
Role of Services in Egypt

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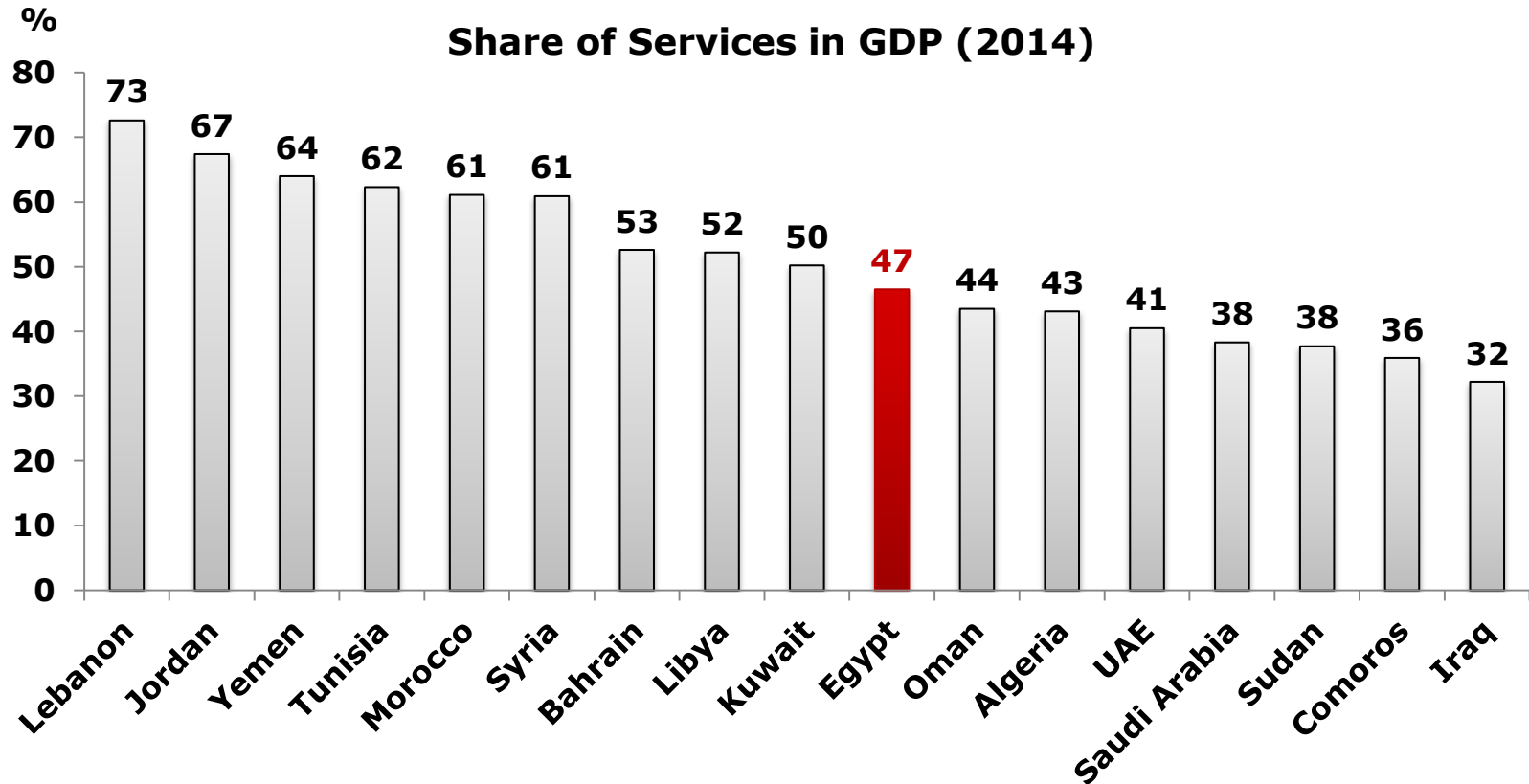
Cairo, Egypt

Outline

- 1) Importance of services for Egypt**
- 2) Trade in services performance of Egypt**
- 3) Egypt's GATS commitments**
- 4) De facto liberalization of trade in services in Egypt**

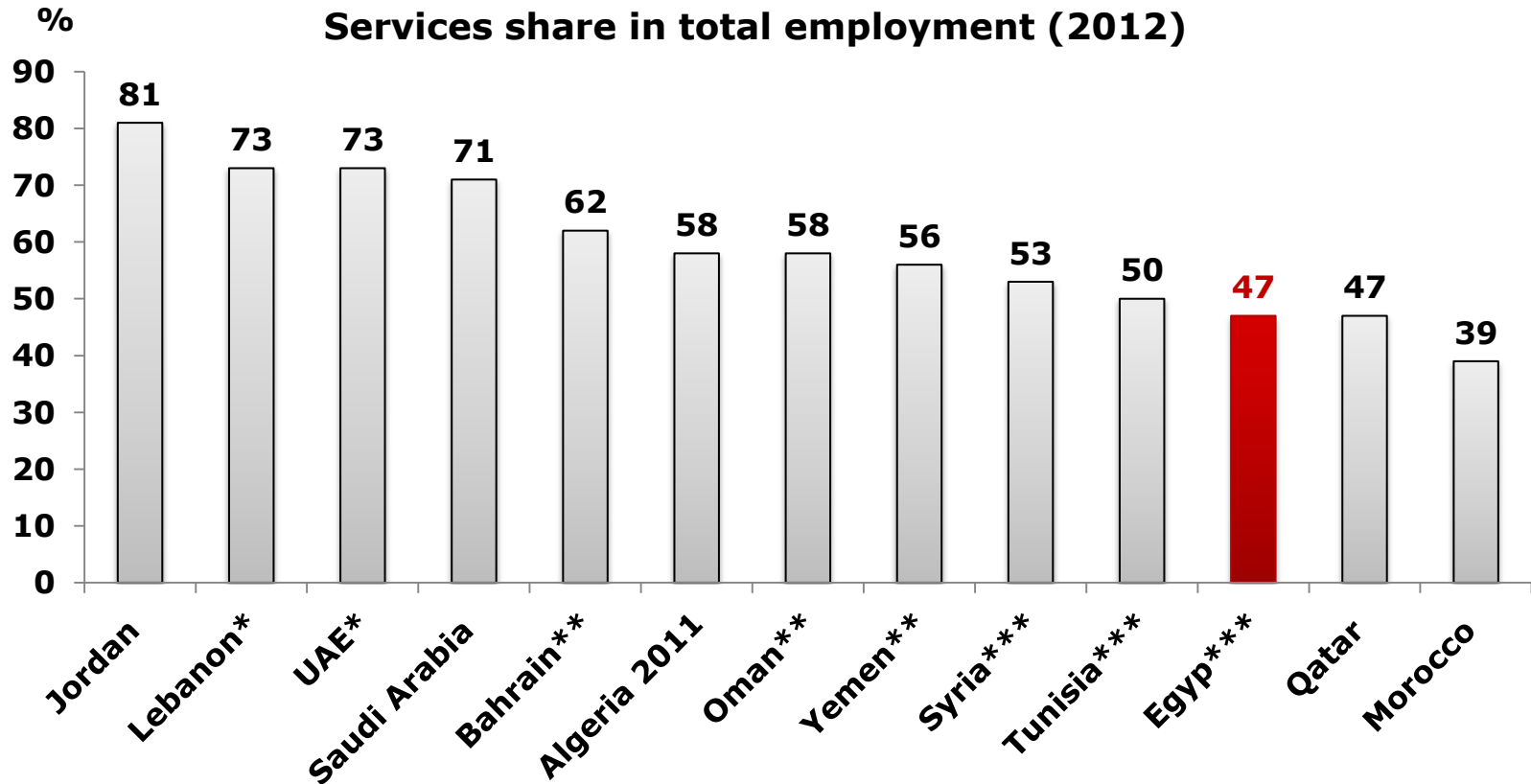
1) Importance of services for Egypt

1) Services make an important contribution to **Egypt's** GDP



Source: CIA-World Fact Book (2014) <https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>

