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## **Egypt's merchandise exports decline by 17% in H1, to \$16 billion**



Egypt's "non-oil" merchandise exports declined in H1 of this year by 17% to about \$16 billion compared to \$19.3 billion a year ago, according to an official government statement to "Iqtisad Al-Sharq."

Egypt's merchandise exports reached \$35.61 billion last year despite difficult global conditions, an increase of 12% compared to 2021.

The official, who spoke with the "Iqtisad Al-Sharq" on condition of anonymity, attributed the decline in exports to the lack of raw materials and production inputs needed for production processes, and repercussions of the global crisis.

[Link](#)

# Our Views

The recent decline in Egyptian exports is, in fact, expected, and cannot be explained by the negative impact of the global economic crisis alone. Egypt's manufacturing sector suffers from the lack of an industrial development strategy with a clear vision that addresses the chronic problems facing manufacturing in Egypt, resulting in the following:

- 1- Inability to achieve an export boom, nor sustainable increases in Egyptian exports, as exports soon decline when the Egyptian economy is exposed to any internal and external shocks.
- 2- Not radically addressing the institutional problems and obstacles facing Egyptian exports, which was reflected in slow procedures for customs clearance of production requirements and exporters' collection of their dues, whether in the framework of the drawback or export support systems. This is in addition to the existence of prerequisites for export and import that further complicate and slow down procedures, ultimately creating problems for exporters in terms of liquidity and their ability to continue the export process. This was clearly demonstrated by the results of a study conducted by the Egyptian Center for Economic Studies in cooperation with the United States Agency for International Development (USAID TRADE) documenting the business process of importing and exporting selected number of products in Egypt.
- 3- Improperly addressing import reduction, especially in light of the shortage of the US dollar, by setting restrictive measures on imports. These actions are coupled with inadequate policies aimed at boosting domestic production and substituting imports. Furthermore, a lack of comprehensive assessments of value chains has resulted in an

inability to identify gaps and ascertain viable locally manufacturable products.

- 4- Neutralizing the role of the Ministry of Trade and Industry in economic decisions that have a direct impact on Egyptian exports, and various agencies' taking unilateral measures with a negative impact on exports. For example, the Central Bank's decision to halt the use of collection documents and limit imports to the documentary credits system, a decision that remained in force during the period of February-December 2022, and was applied to all products without taking into account the dependence of Egyptian manufacturing, especially those destined for export, on imported production inputs. Although this decision was repealed in December 2022, the effect of the cancellation was not achieved in light of the dollar shortage crisis.
- 5- In addition to the above, the US dollar shortage crisis also resulted in COFACE—the international organization operating in the field of export guarantee—recently halting coverage to Egyptian companies, which reflected negatively on Egyptian exports.

In light of the foregoing, there is no room for talking about a sustainable increase in Egyptian exports without an industrial development strategy that addresses, seriously and properly, the issue of import substitution. Also, without sustainably increasing exports within the framework of a detailed strategy for export development, by conducting studies for each sector that include a detailed analysis of the products (at the level of the 6 digit HS-code) and the markets according to the latest trade data and with a future perspective, in addition to the importance of dealing quickly with procedural obstacles that impede the movement of Egyptian exports and affect the availability of liquidity among exporters.

Some of the solutions proposed in this regard was presented by the aforementioned study conducted by the Egyptian Center for Economic Studies,<sup>1</sup> including for example, simplifying and accelerating the procedures for obtaining the Industrial Control letter, accelerating the process of issuing photocopies of the export certificate, speeding the release of the letter of guarantee related to temporary permission and reimbursement of duty drawback fees, shortening the time required for submission and obtaining export subsidies and clarity of the rules governing this system, as well as the need to enhance the efficiency of customs inspection processes and developing clear inspection standards for all concerned parties.

Finally, it is important that the Ministry of Trade and Industry become once more the legitimate executive authority of Egyptian manufacturing, and that full coordination is conducted between the Ministry and other ministries and entities in any decisions that would affect manufacturing and exports, foremost of which are decisions restricting imports.

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<sup>1</sup> More details about the study proposals can be found via the following link:

<https://bit.ly/45CHCCs>

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