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Global Business Bridges Initiative
Feasibility Study for Supporting Business Complementarities

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Between European Union Member States, Turkey
and the pilot countries (Egypt, Tunisia and Palestine)

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Final Report, 10 November 2012



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Executive Summary

- i. **The European Union (EU) and the Middle East-North Africa (MENA) region are currently at a crossroad.** Among the many uncertainties such as EU's economic future, Turkey's EU membership and its new form of engagement with its neighbours, and how political events in the MENA region will unfold, one thing is clear: circumstances are changing.
- ii. **The Global Business Bridges Initiative ('the GBB Initiative' hereafter) is a timely effort in such uncertain times, jointly coordinated by the European Union Delegation to Turkey, Turkish Ministry of Economy and the Union of Chambers and Commodity Exchanges of Turkey (TOBB).** It aims to trigger business synergies from EU and Turkey and to jointly venture in neighbouring markets. Building and fostering trilateral business linkages will be at the heart of this effort. The modus operandi of the Initiative entails trilateral matchmaking events that will bring together companies from EU Member States, Turkey and third countries. The first phase of the Initiative will take place in 2013 and selected pilot countries are Egypt, Tunisia and Palestine. At later stages, based on the success of the first round of trilateral matchmaking events in pilot countries, the initiative can be replicated in countries such as Azerbaijan, Kazakhstan, Iraq, Libya, Algeria and Morocco.
- iii. **This study aims to assess the feasibility of the GBB Initiative.** First objective is to identify the feasible economic areas, which would maximize complementarities between EU, Turkish and pilot country' SMEs to form trilateral business linkages. Second objective is to provide information regarding the general economic context in the pilot countries, along with specific information on the identified sectors and their institutional underpinnings. Last objective is to suggest measures to enhance the overall feasibility of the Initiative.
- iv. **The GBB Initiative will directly target SMEs, whose performance is a function of the general economic environment.** We assess the economic context and key regulatory and institutional issues in Egypt, Tunisia and Palestine. Egyptian economy is on a recovery track after the revolution, with a challenging reform agenda awaiting the new government. Public finance reform, gradual removal of the subsidies, employment generation and enhancing connectivity appear to be the major issues. Tunisia also possesses a great potential for economic growth, transformation and diversification. A key aspect of the Tunisian economic transformation entails business environment reform in terms of levelling the playing field, enhancing further economic integration with its neighbours and adopting a clear industrial policy vision. Palestinian economy's vibrant nature is likely to enable a "boutique" but well targeted form of trilateral matchmaking platform for the GBB Initiative, for which critical factors will be trading across borders, energy and labour quality/wages.
- v. **While the GBB Initiative's political and macro level feasibility is high, assessing micro-level feasibility, in terms of identifying concrete trilateral business cases is a challenging task.** Indeed, the Initiative's trilateral nature distinguishes it from existing initiatives and is well received by all parties involved. While some see the Initiative as a simple trade facilitator, most EU and Turkish stakeholders see it as an SME internationalization policy tool. For the pilot countries

on the other hand, it may play the role of a foreign investment promotion tool. However, the novelty of the Initiative is also what makes it difficult. At a trilateral level, seeing how different parties can complement each other with a “win-win-win” framework is a challenging task due to the lack of precedents. Almost all SME internationalization programs are designed with a bilateral perspective and most SMEs internationalize with simple business models through forming and managing bilateral ties. Therefore, a trilateral effort would imply a new way of thinking for SMEs, business associations and public parties.

- vi. **In order to shed light on the micro-level feasibility, we designed a unique methodology to identify if and how this Initiative could operate at the firm level and deliver the desired results. We have devised a bottom-up, non-linear and data-driven methodology that focuses on value chains to identify complementarities between EU, Turkey and the pilot countries.** Our approach is bottom-up because we assign priority to the local needs and growth potential in the pilot countries. Our approach is non-linear since we conduct different layers of assessments with a view to synthesize all findings and results to identify the value chains. Our approach is data-driven as we combine quantitative and qualitative assessments in order to capture the potential compatibilities of different actors, in different sectors. With this “value chain inspired” perspective, we conduct assessments at the level of countries, products and sectors. While the country and product assessments are based on the analyses of trade data, sector assessment consists of qualitative assessments based on the fact finding missions to Egypt, Tunisia, Barcelona, and Brussels as well as quantitative information from our desk research.
- vii. **Taking the unit of analysis as value chains, we can indeed consider the GBB Initiative as a trilateral cluster building exercise.** Employing a value chain perspective enables us to capture the potential compatibilities of different actors in different industries. We look at different aspects of the subsectors from input to output stage and identify the services and products that can be provided by SMEs in this process. At later stages it will be highly useful if more in-depth value chain analyses are conducted to shed light on private sector performance gaps and policy related bottlenecks. The pre-condition for this is the local ownership of the cluster initiatives, spinning off from the GBB Initiative’s value chain focused matchmaking activities.
- viii. **Taking into account our three layers of assessments, which were supported with both data analysis and analysis of qualitative information obtained through expert interviews, stakeholder meetings and desk research, we synthesized our findings and main results to identify the target value chains.** While choosing value chains for goods, we take value chains suggested by both the product assessment and the fact-finding mission to the pilot country. For services, we choose the value chains among the selected sectors that were suggested in our fact finding missions, and are linked to other selected sectors. Additionally, we choose one product value chain for each pilot country where our fact finding missions strongly suggest products with high cooperation opportunities, which are not found in our product assessment.