1) The service sector is a main employer in **Egypt**



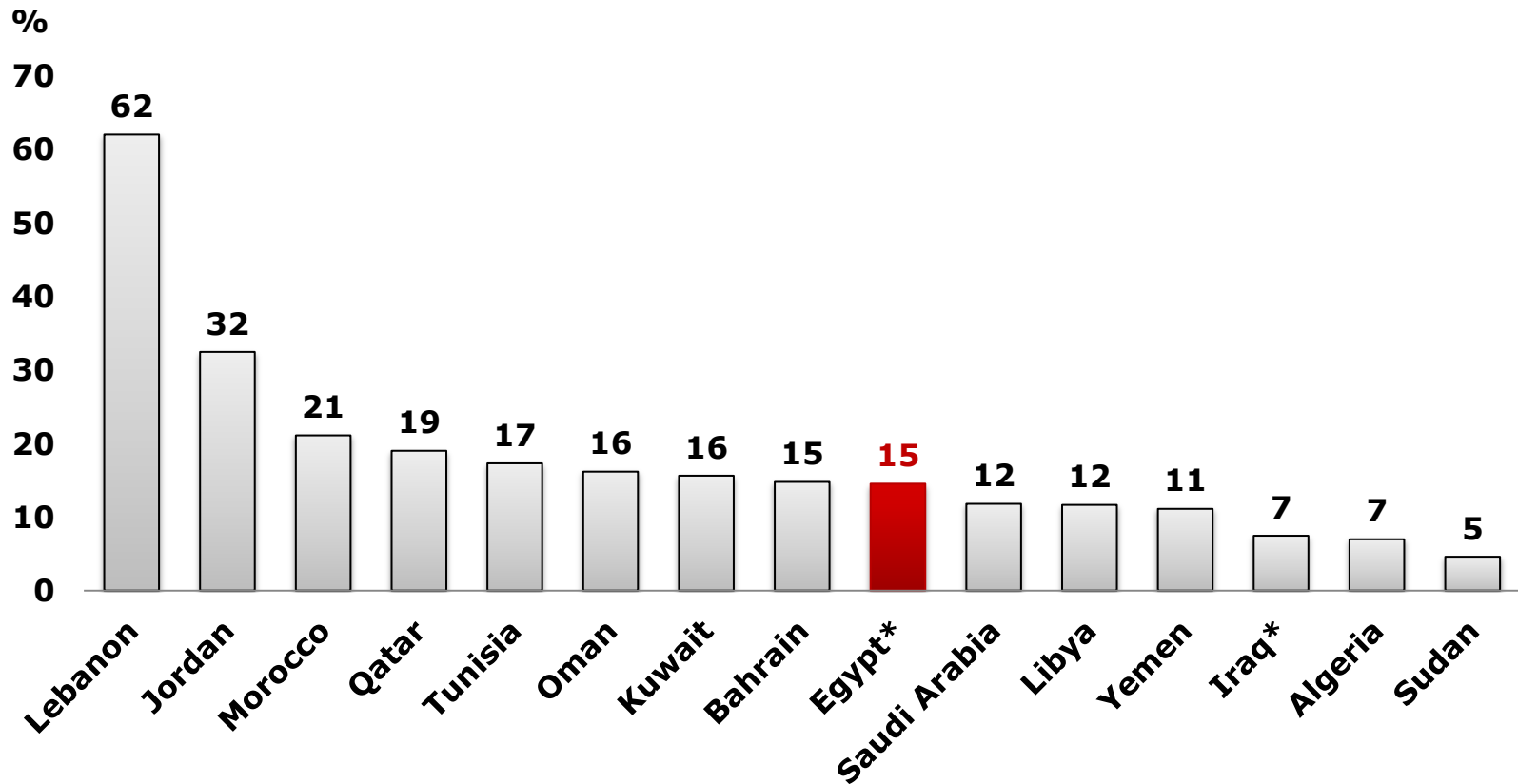
*2009 values **2010 values ***2011 values

Source: World Bank Data

<http://data.worldbank.org/indicator/SL.SRV.EMPL.ZS?page=1>

1) But, trade in services (% of GDP) is modest in **Egypt**

Trade as % of GDP (2013)

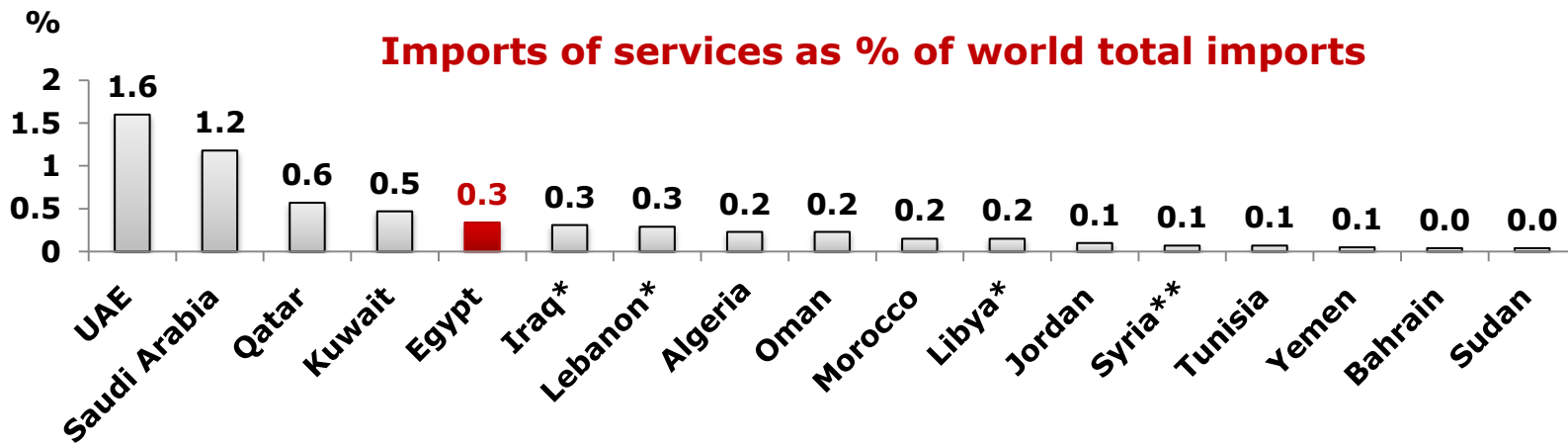
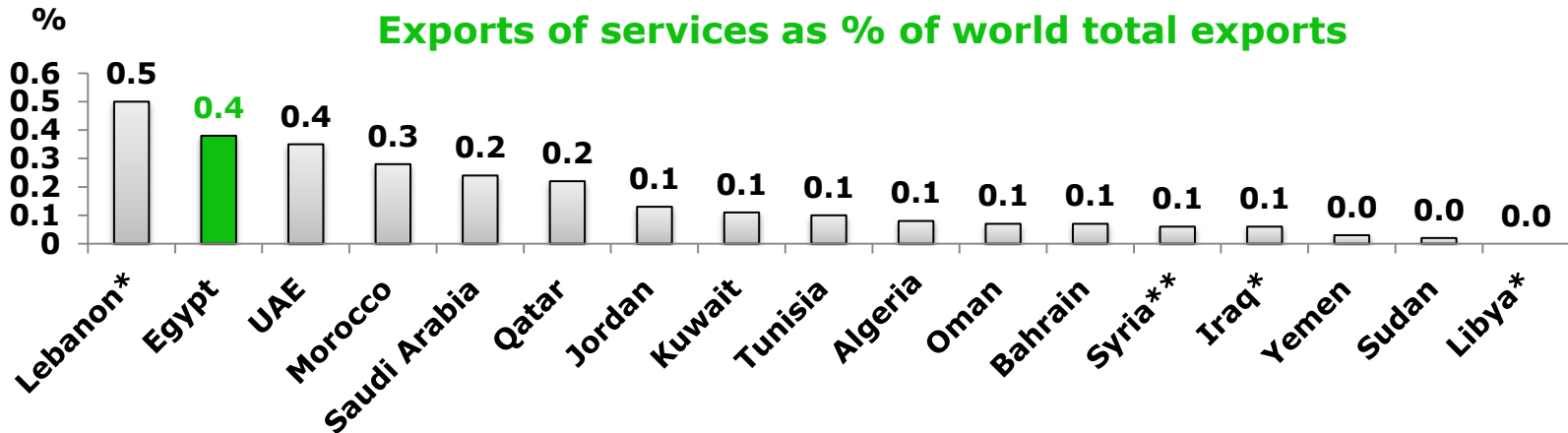


* 2012 Values

Source: World Bank Indicators

2) Trade in services performance of Egypt

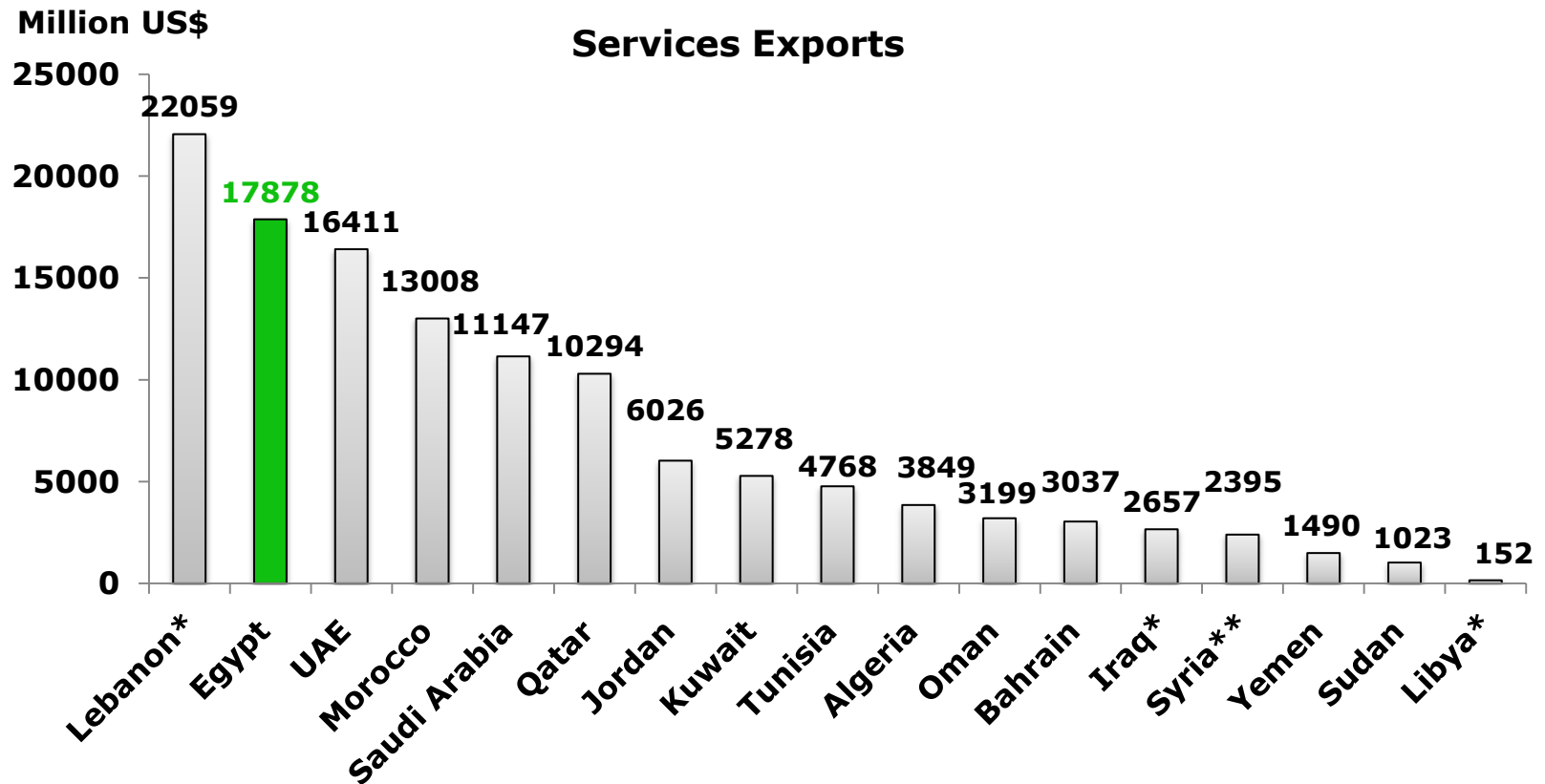
2) Egypt has a low share in world exports and imports of services



*2012 values **2011 values

Source: World Trade Organization- Trade Profiles 2014.

