity, limiting the possibility of benefiting from trade creation (Table 7). This index declines to 10 percent if we exclude exports of spinning, weaving and clothing.[12] Comparing this figure to the exports similarity index between Egypt and Syria (23 percent) or Egypt and Jordan (15 percent), the chances of increasing trade between Egypt and other Arab countries seem more likely than between Egypt and Turkey (Fawzy, 1996).

Table 7. Exports Similarity Index Between Egypt and Turkey (%)

Index	Average (1994- 1996)
Total exports similarity	28.27
Agricultural exports similarity	3.53
Industrial exports similarity	24.75
Industrial exports similarity, excluding textiles manufacture	10.33
Industrial exports similarity, excluding petroleum products	23.58
Industrial exports similarity, excluding textiles manufacture and petroleum products	9.16

Source: Calculation based on UN, International Trade Statistical Yearbook, 1997

This finding was confirmed by other studies, which concluded that the Revealed Comparative Advantage (RCA) is different between the two countries.[13] The correlation

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[10] The exports similarity index is used to measure the degree of similarity between two countries' exports structures. It is calculated using the following formula: $ES_{jk} = \sum Min (X_{ij}, X_{ik}) * 100$
where: ES_{jk} = the exports similarity index between the two countries k, j;
  X_{ij} = the exports' share of commodity i in country j's total exports;
  and X_{ik} = the exports' share of commodity i in country k's total exports.
[11] Industrial exports to the rest of the world are measured on the SITC three-digit level.
[12] Spinning, weaving and clothes' exports share of Turkey's exports structure is as high as 39 percent and 23 percent for Egypt's.
[13] The Revealed Comparative Advantage (RCA) is usually calculated as follows: RCA= $(X_{ij}/X_{wj})/(\Sigma X_{ij}/ \Sigma X_{wj})$,
where: X_{ij}/ X_{wj} = the ratio of country i's exports of commodity j to world w exports of the same commodity

coefficient between Egypt and Turkey's RCA index at the world level amounted to 0.127 (Havrylyshyn, 1997). Hoekman and Djankov (1996) reached a similar result when confining their calculation to the RCA of exports to the EU. Their studies proved the weakness of the correlation coefficient between Egypt's RCA and Turkey's, indicating that the coefficient was even lower during the period from 1991 to 1994 than the period from 1986 to 1990.

Accordingly, the opportunities of trade creation are limited due to the low exports similarity index. The RCA figures for Egypt and Turkey's exports confirm this fact (Tables A6a and A6b). From the analysis of these figures, we can distinguish between two groups of goods. The first is where both countries enjoy a RCA representing the prospective fields qualified for intra-industry trade creation (Table 8).

Table 8. Prospects of Trade for Industrial Products∗ (average 1990-1992)

Ref. Code	Product	Egypt's RCA Index	Turkey's RCA Index
55	Vegetables, etc preserved, prepared	4.05	5.60
332	Petroleum products	9.26	1.12
521	Coal petroleum, etc chemicals	2.56	1.23
651	Textiles yarn and thread	15.35	6.39
652	Cotton fabrics, woven	8.78	4.54
656	Textiles etc products nes	5.00	7.46
657	Floor cover, tapestry, etc	2.62	9.43
671	Pig iron etc	2.41	3.39
841	Clothing not of fur	2.59	7.63

∗This list only includes the goods with RCA higher than 1.
Source: Yeats, Alexander J. (Nov.1995), "Exports Prospects of Middle Eastern Countries," World Bank *Working Paper* No. 1571.

The second group includes those goods where only one country, either Turkey or Egypt, enjoys a RCA and are, consequently, qualified for trade creation (Tables 9a and 9b).

Table 9a. Products Where Only Egypt Enjoys a Revealed Comparative Advantage

Ref. Code	Product	Egypt's RCA Index	Turkey's RCA Index
734	Aircraft	5.52	0.29
561	Fertilizers manufactured	4.92	0.88
422	Rice glazed or polished	3.58	0.11
551	Essential oil, perfume, etc	3.06	0.75
PSUG	Prepared sugar	2.15	0.69
696	Cutlery	1.08	0.32
571	Explosives, pyrotech products	0.90	0.01
554	Soap, cleaning etc preps	0.83	0.68
599	Chemicals nes	0.73	0.07
81	Animal feeding stuff	0.65	0.04
666	Pottery	0.61	0.31
513	Inorganic elements, oxides, etc	0.59	0.31

Source:Yeats, Alexander J. (Nov.1995), "Exports Prospects of Middle Eastern Countries," World Bank *Working. Paper* No. 1571.

Table 9b. Products Where Only Turkey Enjoys a Revealed Comparative Advantage

Ref. Code	Product	Egypt's RCA Index	Turkey's RCA Index
52	Dried fruit	0.52	79.29
842	Fur etc clothes products	0.04	10.30
661	Cement etc building products	0.50	9.71

and $\Sigma X_{ij} / \Sigma X_{wj}$ = the ratio of country i's total exports to world w total exports.

91	Margarine, shortening	0.03	6.83
53	Fruit preserved, prepared	0.69	5.74
665	Glassware	0.63	4.47
672	Iron, steel primary forms	0.43	3.99
514	Other inorganic chemicals	0.13	3.13
693	Wire products non-electronic	0.55	2.81
653	Woven textiles non-cotton	0.29	2.40
662	Clay, refractory building products	0.21	2.13
697	Base metal, household equipment	0.14	1.78
679	Iron, steel casting unworked	0.44	1.44
682	Copper	0.38	1.42
812	Plumbing, heating, lighting equipment	0.75	1.34
629	Rubber articles, etc	0.05	1.28
532	Dyes nes, tanning products	0.27	1.18
32	Fish, etc tinned prepared	0.02	1.18
48	Cereal, etc preparations	0.12	1.14
612	Leather, etc manufactures	0.49	1.13
655	Special textile etc products	0.17	0.99
74	Tea and mate	0.12	0.92
725	Domestic electric equipment	0.02	0.84
621	Materials of rubber	0.10	0.83
724	Telecommunication equipment	0.07	0.82
47	Meal and flour non-wheat	0.34	0.80
46	Wheat etc meals or flour	0.11	0.76
99	Food preparations nes	0.20	0.59
677	Iron, steel, wire excl. rod	0.15	0.59
723	Electronic distributing match	0.11	0.57
664	Glass	0.29	0.55
512	Organic chemicals	0.12	0.50

Source:Yeats, Alexander J. (Nov.1995), "Exports Prospects of Middle Eastern Countries," World Bank *Working Paper* No.1571.

