EU-Egypt FTA

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EU-Egypt FTA

- Modification to Peter Minor's study:
- ❖ Shock tms to target rate of 0% for 2 parties;
- ❖ Shock txs to target rate of 0% for EU exports to Egypt

Similar Closure

- Unemployment in Egypt
- ❖ Fixing the Trade Balance in all developing countries

Definition of Subtotals

Subtotal of the Effects of the Removal of Export Subsidies in Europe Subtotal of the Effects of the Removal of import Tariffs in the EU and Egypt

Welfare Effects

Country	Allo. Eff.	End. Eff.	TOT	IS_F	Total
Egypt	195	568	-225	-102	436
EU	112	0	511	22	645

EGYPT

Allocative Efficiency: Gains - Unskl (US\$9M), pfbev (US\$310M)

Losses- Appleat (US\$88M)

Endowment Efficiency: Gains: Unskl (US\$568M)

Terms of Trade: Losses pworld: US\$1.02M

Losses pexport: US\$194M

Losses pimport: US\$28.8M

(Prices of Egyptian varieties fall relative to other varieties of the good, e.g transportation and communication -88M, and OSR -25M).

Interesting Findings

- Exports of RICE before shock: US\$ 8M, after shock: US243M, % ch. 2885%
- Trade Tax Effect (RICE, Egypt, EU)

	Welfare Change	Volume Change	Initial Rate	Final Rate	
Rice	66	233	101	0	

- qo(i,r) = SHRDM(i,r) * qds(i,r) + sum(s,REG, SHRXMD(i,r,s) * qxs(i,r,s)) + tradslack(i,r);
- SHRDM=0.9, SHRXMD= 0.1 (SHRXMD, Egypt, EU =0.006) **BU**T
- qo (Rice, Egypt) = 17.1 = -0.239 +17.4.

«qxs makes all the difference»

Affected sectors

Processed food and beverages

	FTA	Protected
Import	708	-5.58
Export	15	12.98
Output	-632	0.11

market price of composite import of pfbev fell by 46% (FTA) Share of output for domestic consumption over 98%

Country	Allo.	Eff.	End.	Eff.	TC	T	IS_	F	To	otal
Egypt	195	-122	568	296	-225	-126	-102	-78	436	-29.15
EU	112	80	0	0	511	380	22	17	645	476

Interesting Findings

- Food processing and beverage sector would benefit from protection
- But it deteriorated output in some other sectors (i.e. apparel and leather)
- Careful approach needed for selections sectors for protection