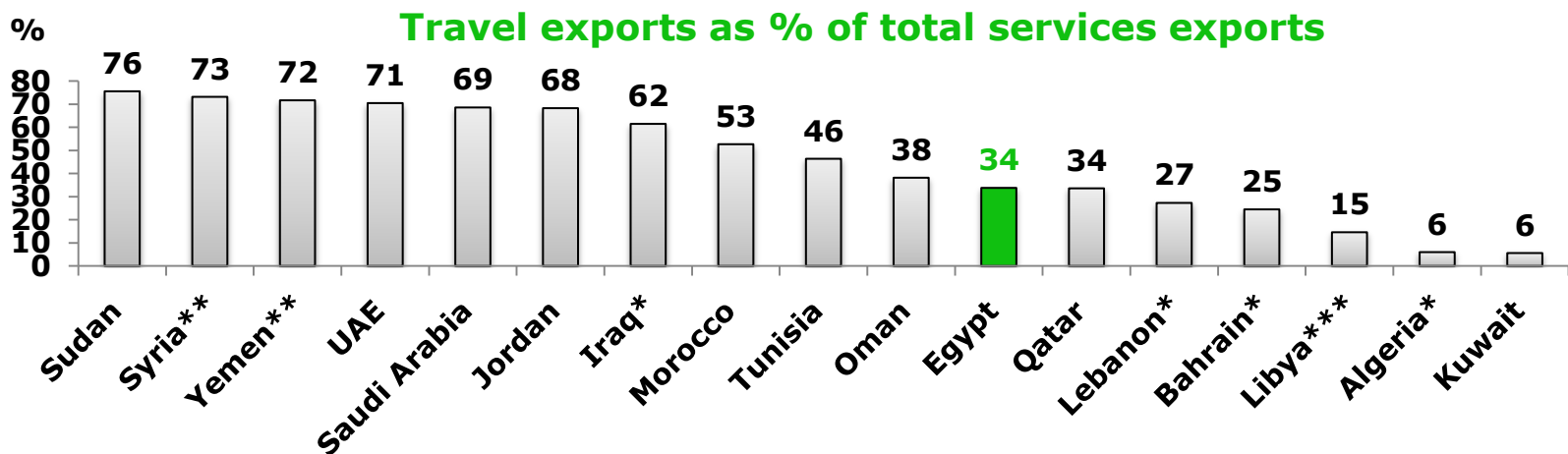
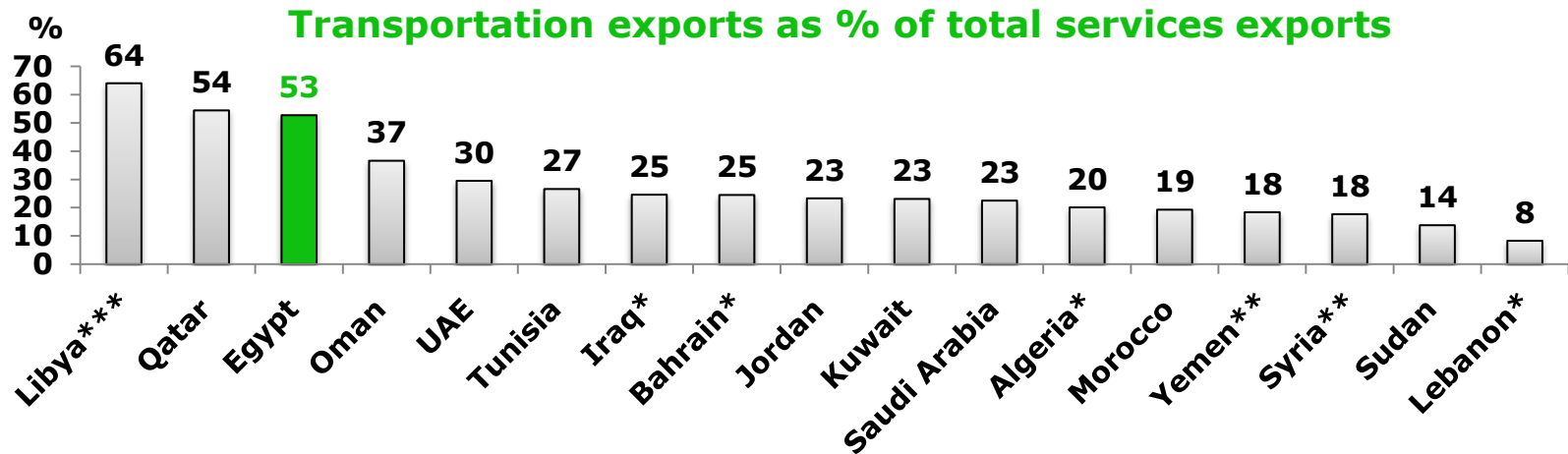
2) However, **Egypt** is one of the main exporters of services in the Arab region



*2012 values **2011 values

Source: World Trade Organization- Trade Profiles 2014.

2) Transportation and travel are Egypt's main services exports



*2012 values **2011 values ***2010 values

Source: World Trade Organization- Trade Profiles 2014.

2) Egyptian exports of new services (offshoring), are emerging

Sector	Services	Main Emerging Country Suppliers
Audio-visual and Cultural Services	Motion picture production and distribution; sound recording; cultural and sporting; news agency services; animation	Argentina; Brazil; Hong Kong; China; India; Mexico; Thailand; Venezuela Egypt (all), Lebanon (music)
Professional Services	Bookkeeping; document management; architectural design; etc...	India; Singapore and others Egypt (bookkeeping)
Other Business Services	Abstracting & indexing; electronic publishing; telemarketing; web-site design; maintenance & repair of equipment; call centers	India and many others Egypt, Jordan, Morocco, Tunisia, UAE (call centers)
Computer and Related Services	Software implementation; data processing; database services data entry and processing	India; South Africa; Israel; Mauritius Egypt, Jordan, UAE

3) Egypt's GATS Commitments

3) Egypt made specific commitments in **five** of the twelve sectors in the WTO classification

F= full; P= partial; N= none; V= (varies from one sub-sector to another)

Mode of Supply Sector	Market Access				National Treatment			
	1	2	3	4	1	2	3	4
Telecom.	N	F	V	V	F	F	F	P
Construction and related engineering services	N	N	P	F	N	N	F	F
Financial services	V							
Tourism and travel	V							
Transport	N	F/N	P	P	N	F/N	F	F

Source: World Trade Organization. 2005. Egypt Trade Policy Review, 26 and 28 July.