Custom Tariffs Potential Impact on Trade Creation

Because Egypt's average custom tariff rate (28 percent) is significantly higher than Turkey's average rate (4 percent), the abolishment of tariffs after the implementation of the free trade area is expected to lower the prices of imported Turkish goods to Egypt more drastically than the prices of imported Egyptian goods to Turkey. Consequently, Turkish exports to Egypt are more likely to rise at a rate exceeding the expected increase in Egyptian exports to Turkey. However, Turkish exports growth rates would still depend on the size and elasticity of the Egyptian market demand and the Turkish manufacturers' ability to adapt to price changes.

The Impact of the Number of Members on Trade Creation

Because the Egypt-Turkey Fee Trade Area Agreement is confined to these two countries, subsequent enlargement of the agreement should be considered. However, it should be noted that one prospective Mediterranean candidate is Israel, which is already effectively bound to Turkey by a free trade agreement. Jordan, Lebanon, Tunisia and Morocco come at the top of the list of countries qualified to join this agreement in order to optimize the expected economic returns and maximize the

benefits of the partnership agreements they concluded with the EU by avoiding the hub and spokes phenomenon that may arise from the latter partnership.

The Impact of Existing Commercial Ties on Trade Creation

The existing Egyptian-Turkish bilateral commercial ties do not promise to widen the scope of commercial exchange. Therefore, special attention must be paid to ensure the materialization of dynamic gains.

Possibilities of Trade Diversion

In an attempt to evaluate the effects of trade diversion, the study will focus on the customs tariffs level and Trade Complementarity Index.

The Impact of Customs Tariffs Applied on Non-Member States

Since the tariff rates in Egypt are substantially higher than in Turkey (Figure 1), we can expect the Egyptian economy to suffer from a higher level of trade diversion than the Turkish economy.

The Impact of the Trade Complementarity Index

Using the Trade Complementarity Index[14] to compare Egyptian imports to Turkish exports, and Turkish imports to Egyptian exports, reveals that a higher level of trade complementarity exists between Egyptian exports and Turkish imports (28 percent), than between Turkish exports and Egyptian imports (24 percent). Despite the somewhat minimal difference, it nevertheless suggests that Egypt is less likely to suffer from trade diversion than Turkey.

Table 10. Trade Complementarity Index (TCI), (%)

Index	Average (1994-1996)
TCI of Egyptian imports and Turkish exports	24.43
TCI of Turkish imports and Egyptian exports	27.69

Source: The index was calculated on the basis of the UN, International Trade Statistical Yearbook, 1997.

This fact is confirmed by the calculation of the expected value of trade diversion (Table 11), which pinpoints the extent to which Egypt's trade diversion value is lower than Turkey's.

Table 11. Expected Trade Diversion Value (US$ million)

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[14] The Trade Complementarity Index is used to measure the degree of similarity existing between the exports structure of one country and the imports structure of another. The higher its value is, the more likely that regional trade agreements will succeed. Member states in the regional trade area will not have to rely on other non-member states as exporters of imported goods or as markets. The trade complementarity index (C_{ij}) of two countries, k and j, is measured as follows: $C_{ij} = 100 - \sum |m_{ik} - x_{ij}| / 2$,
where: m_{ik} = the share of good i in all imports of country k and x_{ij} = the share of good i in the global exports of country j. The index value ranges from 0 (in the case of no similarity existing between commodities imported by one state and those exported by the other) to 100 (in the case of total correspondence between the two countries' exports and imports shares of a particular commodity) (Yeats, A. 1998).

Index	Total
Trade Diversion for Egypt	1,056
Trade Diversion for Turkey	1,343

Remark: The Trade Diversion Index was calculated according to the following formula:
Maximum Trade Diversion = Minimum $|NX_{aj} - NX_{bj}|$,
where: X_{ij}= country i's exports of commodity j;
M_{ij}= country i's imports of commodity j;
and i takes the value a or b.
$NX_{aj} = X_{aj} - M_{aj} > 0$ and $NX_{bj} = X_{bj} - M_{bj} > 0$, provided one of the two countries is a net exporter and the other a net importer of the product (Samiha Fawzy, 1994).
Source: calculation based on: UN, International Trade Statistical Yearbook, 1997.

In contrast, Egypt's comparatively higher customs tariff average suggests that Egypt is more likely to suffer from trade diversion than Turkey. Due to these contradictory indications, it is difficult to predict the net trade diversion effect on the Egyptian economy.

Based on the above analysis, we may conclude that the potential trade creation effect for Egypt from this free trade area agreement is limited, while trade diversion negative effects on Egypt are unpredictable. To sum up, it is possible to argue that the expected static impact of the Egyptian-Turkish free trade area on bilateral trade between Egypt and Turkey is generally limited and that Egypt's chances to increase its trade exchange with Turkey are lower than Turkey's.

Evaluating the Potential Dynamic Benefits for the Egyptian Economy

Modern international trade literature suggests that dynamic effects depend primarily on changes related to investment and long-term growth. These changes take place through two effects associated with the establishment the free trade area (Baldwin et al. 1995 and De Rosa 1998). The first effect, known as investment creation, results from the increase in domestic and foreign direct investment to benefit from expanded markets generated by regional integration. The second effect, known as investment diversion, results from redirecting investments from non-member to member states. These two effects are known to positively affect economic growth in member states.[15]

In addition to these two effects, the dynamic benefits include increased competition, more efficient allocation of economic resources, external and internal economies of scale, and technological development.

Prerequisites for Achieving Dynamic Benefits

The most important prerequisites for realizing dynamic benefits, as previously articulated by Robert Lawrence (*Regional Partners*, 1996), are outlined below**:**

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[15] This is different from the Trade Creation and Trade Diversion effects that exert their influences in opposite directions.

- *Maintain a high level of trade liberalization.* Trade liberalization leads to expanded markets, increased competition and specialization based on comparative advantages, as well as benefits from the economies of scale.

- *Shift the role of the state from production to regulation.* The state's withdrawal from production and service activities has certainly contributed to opening the way for the private sector, increasing competition, improving the mode of resource allocation and raising productive efficiency.[16] Modifying the role of the state allows it to focus on building human capital, developing technological capabilities and securing a suitable environment for investment. All these factors help the state to fully utilize the positive dynamic effects of regional cooperation.

- *Establish efficient institutional and organizational frameworks.*

- *Build the state's international credibility.* Transparency and credibility in the implementation of reform programs enhances investors' confidence, and thus bolsters investments and growth.

Egypt's Potential Dynamic Benefits

Are theses preconditions satisfied to the extent that Egypt will benefit from the potential dynamic gains of the free trade agreement? If so, what dynamic benefits would motivate Egypt to enter into this regional economic bloc?