ix. The value chains that we have identified for Egypt are the following:

- a. Transport and Logistics:** This sector is both cross a cutting one that plays roles in other sectors as well as a sector on its own right. Transport and logistics has high importance and a major growth potential in Egypt, especially in third party logistics services and construction and management of logistic hubs. Turkish and EU firms can upgrade the much needed freight and trucking services, and provide logistical services as well as infrastructure within the context of logistic hubs and industrial zones. The sector has cross cutting links to shopping malls, tourism, and food & agriculture value chains.
- b. Shopping Malls:** Egypt and Turkey both opened their first shopping malls in 1988. Today there are close to 300 malls in Turkey while only around 30 in Egypt. 2000's witnessed a boom in shopping malls in Egypt; several mall complexes opened including the largest and second largest shopping malls of the MENA region. The market is still highly unsaturated and is expected to grow hand in hand with the Egyptian middle class. Shopping malls have wide-encompassing value chains that bring together SME's in diverse fields such as waste management, security, IT and retail, and offer the early mover's advantage in a rapidly growing market. Shopping malls have backward linkages to construction services, construction materials, safety and security services, electrical engineering, waste management and forward linkages to franchising and retail.
- c. Solar Water Heating:** This business area is on the verge of major expansion due to the upcoming removal of energy subsidies. Despite very rich resources of solar energy (2000-2600 KWh/m², more than twice central Europe) only 9 companies are active in Egypt, with 5 of them manufacturing. There is an opportunity for Turkish and EU businesses to combine their manufacturing and R&D know-how with the design and manufacturing capabilities of Egyptian SMEs. This sector has backward linkages to plastics and metallic goods manufacture, and forward linkages to the construction services, installation, maintenance and repair services.
- d. Tourism:** 14 million Tourists visited Egypt prior to revolution, return to this level is expected in 2013. Despite high brand reputation, tourism in Egypt is not diversified (80% sun and sea, 20% cultural). Conference tourism and ecotourism are emerging niche markets into which EU and Turkish firms can bring their know-how and marketing capabilities and help diversify Egyptian tourism. This sector has wide linkages to travel agencies, transportation services, food and souvenirs manufacture on the back side and restaurants, retail and tour operations on the forward side.
- e. Aquaculture:** An emerging market in Egypt with predominantly freshwater intensive production, little or no processing; Marine aquaculture is largely missing, but is increasingly demanded in the EU and Egypt; Turkish and EU firms can bring their know-how in marine aquaculture and fish processing to combine it with the market expertise and value chain know-how of Egyptian firms. This sector has backward linkages to seed and feed production, and forward linkages to processing, freezing and packaging and cold chain storage. In addition the EU firms can bring their know-how in sustainable and eco-friendly marine aquaculture.

- f. **Dairy:** Cheese is a fast growing export with over 60% CAGR (compound annual growth rate) in the last five years; The country has to import milk to produce cheese due to low quality and health standards as well as and problems in logistics; Complementarities between Egyptian, Turkish and EU firms can improve the quality standards and introduce best practices in this value chain while taking part in the production of fast growing export products such as cheese. This sector has backward linkages to husbandry, production technology, health standards, and forward linkages to packaging equipment, packaging, cold storage and transport.
- x. **The value chains that we have identified for Tunisia are the following:**
- a. **Food and Agriculture:** Food exports of Tunisia have totaled 1.2 billion \$ in 2010. Tunisia is the largest exporter of dates, 3rd largest exporter of olive oil and 7th largest producer of olives. Sectoral exports are predominantly not processed or lightly processed. In olive oil and wine, undiversified export markets, lack of branding and inconsistency in quality are obstacles for growth. European and Turkish businesses can combine their competences in food processing, quality standards and branding to realize the high potential of the sector. This sector has backward linkages to agriculture, food processing machinery, and forward linkages to derivative products such as cosmetics, culinary tourism, packaging and design. Transport and logistics is also an integral determinant of the sector's overall competitiveness.
 - b. **Electro-Mechanics:** Machinery and electrical equipment exports of Tunisia amounted to 7.2 billion \$ in 2010. The key competitive advantage of Tunisia in this sector is an engineering-educated workforce available for competitive wages. The main product of the sector is electric wire and cables, followed by switches & switchboards and road vehicle parts. For example, EU automotive parts and electronics manufacturers seeking further integration along the supply chain can benefit from the opportunities in Tunisia in this sector while Turkish component manufacturers can take this as an opportunity for internationalization. The product development and process optimization capabilities of the EU firms can benefit both Turkish and Tunisian manufacturers. This sector is also closely linked to chemicals and metals sectors as its suppliers and the automotive and electronics sectors as its end consumers.
 - c. **Renewable Energy:** Due to its large coastal area and southern desert, Tunisia is bestowed with a high potential for both solar and wind energy. Its strategic position on the power transmission lines between Europe and North Africa makes Tunisia an important place for renewable energy investments. One of the key countries of the DESERTEC project, Tunisia offers opportunities for Turkish and EU manufacturers of wind power generators and solar panels as well as providers of services such as maintenance and installation.
 - d. **Tourism:** Tunisia is an important tourism destination with 7 million tourists coming to a country of 10,5 million. The most important bottleneck is the low