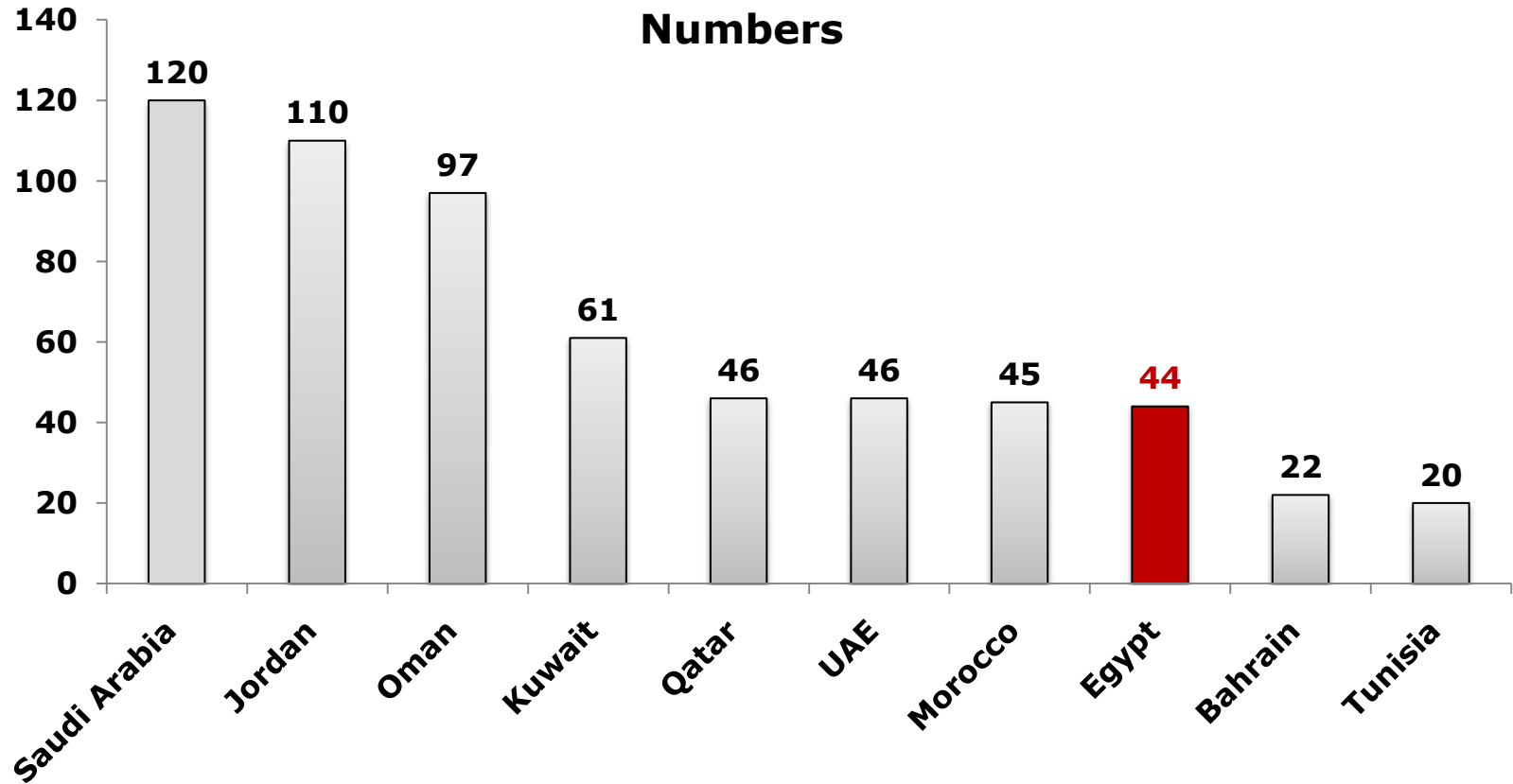
3) GATS Commitments: Egypt

- **Egypt** has bound measures affecting commercial presence of natural persons for a number of individual service categories, most notably in:
 - Telecommunications services;
 - Construction and related engineering services;
 - Financial services;
 - Tourism;
 - Transport services (**Egypt displays high restriction levels in modes 1 and 2**)
- There are restrictions on the acquisition by foreigners of land for commercial purposes, except within free zones for most sectors. These generally relate to limits on foreign equity participation, up to 49% or 51%

3) GATS Commitments: Egypt's MFN exemptions under Article II

- Egypt offers national treatment in all services sectors to personnel from Greece, Jordan, Libya, Qatar, Sudan, UAE, Yemen and possibly other countries
- Additional sector-specific exemptions (MFN treatment extended to countries with which Egypt has bilateral or regional trading agreements) are provided for:
 - Communication services;
 - Transport services

3) However, the number of GATS commitments in **Egypt** remain modest



Source: World Trade Organization- Trade Profiles 2014.

4) De facto liberalization of trade in services in Egypt

4) Regulatory barriers to Egypt's trade in services, include:

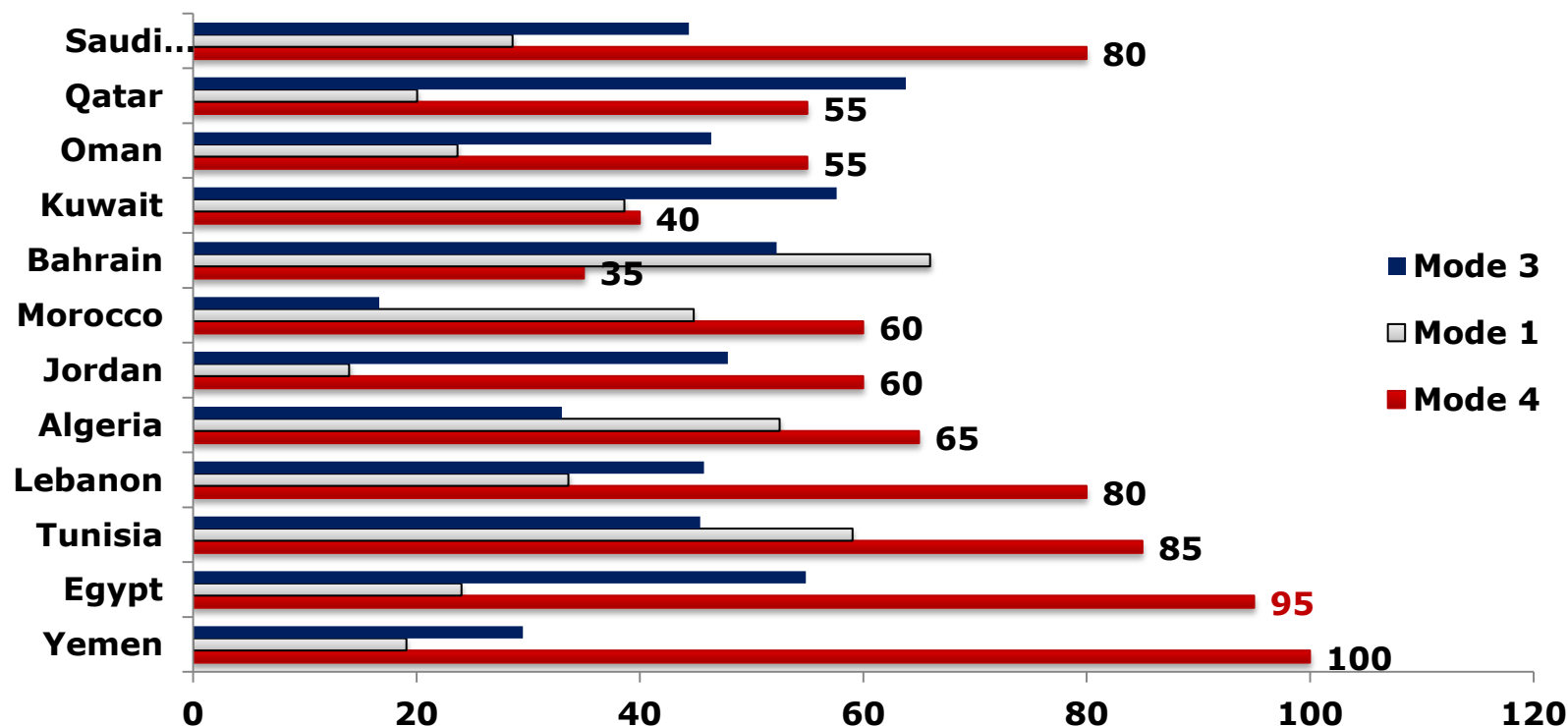
- **Horizontal laws and regulations** affecting all services industries, such as:
 - restrictions on the transfer of funds,
 - limitations on the movement of people, and
 - caps on foreign equity participation
- **Regulations that govern a particular industry**, such as tourism or telecommunications
- **Measures that regulate specific activities**, such as the practice of law, medicine, or accounting.

4) Regulatory barriers to Egypt's trade in services, include:

- “Modal” regulations, such as:
 - Cross-border trade: measures on transfer of funds, etc...
 - Consumption abroad: exit visas for nationals, restrictions on access to foreign currency, etc...
 - Commercial presence: limitations on land ownership, etc...
 - Presence of individual services suppliers: visa requirements for foreigners, limitations on periods of stay, etc...
- “Stage of Supply” regulation, such as:
 - Limiting the entry of services suppliers to the market through licensing and registration requirements.
 - Measures affecting business operation, including taxes, employment conditions, and price regulation.