- *Trade liberalization.* The Egyptian government has taken many steps towards trade liberalization by reducing customs tariffs, lifting non-tariff trade barriers, abolishing quantitative restrictions, liberalizing capital transactions and exchange rates, as well as carrying out serious steps on the regional (COMESA, Arab Free Trade Area) and global levels (WTO). Yet, compared to the other Middle Eastern countries, including Turkey, the Egyptian foreign trade sector still needs more liberalization in order to maximize the expected dynamic benefits (Figure 1).

- *Effects on investment incentives and growth in Egypt.* It is more likely that investment creation and investment diversion will have positive effects on Egypt. If the economic reform program raised the contribution of the private sector to 60 percent of the GDP in 1998, and increased direct foreign capital flow to almost one billion US$ in the same year, then the Egyptian-Turkish free trade area will

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[16] Note that the private sector has played a major role in the success stories of regional cooperation experiences of both the EU and the North America Free Trade Agreement (NAFTA)

undoubtedly attract new domestic and foreign investors for a number of reasons, the most important being:

- The expanded domestic markets allowing economies of scale.
- Easy access to external markets, since Egypt is considered the gateway to the COMESA and Arab markets, while Turkey is the bridge to Central Asia and the Caucasus (Muawwad, 1999).
- The abundance of qualified and low-cost labor.
- The diversification of natural resources in both countries.

It is worth noting, however, that the achievement of these dynamic effects depends on three conditions. First, the draft agreement in its present form must be reviewed, as it only proposes shallow, rather than deep, regional integration. It is confined to liberalization of trade in industrial goods and does not cover investment promotion, the right to establish projects, or liberalize services.

Second, the agreement should be expanded beyond the bilateral framework, which limits the potential dynamic gains. Ideally, the agreement with Turkey should be similar to other agreements Egypt has recently joined such as the Arab Free Trade Area, the COMESA, as well as an imminent agreement with the EU, which all implicitly suggest the extension of the scope of cooperation to larger groups of countries.

Third, the pace of improving Egypt's competitive investment environment should be accelerated, especially with respect to speeding up the privatization program (infrastructure, in particular), reducing the costs of economic transactions, alleviating bureaucratic constraints, reviewing the tax system in the short run, and paying more attention to human development in the long run. This final condition is of great importance, considering the acute world competition between different regional blocks to attract foreign investment, and Turkey's relative advantage in terms of competitiveness.

In light of the limited or uncertain static and dynamic economic benefits, the next logical question that must be addressed concerns the political motives that might justify Egypt's adherence to this agreement.

V. Does Egypt Have Political Incentives for Establishing a Free Trade Area with Turkey?
The proposed free trade area agreement provides Egypt with a good opportunity to reaffirm and consolidate its effective political role in the Middle East region, given

that recent years have witnessed various attempts from many parties to discredit its pivotal role at the regional level. By boosting its economic ties with Turkey, Egypt will be able to achieve the following goals:

- Alleviating the political tensions Turkey has been creating in the region since the early nineties.

- Winning Turkey as an allied power to the Arab countries, rescinding Turkey's negative foreign policy towards Arab countries after Gulf War II.

Accordingly, one might say that the main motive behind Egypt's joining this regional integration with Turkey is its desire to regain its role as a "stabilizing mediator" in the field of Arab-Turkish relationships by containing tensions, eradicating their causes, albeit partially and progressively, through political and diplomatic channels. Assuming this role is, undoubtedly, a political incentive for Egypt, particularly because enhancing its regional position will foster its relations with the major international powers (the USA, to be precise) and build Egypt's image as "a stabilizing element in the region".

Among the sensitive regional issues currently calling for attention in the Middle East, and affecting Egypt and Turkey's relationship are the following:

The Egyptian and Turkish Positions on the Peace Process and Middle Eastern Cooperation

There is an obvious discrepancy between the two countries' positions with respect to regional economic arrangements. Egypt's position, as well as that of other influential Arab countries such as Syria and Lebanon, is to correlate economic arrangements with the political progress of negotiations between Israel and the Arab countries on all tracks, given that "real and just peace must be the basis of any kind of regional economic cooperation in the Middle East." In contrast, Turkey's view suggests the opposite sentiment that "regional economic cooperation would create the propitious environment for peace." (Muawwad, 1998)

Accordingly, it is possible to argue that by promoting its political and economic relations with Turkey, Egypt aims at managing Turkey's influence on regional arrangements in the Middle East to coincide with Egypt's desired outcome in the Peace Process.

The Strategic and Military Alliance between Israel and Turkey

Despite Turkish assurances that its military cooperation with Israel is confined to peaceful aspects and is not oriented against any third party, subsequent developments

that followed their February 1996 agreement indicate that the strategic and military alliance binding the two countries is aimed at creating a deterring force supported by the USA. It should be acknowledged that a potential main objective of Turkey's alliance with Israel is to encircle Egypt and thus isolate it from Eastern Arab powers. The presence of this force would aim at dissuading any other regional power, such as Syria, Iraq or Iran, from attempting to change the status quo and the present borders. Accordingly, one of the main political motives of Egypt could be to neutralize Turkey by dissuading it from using its expanding military forces against any Arab parties.

Easing Turkish-Arab Bilateral Tensions

The region has recently witnessed a number of political conflicts between Turkey and various Arab countries, namely, Iraq and Syria. Since the end of Gulf War II, Turkey emerged "as an invading power" through numerous military operations in northern Iraq under the pretext of securing its borders against the PKK's infiltration and destroying its military bases in the area.

Turkey also played a role in defending the Iraqi Kurds by allowing British and American aircraft to use Angerlik air base to inspect the no-fly zone in northern Iraq. This base has been used during air strikes against Iraqi military targets since the end of operation "Desert Fox" in December 1998. Finally, Turkey played the role of mediator in September 1998 between the Barazani and Talabani parties, resulting in an agreement to share power and set up a transitional government in northern Iraq. In response, Egypt asked for an immediate withdrawal of Turkish forces, insisting on safeguarding the territorial integrity and unity of Iraq, and undertook continuous political talks "to examine and find a solution to the Iraqi problem."[17]

On the other hand, the eminent danger of turning the 1998 Turkish-Syrian crisis into a full fledged war compelled Egypt to swiftly contain the crisis through a series of shuttle trips between Damascus and Ankara that materialized into the "Adana" agreement. The agreement is considered to be a sort of truce or temporary freezing of the tensions between the two countries resulting from Turkey's substantial conflicts with Syria over the water problem and the Iskenderone.