4) Mode 4 (presence of natural persons), is very restricted in Egypt

■ Services Trade Restrictions Index, by mode

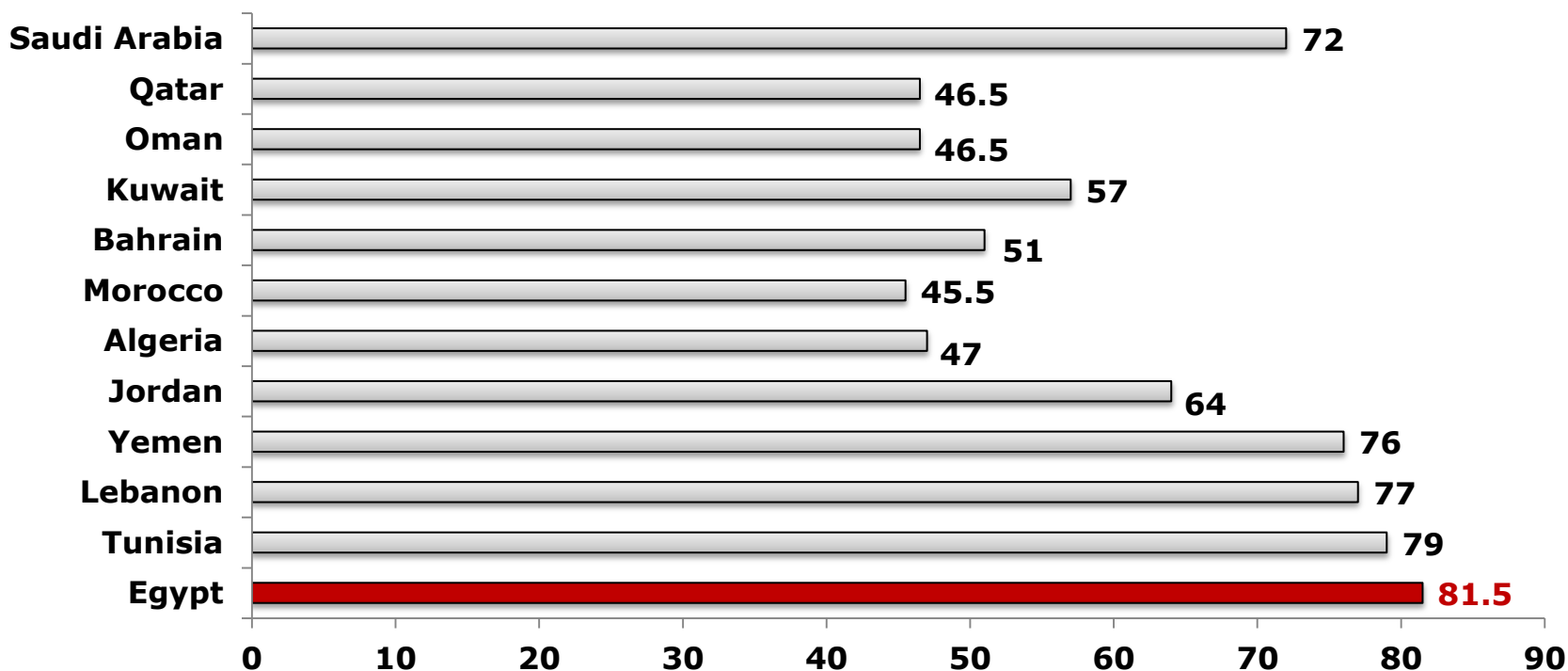


Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

4) Professional services are almost closed in Egypt

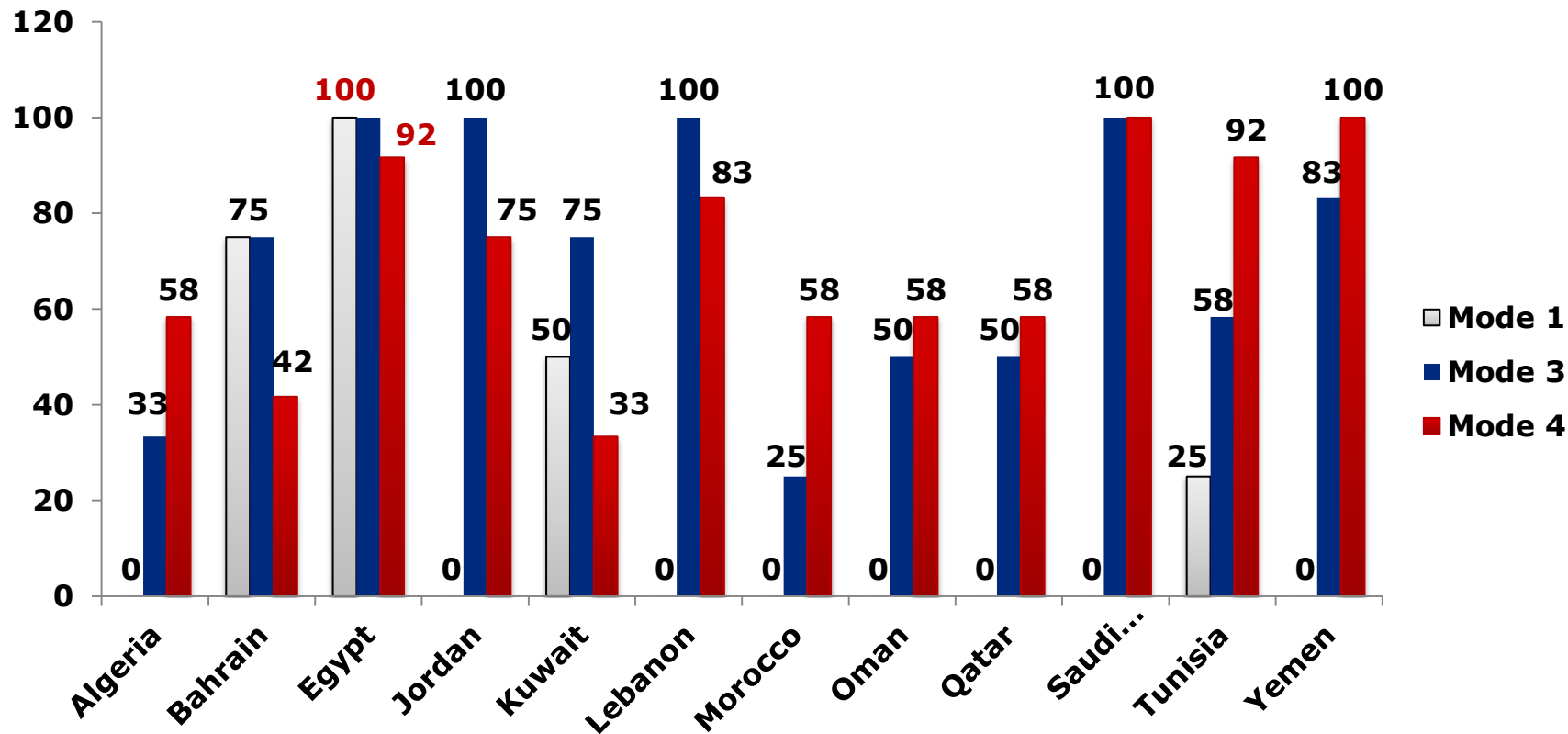
■ Services Trade Restrictions Index, by sector



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

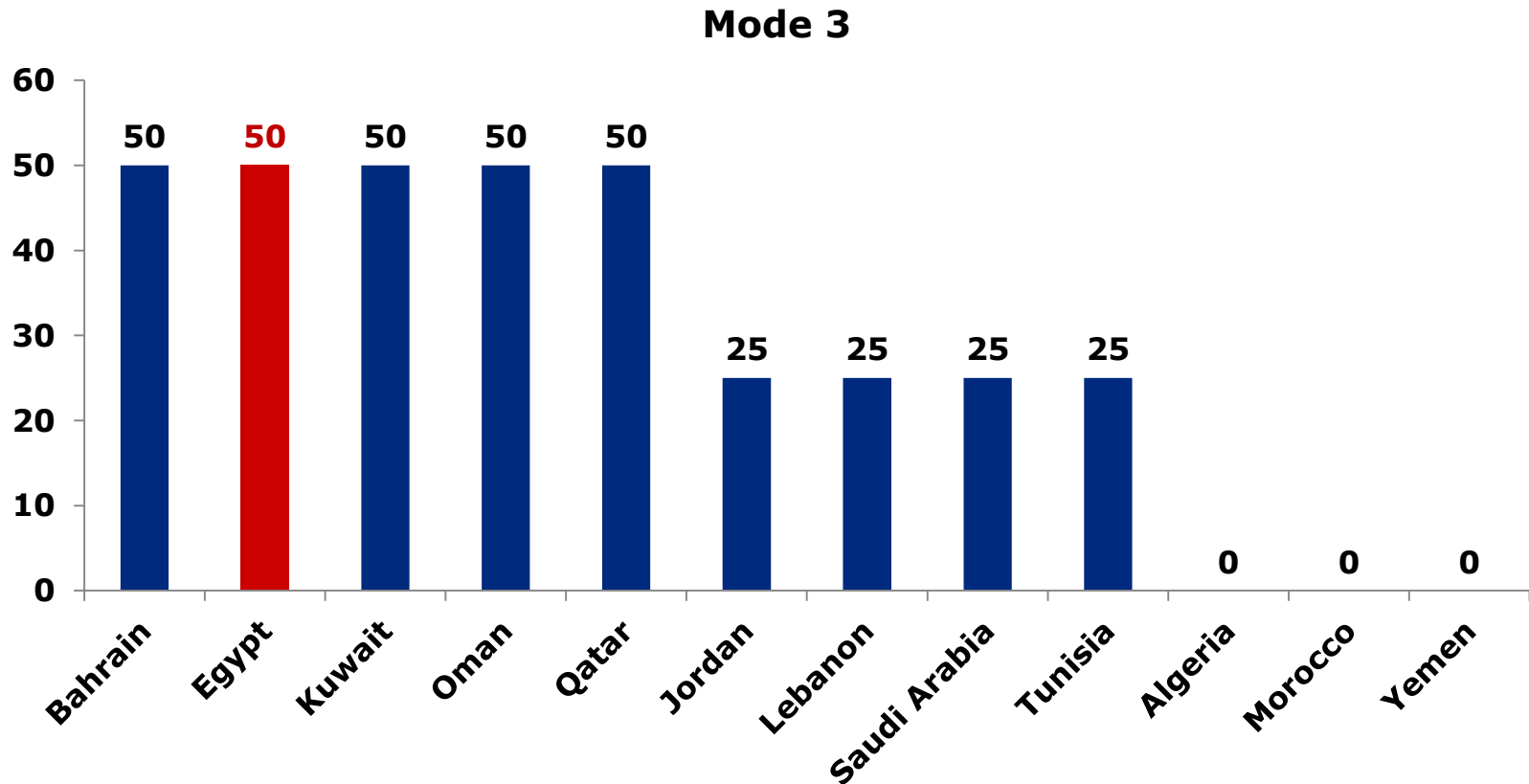
4) The legal sector is almost closed in Egypt