However, and at the risk of underestimating the ability of the Turkish-Egyptian political talks to curb the escalating tensions between Turkey and both Iraq and Syria, it should be noted that the talks remain confined to an "appeasing" role. This is due to

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[17] President Mubarak on his talks with President Demirel in Ankara on the 29th of January, 1999 (Muawwad, 1999).

Turkey's awareness of its military and strategic predominance over both Syria and Iraq resulting from the regional imbalance of power since the early nineties. Hence, Egypt should rather focus on using bilateral negotiations with the Arab countries to rebuild Arab solidarity beyond the divisions created by Gulf War II and its repercussions.

Having outlined Egypt's most significant political motives for signing the free trade agreement with Turkey, it becomes legitimate to raise the same question from Turkey's side, investigate the compatibility of both parties' political motives, and evaluate their probable impact on future relationships. The most important questions deserving attention include:

- Will Turkey attempt to use its ties with Egypt to resume its strong economic relations with the Arab world, especially with the Gulf countries that flourished during the seventies and eighties? It should be noted that such relations have remained almost entirely frozen since Gulf War II.

- Is Turkey's main goal to use the Egypt-Turkey free trade area as a means for Israeli goods to penetrate the Arab markets boycotting them?

- Could the free trade area with Egypt be the nucleus of a short or long term regional economic block including Jordan, Palestine and Israel?

VI. Conclusion

In response to the Egyptian and Turkish governments' current negotiations to promote their economic relations and enhance their regional positions in the Middle East region through a free trade area agreement, this study has attempted to explore the economic and political incentives from the perspective of Egypt's economy.

The main conclusions of the study are the following:

- The draft agreement in its present form, with its limited scope and extended time frame, will not significantly increase Egyptian exports to Turkey, and thus offer only very limited static benefits in the short run.

- The draft agreement might contain possibilities for Egypt to achieve dynamic benefits with respect to long-term growth and investment. However, it neither covers those areas where Egypt enjoys a comparative advantage (e.g. tourism and construction activities), nor does it promote investments or encourage joint ventures between the two countries. Thus, the agreement appears of little economic benefit to the Egyptian economy.

- On the other hand, this analysis demonstrates that Egypt can reap political gains from regional cooperation, namely by strengthening its role as a mediator, curbing Turkish-Arab tensions in general, in addition to consolidating its position in the region and enhancing its relationship with the super powers. However, Turkish political objectives might not coincide with Egyptian and Arab policies, a fact requiring particular caution.

Based on these findings, the study's resulting recommendations to optimize Egypt's benefits from regional cooperation are as follows:

1. Expand the scope of the agreement to include trade liberalization of agriculture, services and investments, in addition to the stipulated liberalization of industrial goods.

- In the agricultural sector, only two items (raw cotton and rice) account for about 25 percent of Egyptian exports to Turkey. This justifies expansion of the agreement to include agricultural commodities.

- There are various opportunities for cooperation in the service sector, especially in the tourism and construction sectors, for instance.

- In the investment domain, joint ventures are among the most successful mechanisms used to promote economic relations between the two countries. The most obvious sectors qualified to launch such projects are: all different forms of energy, car manufacturing and its related industries, and the electrical and electronic industries.

2. As for trade liberalization of industrial goods, it has been noticed that the draft agreement makes a distinction between five groups of commodities without defining the criteria of categorization, the tariff reduction approach (backloaded, frontloaded,

and uniform), or the time frame to be followed. In this respect, we suggest to base the differentiation on the criterion of comparative advantage and on the availability of substitutes. Tariff reductions should be made by equal rates and at equal intervals between different groups of commodities in order to avoid an increase in the rates of effective protection for some products.

3. Take advantage of the geographical location of both Egypt (as the gateway to the Arab and African markets) and Turkey (as the gateway to the CIS and Black Sea region) to boost exports through the creation of export free zones.

4. Complete the economic reform policies in Egypt, especially those related to the privatization program; ensure a stable and favorable competitive environment that will reduce economic transactions costs; and coordinate Egypt's institutional and organizational frameworks to enhance economic competitiveness to a level comparable to Turkey's.

5. Activate the private sector's role and involve it in the negotiation rounds. Mutual meetings will allow businessmen from the two countries to determine the most important areas of cooperation in terms of economic efficiency and profitability.

6. Ensure the compatibility of the Egyptian-Turkish free trade area's rules of origin with the other agreements signed by Egypt, such as the PAFTA, COMESA, and soon to be finalized EU agreements.

7. Establish conflict settlement mechanisms similar to those stipulated in the Turkish-Israeli Free Trade Area Agreement to prevent future problems.

8. As a final word of caution, the Egyptian negotiator must be aware of Turkey's political motives and the extent to which they are compatible with Egyptian and Arab interests, despite the political returns Egypt might reap from this regional cooperation.

Appendices 1 – 2

Table 1A. Egypt's and Turkey's Export Structure, Average (1994-1996)

Sector	Egypt	Turkey
Agriculture	10.47	11.43
Mineral Extraction	24.13	1.47
Manufacturing	65.40	87.13
Food, Beverages & Tobacco	5.03	9.70
Spinning & Weaving, Textiles, Garments & Footwear	23.20	39.30
Wood, Wood Products & Furniture	0.13	0.37
Paper, Paper Products & Printing	0.53	0.70
Chemicals	23.53	7.93
Mineral, Non-Metal Products	1.17	3.27
Basic Metals	8.80	11.10
Metal Products, Machines & Equipment	2.77	13.83
Other Manufacturing	0.17	0.87
Total	100	100

Source: UN, International Trade Statistics Yearbook, 1997.

Table 2A. The Structure of the Manufacturing Industries, Average (1990-1995)

Sector	Egypt	Turkey
Food, Beverages & Tobacco	22.54	18.88
Spinning & Weaving, Textiles, Garments & Footwear	14.52	15.86
Wood, Wood Products & Furniture	0.66	1.21
Paper, Paper Products & Printing	3.90	3.35
Chemicals	29.11	24.25
Mineral, Non-Metal Products	6.72	5.37
Basic Metals	8.35	9.37
Metal Products, Machines & Equipment	14.02	21.53
Other Manufacturing	0.18	0.18

Source: UNIDO Database, 1992.

Appendices 3 – 4

Table 3A. Egypt's Exports to Turkey in 1997

Commodities	Value (L.E. thousands)	% of Total
Petroleum, crude	93739	28.53
Rice, whether or not polished	61518	18.72
Coke of coal, lignite or of peat	27594	8.40
Raw cotton, not mixed Giza 75	21767	6.62
Single yarn of comb, fiber	12321	3.75
Raw cotton, not mixed Giza 70	12083	3.68
Multiple yarn of comb, fiber	9900	3.01
Copper wastes and scrap	7000	2.13
Carbon	6783	2.06
Raw cotton, not mixed Giza 77	6677	2.03
Sand, glass, uncolored	5137	1.56
Single yarn of comb, fiber	5033	1.53
Pastes, dentifrice's FRS	4509	1.37
Other raw cotton, not mixed	4490	1.37
Single yarn of comb fiber	3753	1.14
Retort Carbon	3560	1.08
Oven fabrics, unbleached	3196	0.97
Safety razors blades, finished	2793	0.85
Direct dyes	2773	0.84
Cane molasses	2753	0.84
Soups & broth & their prep.	2691	0.82
Other nitrates	1920	0.58
Ammonia in aqueous solution	1819	0.55
Seeds of caraway	1811	0.55
Sodium hydroxide, solid	1684	0.51
Kaolin & kaolin clay	1502	0.46
Twin cordage of cotton	1350	0.41
Raw cotton not mixed Giza 80	1312	0.40
Grass sand artificially colored	1082	0.33
Other tanning leather of bov. or equine	944	0.29
High tenacity yarn of polyester not F.R.S.	873	0.27
Leather of bovine, veg. pre-tanned	863	0.26
Leather, whole of bovine other	755	0.23
Ground-Nut in shell, not roasted or cooked	733	0.22
Ground-nut shelled, broken or not roasted	599	0.18
Carpets of silk or waste	590	0.18
Multiple yarn of comb. fiber	567	0.17
Multiple yarn of comb. fiber	566	0.17
Sand, uncolored other than glass sand	527	0.16
Single yarn of comb. fiber	522	0.16
Total Country Exports	**328606**	**97.41**

Notes: 1. The country total includes other items for which no details have been provided in the source.

2. The table includes products with export value exceeding five hundred thousand Egyptian pounds.

Source: "Annual Bulletin of Foreign Trade 1997," Volume 3, CAPMAS, June 1998, Egypt.

Table 3B. Egypt's Imports From Turkey in 1997

Commodities	Value (L.E. thousands)	% of Total
Lentils	103066	17.42
Stranded & cables of steel for tire indust.	32066	5.42
Leaf, Tobacco not stemmed stripped	16309	2.76
Synthetic, staple fiber of acrylic not card, nor comb	12495	2.11
Powder other trans	12171	2.06
Aerials, reflections of all kind for domestic application	8654	1.46
Other parts for motor vehicle	8524	1.44
Apples, Fresh	7287	1.23
Towers & lattice mast of Iron or steel	7282	1.23
Other, yarn single	7222	1.22
Chickpeas, Dried	7219	1.22
Paper board	6538	1.10
Hazelnuts, shelled	6190	1.05
Other, articles of glass fibers & wool	6071	1.03
Other rolled prod of allo. Steel	5703	0.96
Collasible tub. Cont. of aluminium	5565	0.94
Bars & rolls of steel for mfrn, hardened Iron	5540	0.94
Portland cement other than white not packed	5487	0.93
Feldspar	5485	0.93
Synthetic staple, fiber, card. proc. for. spin of	5397	0.91
Synthetic, staple fiber of polyes not card, nor comb.	5173	0.87
Disodium Carbonates other than pharmacopoeia	5066	0.86
Drown or blown glass	4376	0.74
Other machine haming individual function	4200	0.71
Line pipe for oil longitudinal submerg. Arc	4149	0.70
Block, granules of polythln a gravity	4119	0.70
Multi. or cabel yarn=85% of fib. or acry. Not	4113	0.69
Wheat or meslin flour	4036	0.68
Other, semi-finish prod. of iron non-alloy	3900	0.66
Zinc not alloyed	3826	0.65
Glass, non-wired flot. not cleared	3773	0.64
Zinc not alloyed	3612	0.61
Sacks for packed goods of plythyln or prplyn	3602	0.61
Tubes for oil dim. from	3569	0.60
Kaolin & kaolin clay	3254	0.55
Other glass, lead crystal	2949	0.50
Mattresses & semi non-woven of wool or glass fiber	2756	0.47
Tyres, pneumatic rubber for buses	2750	0.46
Portland cement other than white packed	2733	0.46
Winding wire of copper insulated with varnish	2726	0.46
Leaf, Tobacco stemmed stripped	2720	0.46
Bricks & blocks cont. 50%	2711	0.46
Glass frit & other glass	2691	0.45
Glass, non wired flotd. not cleared	2687	0.45
Tyres, pneumatic rubber for motor cars	2606	0.44
Veneer sheets of wood other than trop & conif	2547	0.43
Other article of Iron or steel	2527	0.43
Liquids or pastes of alxyd resins long and med	2509	0.42

Table 3B (continued)

Commodities	Value (L.E. thousands)	% of Total
Resin	2490	0.42
Multiple yarn of comb, fiber	2441	0.41
Liquids or pastes of polm of vinyl acetate in aqu. d.	2412	0.41
Parts of filtering machine for liquids or gases	2379	0.40
Apricot, dried	2295	0.39
Glass, non wired flot. not cleared	2271	0.38
Petroleum coke, calcimined	2250	0.38
Carboxmethyl cellulose & its salts	2221	0.38
Other, articles of plastic	2205	0.37
Blocks flooring blocks and the like of ceramic	2187	0.37
Other lighted or visual signaling equip	2077	0.35
Mixtures of synthetic rubber in prim. Forms	2003	0.34
Ignition wiring sets & other used vehicles aircraft	1972	0.33
Of blocks & powders polyethylene terephthalate	1968	0.33
Disodium tetraborates other than anhydrous	1966	0.33
Machine for bleaching or dyed textile, fabrics or yarn	1827	0.31
Gypsum, anhydrite	1798	0.30
Other yard of acrylic or modacry, stap. N.F.R.S.	1763	0.30
Liquids & pastes of other acrylic polymer	1729	0.29
Locks, coon or cylinder for doors & windows	1694	0.29
Cotton carded or combed	1678	0.28
Other printing, ink, other than black ink	1674	0.28
Drying machine, not for domestic use	1610	0.27
Wire of iron cont.	1589	0.27
Table or kitchen article of other glass	1582	0.27
Brake lining & pads of asbestos	1573	0.27
Other parts excp. rooms for persn. or goods lift	1560	0.26
Single yarn=85% of fiber, acrylic	1544	0.26
Soap, Toilet in Bars & molded pieces forms	1543	0.26
Thlph wire insulated with connect	1517	0.26
Urea resins thiourea resins	1490	0.25
Flywheels & pulleys including pulley blocks	1478	0.25
Powders & blacks of polm of vinylin acetate in aqu.d.	1470	0.25
Auto, circle breavers voltage	1458	0.25
Other angled and sharp. hot rolled	1450	0.25
Tyres, pneumatic rubber for buses	1438	0.24
Bars & rods of Iron or steel	1428	0.24
Oil or petrol filters for internal combutn. eng.	1403	0.24
Tubular of bifurcated rivets of base metal	1399	0.24
Other bars & products of silicon mng. steel. exc. coils	1314	0.22
Single yarn of comb fiber	1309	0.22
Powders of plocks of other acrylic polymers	1282	0.22
House, article & parts of cast Iron enameled	1243	0.21
Winding wire of copper, insulated with plastic	1236	0.21
Natural magnesium carbonate	1225	0.21
Other switches. electronic circuits	1209	0.20
Powders for leavening (baking powder)	1205	0.20
Other articles of taps	1188	0.20
Woven fabric of tenacity yarn for trash belts	1186	0.20