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

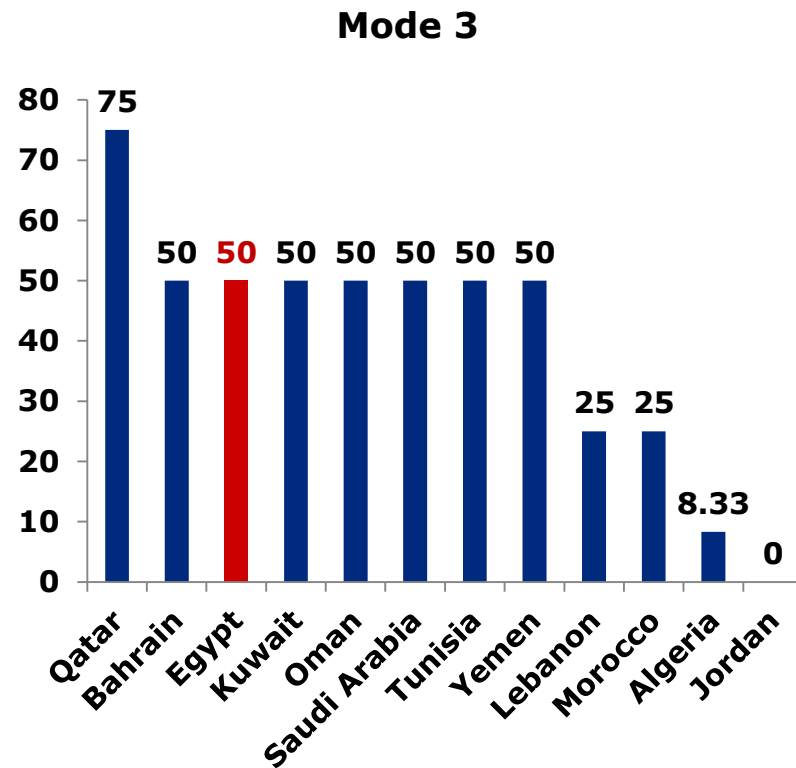
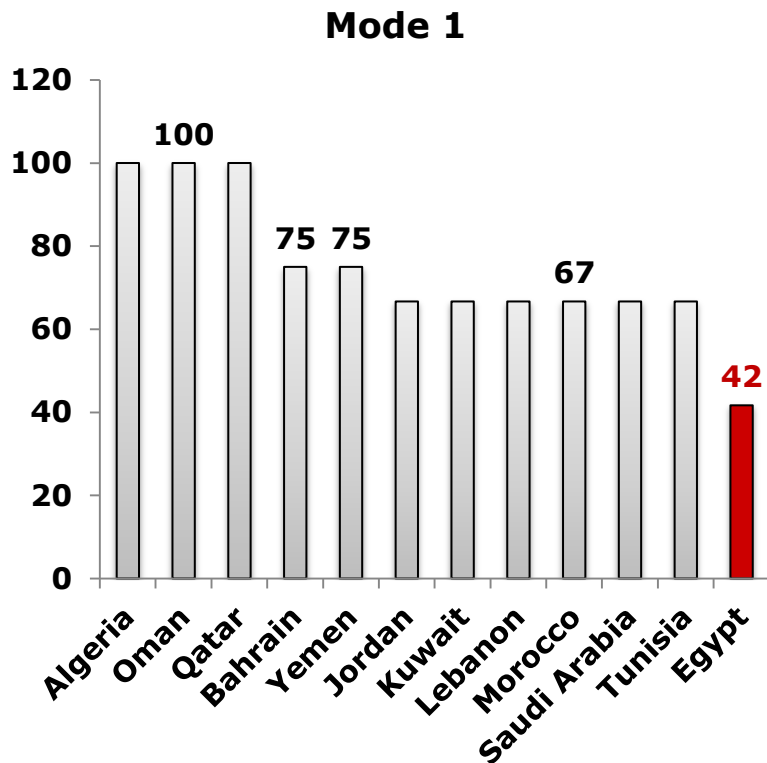
4) Mode 3 (commercial presence) in the retail sector has major restrictions in Egypt



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

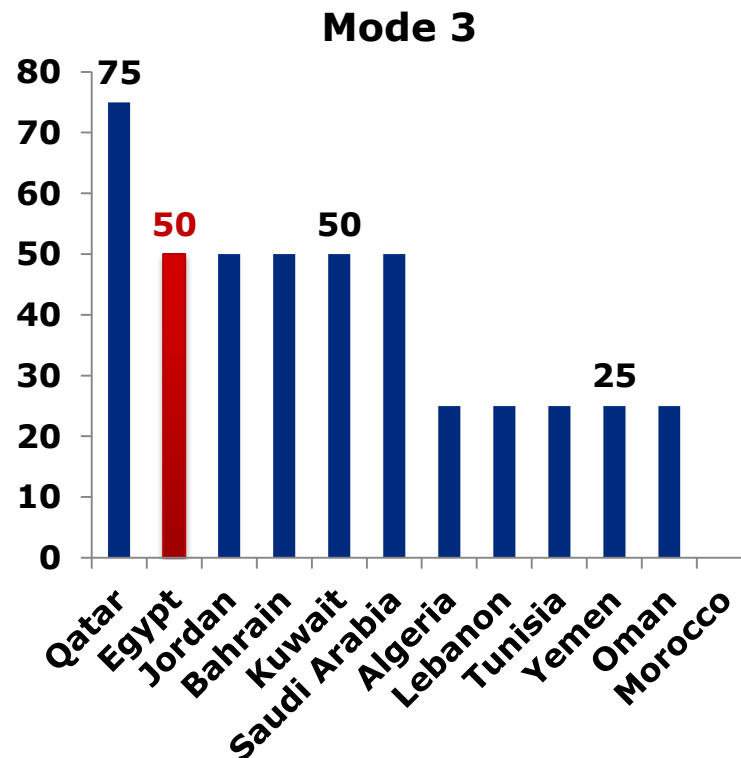
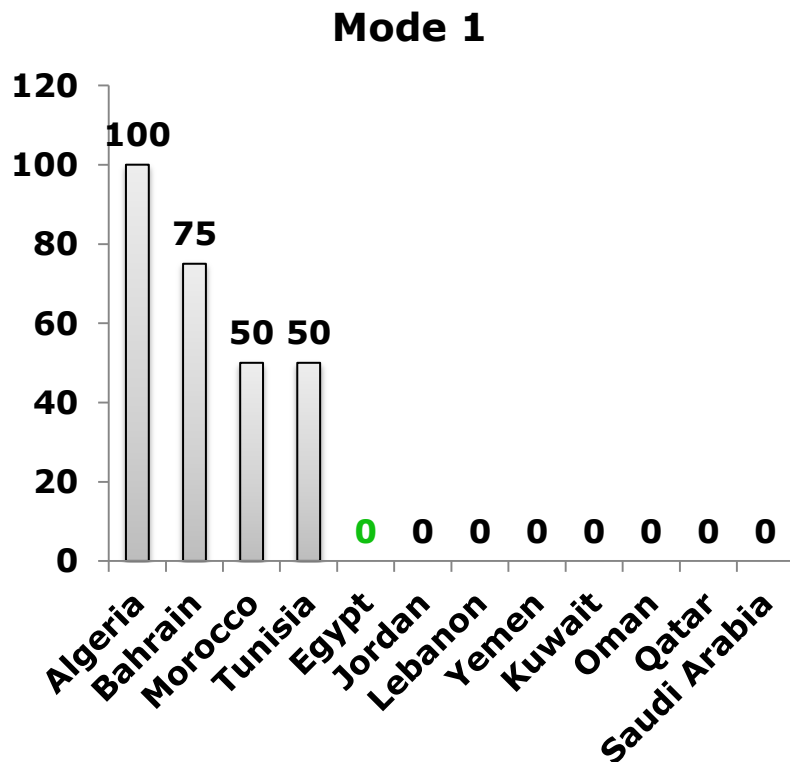
4) The insurance sector has major restrictions in Egypt



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

4) Mode 1 in the banking sector is open, while mode 3 has major restrictions in Egypt