Suspension shock absorbers for motor vehicles	1173	0.20

Table 3B (continued)

Commodities	Value (L.E. thousands)	% of Total
Paper	1151	0.19
Other plates & sheets of plastics	1142	0.19
Powders & blocks of alkyd resins long and med.	1124	0.19
Check valve	1117	0.19
Pigments & preps. based on titanium	1107	0.19
Seeds of cumin	1085	0.18
Particles board of wood	1076	0.18
Cocoa powder sweetened	1074	0.18
House articles & parts of iron enameled	1072	0.18
Wire of iron cont.	1061	0.18
Rubber, styrene & butadine in primary forms	1051	0.18
Dioxide, silicon	1046	0.18
Hydraulic pres. for working metal or metal carbides	1043	0.18
Insulating fittings of plastics	1041	0.18
Sound signaling equipment	1014	0.17
X-ray appropriate for medical or surgical uses	1003	0.17
Other machine & appliances having individual functions	1000	0.17
Other. Toile paper not for retail sale	986	0.17
Other parts and accessories of bodies including cabs	985	0.17
Disperse dyes & preparation based thereon	978	0.17
Telephone wire insulated without connect	975	0.16
Magnesia, fused or dead burned	970	0.16
Drown or blown glass	965	0.16
Copper-zinc base alloys	934	0.16
Coat.elect of Iron for elec. arc weldg	917	0.15
Glass, flot non wired colored or opcfd in sheet	915	0.15
Motor buses of diesel or semi complete	850	0.14
Ball bearing	846	0.14
Coils cold rolled	829	0.14
Iron angled and sharp. hot rolled U & H	827	0.14
Wire of iron cont.	797	0.13
Drinking glasses of other glass	795	0.13
Relays for a voltage	761	0.13
Beans, vigna, dried not for sowing	755	0.13
Tires cord fabrics of nylons or polyam	748	0.13
Residual products of the chemical industries N.E.S.	746	0.13
Synthetic monofil. for reinfor. tires & rubber products	737	0.12
Nonionic, organic suf. active agents not F.R.S	711	0.12
Household type fully automatic. wash. machine	708	0.12
Other yarn of synth stap fiber F.W.S.	706	0.12
Other vaccines, for veterinary medicine	703	0.12
Shearing mch. & presses not comb. punch. excp. num.c	687	0.12
Other fans	684	0.12
Bars of Iron forged	680	0.11
Inner tubes of rubber for motor cars	666	0.11
Other yarn of acry. mixed with wool or f. hair N.F.R.S.	655	0.11
Bran & shares of other cereals	654	0.11
Moulds for glass	654	0.11
Machine for working of cereals or dried leg. ve.	647	0.11
Liquids or pastes of other polyesters, unsaturated	642	0.11

Table 3B (continued)

Commodities	Value (L.E. thousands)	% of Total
Forging or die stamping, machine excp. num contr. for mtl	642	0.11
Parts for borwgor sinking machine	637	0.11
Disodium tetraborates	628	0.11
Plates & sheets of other acrylic polym not cell	620	0.10
Parts of machine., equip for treatment material by heat exchange	614	0.10
Other structures & parts of iron or steel	609	0.10
Other products of veg. alkaloids & their derivatives	608	0.10
Refrigerated household, compression type to 800	604	0.10
Other threshing machine	596	0.10
Piston for diesel or semi. engines	593	0.10
Other med cl. plants not F.R.S.	574	0.10
Tubes & pipes of rubber. reinf. of text. material without	571	0.10
Fire extinguishers, whether or not charged	567	0.10
Helical springs of iron	562	0.09
Strip & the like of syn. text material	561	0.09
Pistachios, shelled	549	0.09
Machine parts not cont. elect. connect or other elect	548	0.09
Other relays for a voltage	540	0.09
Tube longtly weld of iron	536	0.09
Other parts of air conditioning machine	532	0.09
Paperboard. Mpresn, cover poly-ethylene	529	0.09
Sheets of other resins, not cellular	526	0.09
Cherries, provisionally preserved	519	0.09
Other yarn of artificial fiber not F.R.S.	509	0.09
Heat exchange units	508	0.09
Carbon	507	0.09
Insecticides for agricultural purposes F.R.S.	505	0.09
Rolls for rolling mills	505	0.09
Blacks, carbon	500	0.08
Acrylic or modacar		0.00
Total Country Imports	**591817**	**87.02**

Notes: 1. The country total includes other items for which no details have been provided in the source.

2. The table includes products with import value equal to or exceeding five hundred thousand Egyptian pounds.

Source: "Annual Bulletin of Foreign Trade 1997," Volume 3, CAPMAS, June 1998, Egypt.

Table 4A. Tourism Sector Egypt/Turkey, 1996

Item of Comparison	Egypt	Turkey
Tourist arrivals (thousands)	3,528	7,966
% Share of arrivals worldwide	0.59	1.34
Tourism receipts (US$ million)	3,204	5,962
% Share of receipts worldwide	0.74	1.37
Tourism expenditure (US$ million)	1,317	1,265
Share of expenditure worldwide	0.35	0.33
Nights in all accommodation establishments (US$ million)	24	25
Share of Middle East arrivals (%)	25.05	56.71
Share of Middle East receipts (%)	16.3	30.3
Tourism receipts per capita (US$)	54.31	94.63

Appendix 5

Trade Liberalization of Industrial Goods

The proposed set of recommendations concerns the method of trade liberalization for industrial goods, which the text divides into five groups. Hereafter are some of the proposed recommendations pertaining to the criteria for categorization of industrial goods, the tariff reduction approach, and the preferred tariff reduction time for each of the five groups.

1. Products Not Subject to Tariff Concessions (Appendix 1 of the draft agreement)

These industrial products are not subject to tariff reductions. It is preferable to keep the list of these industrial products as limited as possible in order to preserve the objectives of the agreement. We also propose to establish a specific set of criteria for choosing these products, in such a way as to limit them to those articles banned for either strategic, sanitary, or environmental reasons.

2. Turkish Imports to Egypt Listed in Appendix 2 of the Draft Agreement

These products are gradually liberalized. In this regard, we suggest the following:

First, with respect to the criterion used to determine the nature of this group, we propose the inclusion of Turkish industrial products that have Egyptian substitutes with which Egypt has a lower comparative advantage in Egypt (measured by the Revealed Comparative Advantage Index), compared to Turkey (for example: dried fruits, fur clothes, and some glassware products).

Second, concerning tariff reduction rates, two questions must be raised. First, should the reduction be uniform throughout the interim period to be agreed upon, or rather frontloaded or backloaded? Second, should the agreement distinguish between consumer, intermediate and capital goods? In other words, should tariff reductions be applied first to both capital and intermediate goods, and then on consumer goods? We suggest that tariff reductions should be applied at uniform intervals between the different commodity groups in order to avoid raising the effective rate of protection of some commodities.

3- Turkish Imports to Egypt Not Listed in Appendix 2 of the Draft Agreement

These products are to be liberalized immediately. We suggest the inclusion of Turkish industrial imports that have no real substitutes in Egypt such as artificial

fibers, equipment and spare parts, or Turkish imports that have highly competitive Egyptian substitutes (measured by the Revealed Comparative Advantage Index) such as petroleum products, aluminum products, and chemical fertilizers.

4. Egyptian Imports to Turkey Listed in Appendix 3 of the Draft Agreement

The list should include highly competitive Egyptian products (enjoying a higher RCA in comparison to Turkish products) having Turkish substitutes such as various chemical products, threads, and fabrics. Furthermore, it is suggested that the tariff reduction schedule applied on Turkish imports mentioned in group 2 should be adopted.

5. Egyptian Imports to Turkey Not listed in Appendix 3 of the Draft Agreement

This group includes Egyptian products immediately exempt from custom duties in Turkey. This group must, preferably, include those Egyptian products that have no substitutes in Turkey (for example, petroleum, coke of coal, cotton yarn), as well as Egyptian products that have Turkish substitutes, but whose competitive advantage in Turkey (measured by the Revealed Comparative Advantage Index) is higher than in Egypt (such as ready-made clothes and leather products).

Appendix 6

Table 6A. Egypt's Revealed Comparative Advantage for all Products in Descending Order

Code	Description	RCA 1990-92
651	Textile yarn and thread	15.35
332	Petroleum products	9.26
684	Aluminum	9.09
652	Cotton fabrics, woven	8.78
734	Aircraft	5.52
561	Fertilizers manufactured	4.92
55	Vegetables, etc preserved, prepared	4.05
673	Iron and steel shapes	4.04
422	Rice glazed or polished	3.58
551	Essential oil, perfume, etc	3.06
657	Floor cover, tapestry, etc	2.62
841	Clothing not of fur	2.59
521	Coal petroleum, etc chemicals	2.56
671	Pig iron etc	2.41
PSUG	Prepared sugar	2.15
696	Cutlery	1.08
678	Iron, steel tubes, pipes, etc	0.95
571	Explosives, pyrotech products	0.9
554	Soaps, cleaning etc preps	0.83
713	Coffee, essences, extracts	0.79
812	Plumbing, heating, lighting equipment	0.75
697	Base metal household equipment	0.73
599	Chemicals nes	0.73
53	Fruits, preserved and prepared	0.69
81	Animal feeding stuff	0.65
665	Glassware	0.63
666	Pottery	0.61
513	Inorg. elements, oxides, etc	0.59
693	Wire products non-electronic	0.55
52	Dried fruit	0.52
831	Travel goods, handbags	0.51
661	Cement, etc building products	0.5
612	Leather etc, manufactures	0.49
122	Tobacco manufactures	0.47
531	Synthetic dye, nat indgo, lakes	0.44
679	Iron, steel casting unworked	0.44
672	Iron, steel, primary forms	0.43
892	Printed matter	0.42
821	Furniture	0.41
682	Copper	0.38
47	Meal and flour non-wheat	0.34
111	Non-alcoholic beverages nes	0.34
611	Leather	0.32
874	Iron, steel, univ, plate sheet	0.31
PRCOC	Prepared cocoa	0.29
653	Woven textiles non-cotton	0.29
664	Glass	0.29
692	Metal tanks, boxes, etc	0.28
532	Dyes, nes, tanning products	0.27
553	Perfume, cosmetics, etc	0.25

Table 6A (continued)

Code	Description	RCA 1990-92
851	Footwear	0.25
642	Articles of paper etc	0.23
711	Power machinery non-elect.	0.22
691	Structures and parts nes	0.21
662	Clay, refractory building products	0.21
861	Instruments, apparatus	0.21
899	Other manufactured goods	0.2
99	Food preparation nes	0.2
893	Articles of plastic nes	0.19
655	Special textile etc product	0.17
541	Medicinal etc products	0.15
677	Iron, steel wire excl. w' rod	0.15
722	Electronic power machine, switch chrgr.	0.15
654	Lace, ribbons, tulle, etc	0.14
695	Tools	0.14
697	Gold, silver ware, jewelry	0.14
514	Other inorganic chemicals	0.13
719	Machines nes non-electronic	0.13
895	Office supplies nes	0.13
48	Cereal etc preparation	0.12
74	Tea and mate	0.12
512	Organic chemicals	0.12
641	Paper and paperboard	0.12
663	Other nonmetal mineral MF3	0.12
698	Metal manufactures nes	0.12
PDRY	Prepared dairy	0.11
2219	Oil seed flour and meal	0.11
723	Electronic distributing mach.	0.11
46	Wheat etc meal or flour	0.11
717	Textile leather machinery	0.1
621	Materials of rubber	0.1
712	Machs. for special industries	0.09
581	Plastic materials etc	0.08
689	Non-fer base materials nes	0.08
726	Electronic medical, x-ray equipment	0.08
724	Telecommunication equipment	0.07
694	Steel, copper nails, nuts, etc	0.06
735	Ships and boats	0.06
632	Wood manufactures nes	0.06
266	Synthetic, regenerated fiber	0.05
629	Rubber articles nes	0.05
686	Zinc	0.05
729	Electronic machinery nes	0.05
533	Pigments, paints, etc	0.04
712	Agricultural machinery	0.04
715	Metal working machinery	0.04
842	Fur, etc clothes, products	0.04
PMEAT	Prepared meat	0.03
91	Margarine, shortening	0.03
411	Animal oils and fats	0.03