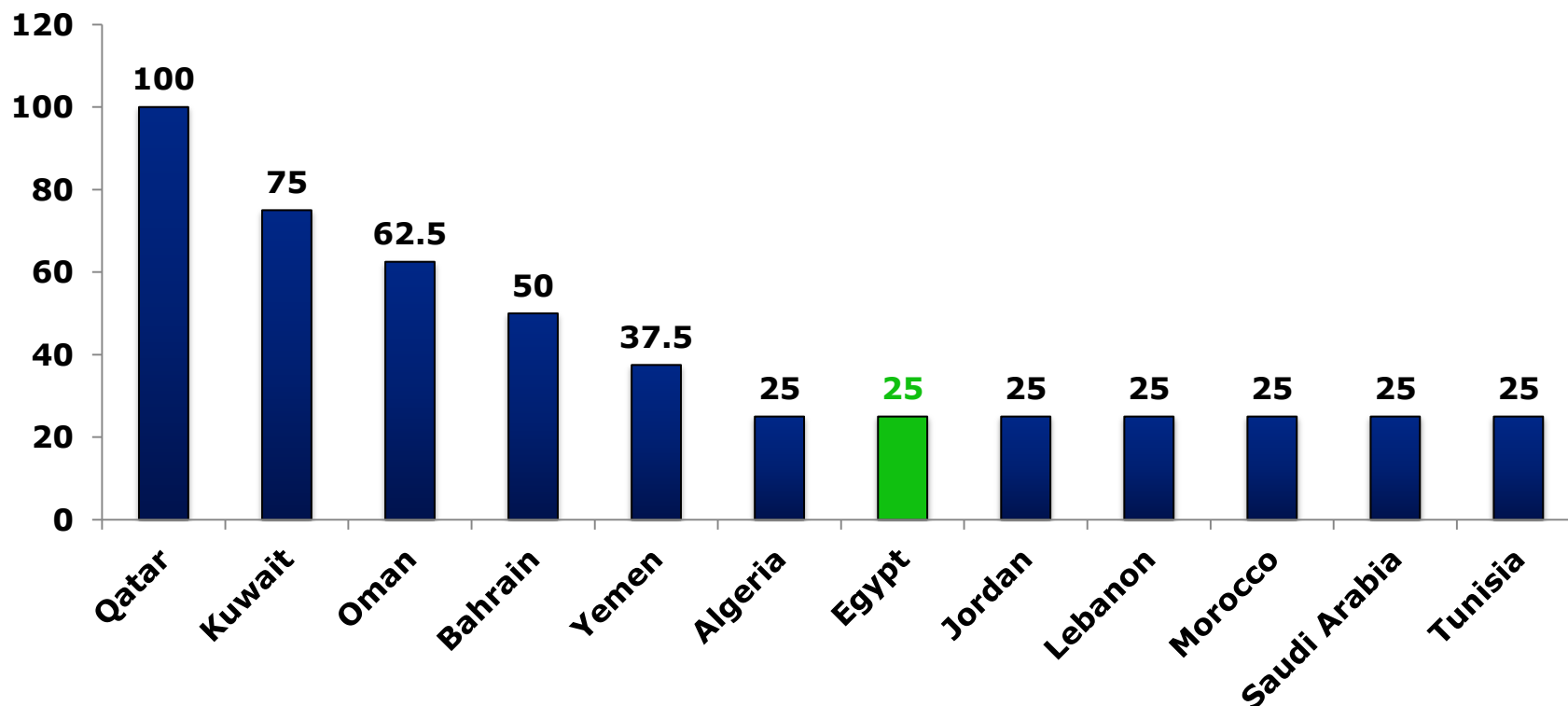


Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

4) Mode 3 in telecommunication services has minor restrictions in Egypt

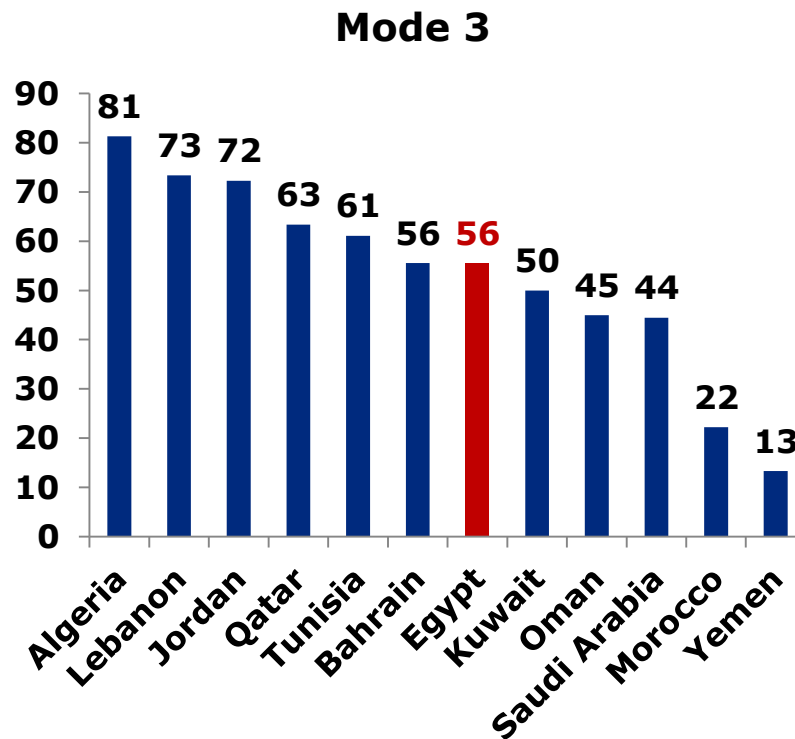
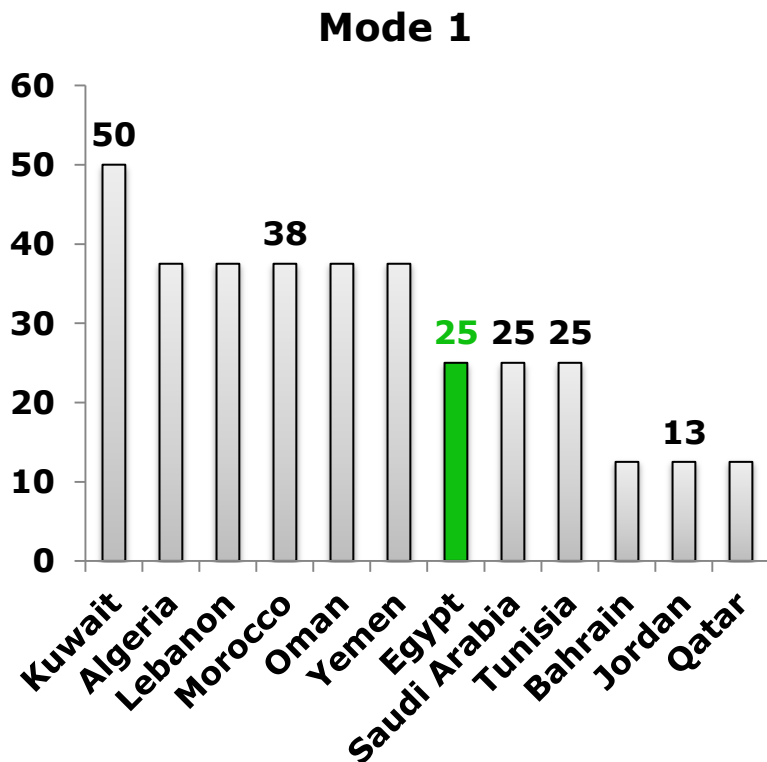
Telecommunication services: Mode 3



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

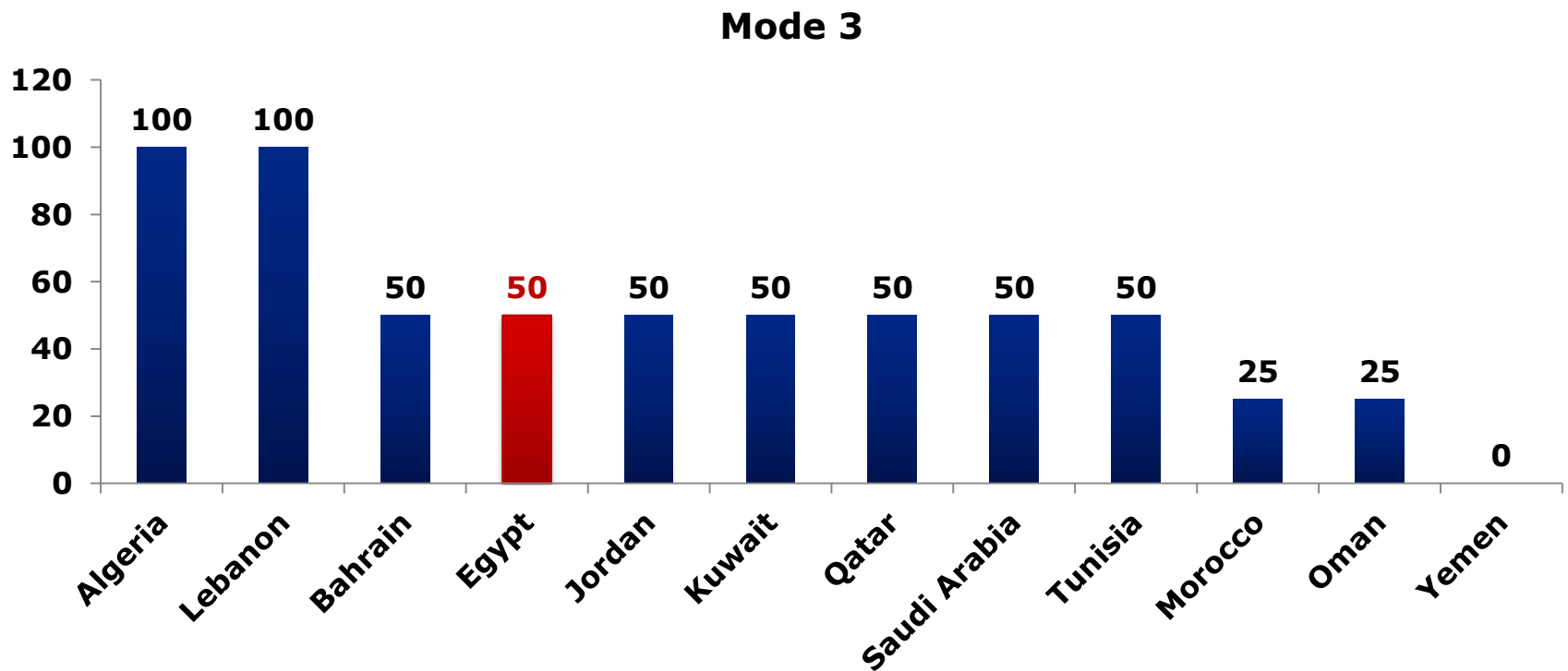
4) Mode 1 in the transportation sector has minor restrictions in Egypt, contrary to mode 3



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

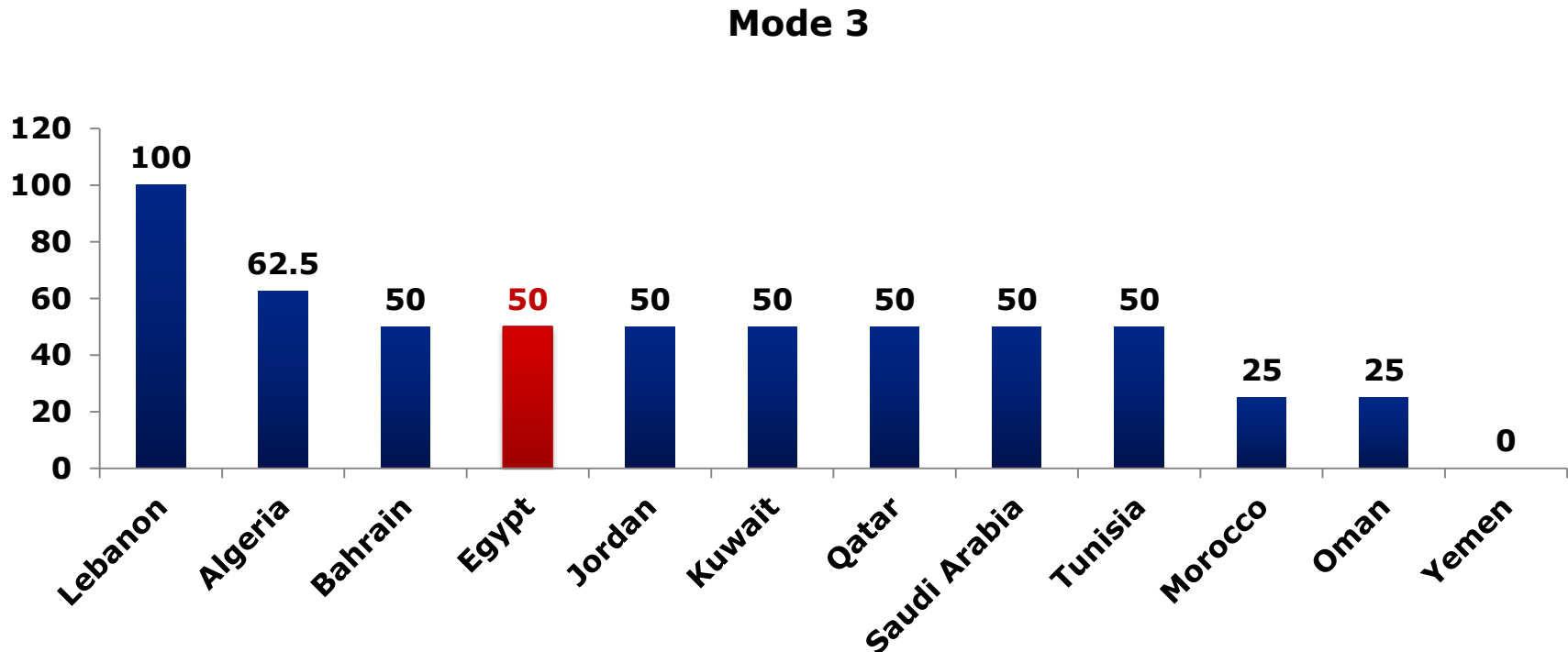
4) Mode 3 in air passenger domestic has major restrictions in Egypt



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

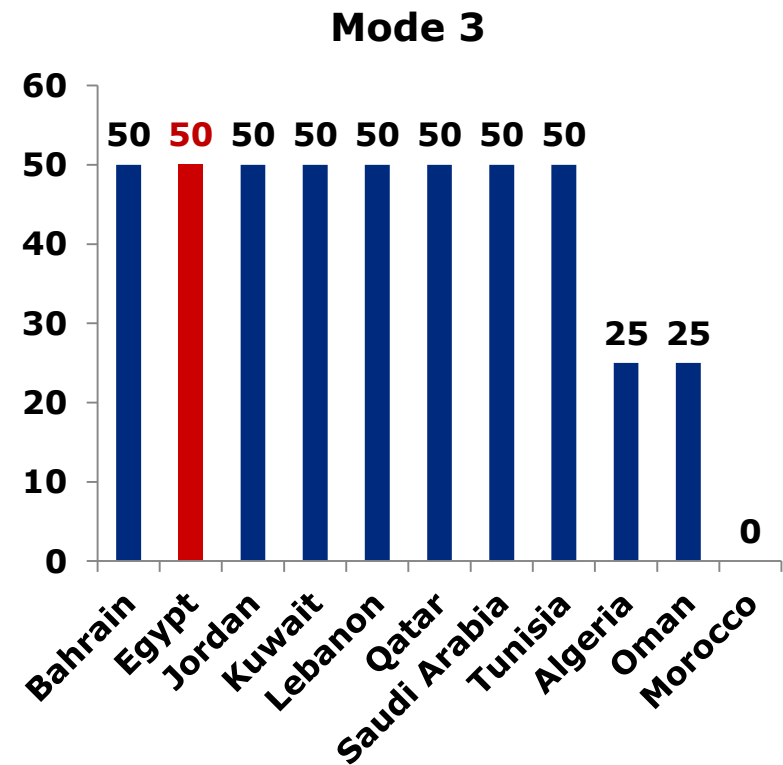
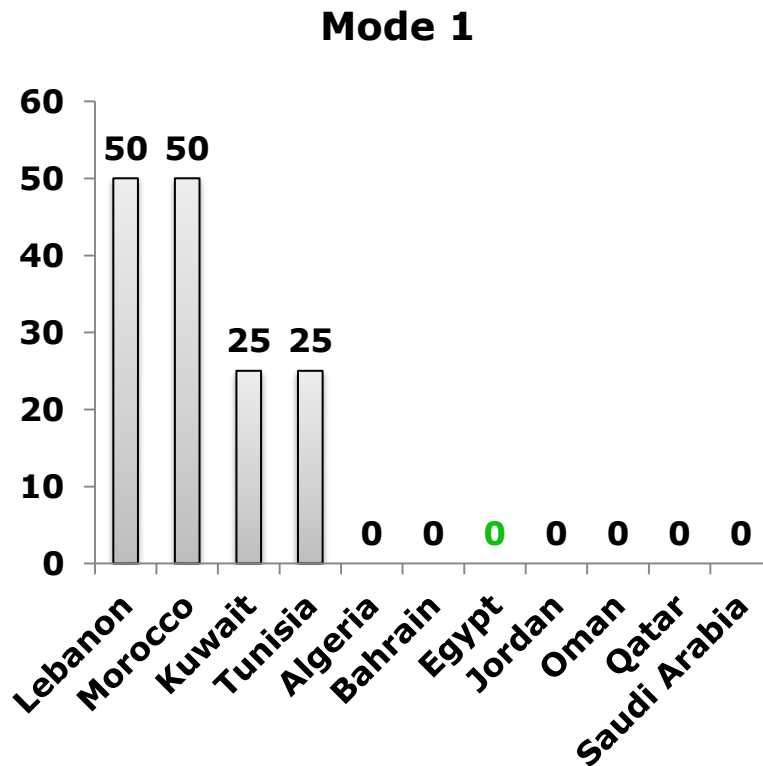
4) Mode 3 in air passenger international has major restrictions in Egypt



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

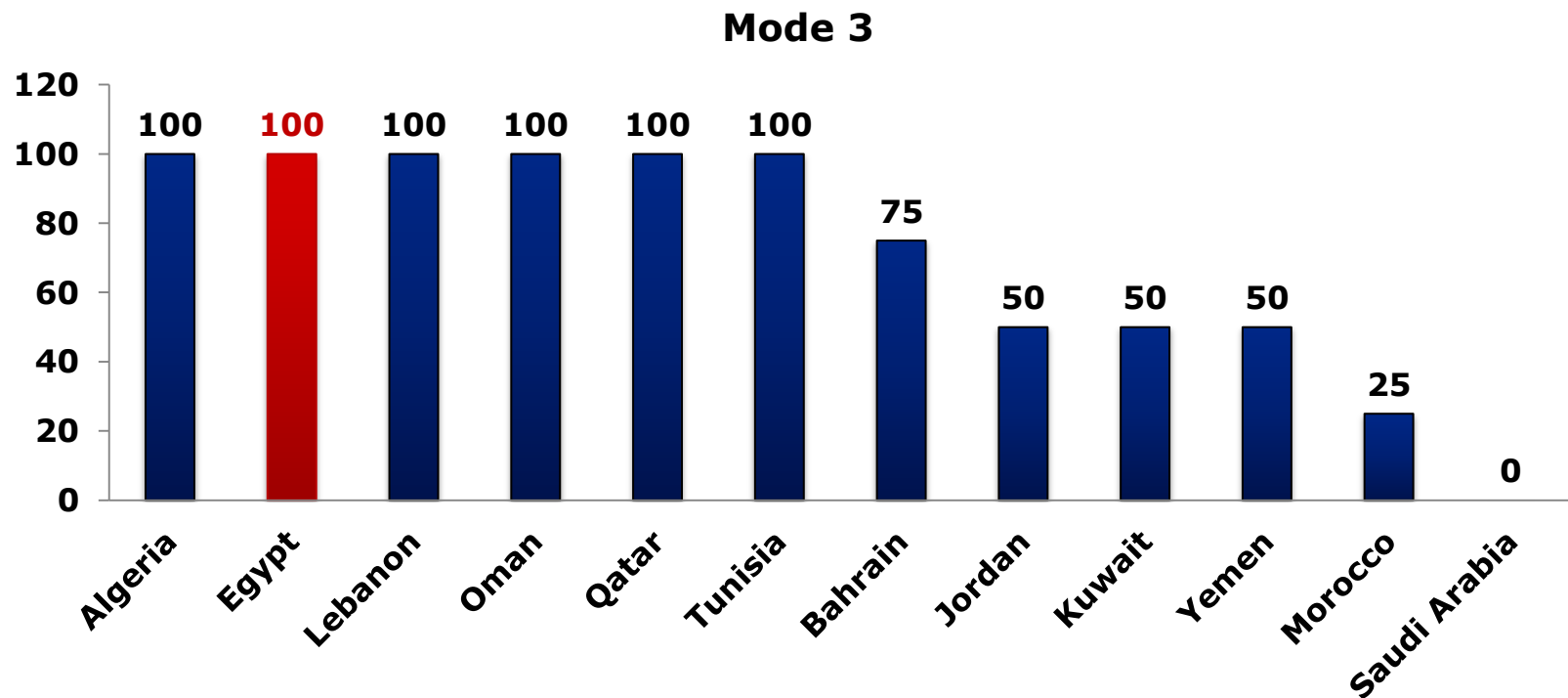
4) Mode 1 in maritime shipping international is open in Egypt, while mode 3 has major restrictions



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/servicetrade/home.htm>

4) Mode 3 in maritime auxiliary services is closed in Egypt



Note: Completely open (0); Virtually open but with minor restrictions (25); Major restrictions (50); Virtually closed with limited opportunities to enter and operate (75); Completely closed (100).

Source: Services Trade Restrictions Index, 2012 <http://iresearch.worldbank.org/service/trade/home.htm>

Conclusion

- Manufacturing firms need services to establish, join and manage international production networks. Yet, **many formal and informal barriers to trade in services remain**
- It is essential to coordinate trade liberalization with domestic regulatory reforms. **Sequencing is key**
- Carefully analyze the economic and social advantages, as well as, risks of any given reform, and **involve all stakeholders**

Thank you!