Table 6A (continued)

Code	Description	RCA 1990-92
681	Silver, platinum, etc	0.03
714	Office machines	0.03
733	Road vehicle non-motor	0.03
864	Watches and clocks	0.03
891	Sound recorders producers	0.03
32	Fish, etc tinned prepared	0.02
112	Alcoholic beverages	0.02
631	Veneer, plywood, etc	0.02
725	Domestic electric equipment	0.02
731	Railway vehicles	0.02
862	Photo, cinema, supplies	0.02
894	Toys, sporting goods, etc	0.02
515	Radioactive material, etc	0.01

Comments: Egypt has 18 products with RCA of .9 and above, 15 products with RCA between .49 and .83 and 80 products with RCA of .47 and lower.

Source: Yeats, Alexander J. (Nov. 1995), "Export Prospects of Middle Eastern Countries," Principal Economist, International Trade Division, World Bank.

Table 6B. Turkey's Revealed Comparative Advantage for all Products in Descending Order

Code	Description	RCA 1990-92
52	Dried fruits	79.29
842	Fur. Etc clothes products	10.3
661	Cement etc building products	9.71
657	Floor cover, tapestry etc	9.43
841	Clothing not of fur	7.63
656	Textile etc products nes	7.46
673	Iron and steel shapes	7.44
875	Iron, steel, hoop, strip	7.17
91	Margarine, shortening	6.83
651	Textile, yarn and thread	6.39
53	Fruit, preserved, prepared	5.74
55	Vegetables, etc preserved, prepared	5.6
652	Cotton, fabrics and woven	4.54
665	Glassware	4.47
672	Iron, steel, primary forms	3.99
671	Pig iron, etc	3.39
514	Other inorganic chemicals	3.13
268	Synthetic, regenerated fiber	2.85
693	Wire products non electronic	2.81
684	Glass	2.52
653	Woven, textiles, non cotton	2.4
662	Clay, refractory building products	2.13
697	Base metal, household equipment	1.78
679	Iron, steel casting unworked	1.44
682	Copper	1.42
678	Iron, steel tubes, pipes, etc	1.39
812	Plumbing, heating, lighting equipment	1.34
629	Rubber articles, nes	1.28
521	Coal, petroleum, chemicals	1.23
532	Dyes nes, tanning products	1.18
32	Fish, etc tinned prepared	1.18
48	Cereal, etc preparations	1.14
612	Leather, etc manufactures	1.13
332	Petroleum products	1.12
655	special textile etc products	0.99
897	Gold, silverware, jewelry	0.99
74	Tea and mate	0.92
561	Fertilized manufactured	0.88
725	Domestic electric equipment	0.84
621	Materials of rubber	0.83
724	Telecommunication equipment	0.82
47	Meal and flour non wheat	0.8
46	Wheat etc meal or flour	0.76
831	Travel goods, handbags	0.76
551	Essential oil, perfume, etc	0.75
PSUG	prepared sugar	0.69
554	Soaps, cleaning etc preps	0.68
431	Processed animal vegetable oil, etc	0.64
99	Food preparations nes	0.59
677	Iron, steel wire excl. rod	0.59

Table 6B (continued)

Code	Description	RCA 1990-92
VOIL	Vegetable oil	0.58
723	Electronic distributing match	0.57
684	Aluminum	0.55
512	Organic chemicals	0.5
694	Steel copper nails, nuts, etc	0.49
581	Plastic materials etc	0.48
691	Structures and parts nes	0.47
654	Lace, ribbons, tulle, etc	0.47
632	Wood manufactured nes	0.38
711	Power machinery non electronic	0.33
696	Cutlery	0.32
513	Inorganic elements, oxides, etc	0.31
666	Pottery	0.31
689	Non-fer base metals nes	0.31
2219	Oil seed flour and meal	0.3
411	Animal oils and fats	0.3
891	Sound recorders and producers	0.3
895	Office supplies nes	0.29
734	Aircraft	0.29
698	Metal manufactures nes	0.27
692	Metal, tanks, boxes, etc	0.26
821	Furniture	0.23
PREMT	Prepared meat	0.22
851	Footwear	0.21
111	Non alcoholic beverages nes	0.2
899	Other manufactured goods	0.19
715	Metal working machinery	0.18
611	Leather, etc manufactures	0.17
642	Articles of paper etc	0.17
722	Electronic power machines, switch chrgr.	0.17
735	ships and boats	0.17
WW	Worked wood	0.16
893	Articles of plastic nes	0.16
243	Wood shaped	0.15
663	Other non metal mineral mfs	0.15
695	Tools	0.15
713	Machines nes non-electric	0.15
732	Road motor vehicles	0.15
717	Textile leather machinery	0.14
674	Iron, steel univ, plate, sheet	0.13
613	Fur skins tanned dressed	0.12
PRCOC	Prepared cocoa	0.12
422	Rice glazed or polished	0.11
112	Alcoholic beverages	0.1
533	Pigments, paints, etc	0.1
718	Machines for special industries	0.1
712	Agricultural machinery	0.09
641	Paper and paper board	0.09
631	Veneers, plywood, etc	0.08
686	Zinc	0.08

Table 6B (continued)

Code	Description	RCA 1990-92
714	Office ….	0.08
731	Railway vehicle	0.08
541	Medical etc products	0.08
PDARY	Prepared Dairy	0.07
531	Synt dye, nat indgo, lakes	0.07
599	Chemicals nes	0.07
861	Instruments, apparatus	0.07
892	Printed matter	0.06
733	Road vehicles non-motor	0.05
681	Silver, platinum, etc	0.05
81	Animal feeding stuff	0.04
730		0.04
685	Lead	0.04
553	Perfume, cosmetics, etc	0.03
894	Toys, sporting goods, etc	0.03
864	Watches and clocks	0.02
122	Tobacco manufactures	0.02
SYNRB	Synthetic rubber	0.02
251	Pulp and waste paper	0.02
571	Explosives, pyrotech products	0.01
633	Cork manufactures	0.01
862	Photo, cinema supplies	0.01

Comments: Turkey produces 122 products of which 37 have RCA between .92 and 79.29, 17 have RCA between 5 and .88, and 68 have RCA between .01 and .49.

Source: Yeats, Alexander J. (Nov. 1995), " Export Prospects of Middle Eastern Countries," Principal Economist, International Trade Division, World Bank.

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