value added: On average 500\$ spending per tourist, compared to 850\$ in Egypt. This is the result of a combination of factors like some luxury hotels offering low prices; the lack of high quality options for dining and souvenirs; the lack of entertainment alternatives; and a general difficulty in moving around the country. Moreover there is no diversification in this sector. Chiefly sun and sea tourism on the eastern coast, and a smaller degree of heritage tourism around Tunis. Small luxury hotels and local arts & crafts manufacturers from Tunisia, Turkey and EU can cooperate to benefit from the potential of high value added tourism in Tunisia. In the long run tourism can be one of the locomotive sectors of Tunisian economy through the adoption of a clear overall strategy that will entail anything from improvement of physical infrastructure to a legal reform to promote FDI in hospitality and catering. This sector has wide linkages to travel agencies, transportation services, food and souvenirs manufacture on the back side and restaurants, retail and tour operations on the forward side.

- xi. **Based on our assessment for Palestine with a different methodology, we identify the ICT related businesses, tourism, food and beverages, construction related materials and project development as potential areas for trilateral undertakings.** This methodology is based on assessment of current trade flows, Palestinian manufacturing capacity and direct investments of Turkey and the EU in the region as well as currently underutilized investment advantages of Palestine such as free trade agreements and free zones. We shall note that the success of these trilateral business links will depend on the improvement of the investment climate in the West Bank, which in turn requires the support of the international community.
- xii. **In addition to identifying value chains that have the greatest potential for complementarities, we propose five levels of interventions to increase the attractiveness of the GBB initiative.**
 - a. First recommendation includes the company selection process, i.e. selecting, inviting and convincing the appropriate type of companies (i.e. fast growth, connected and pro-active) for this initiative.
 - b. Second set of interventions pertains to inviting certain non-SME parties to make the events more relevant for SMEs. (i.e. private equity and investment funds, large companies/cluster leaders, business support organizations)
 - c. Third set includes mobilizing relevant sectoral organizations and utilizing complementary support schemes (i.e. political risk insurance) to ensure sustainability and to mitigate low participation risks.
 - d. Fourth set includes a coordination effort to align the GBB Initiative with the ongoing or planned bilateral matchmaking initiatives.
 - e. Finally, fifth set includes a policy level dialogue to target the bottlenecks in the identified value chains.

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In Palestine, thanks to the assistance of Turkey's Commercial Councillor in Jerusalem, Mr. Fatih Turgay Eldem, we had the opportunity to interview nearly thirty institutions in Ramallah and East Jerusalem. These include EU Head of Delegation H.E. John Gatt-Rutter, Turkey's Consulate General H.E. Şakir Torunlar, Ministry of National Economy, Ministry of Higher Education, Ministry of Tourism, Ministry of Agriculture, Investment Promotion Agency, PALTRADE, PADICO, Palestine Investment Fund, Federation of Palestinian Chambers, Industries Federation, Businessmen Association, Shippers Council, Importers and Exporters Council, Farmer Union, IT Companies Association, Tourism and Travel Agencies Society, Applied Research Institute and Economic Policy Research Institute.

In Barcelona, we held meetings with several officials and businesspeople, all of which were scheduled thanks to the kind support of the IEMed team and comprised of the following: Fons Mediterrània Capital, a private equity fund focusing on investments in North Africa, particularly Tunisia; MANGO, a well known fashion retail multinational, operating in Turkey, Egypt, Tunisia in addition to more than 100 countries, with headquarters and logistics hub in Barcelona and subcontracting in Turkey; Semillas Fito, a medium sized feeds producer, with factories in Spain and Turkey, exporting to more than 60 countries, including Tunisia and Egypt; Port of Barcelona, a best practice commercial port that has a leading role in the Mediterranean trade, transport and logistics; Regional Activity Center for Cleaner Production, a United Nations entity with knowledge dissemination activities in North Africa, with particular interest in agribusiness; Center for Transportation Studies for the Western Mediterranean (CETMO), a research institute focusing on logistics and transport problems of the region, with particular focus on Tunisia.

In Brussels, we held meetings with the European Commission and External Action Service officials, as well as representatives of several unions, sector associations, think tanks and officials. These include Eurochambers, EPC (European Policy Center), CEPS (The Centre for European Policy Studies), Business Europe, Permanent Delegation of Turkey to the EU including HE Ambassador Selim Yenel, Economic and Commercial Councilors of Turkey in Brussels, UNITEE, IRU, European External Action Service and European Commission (DGs Trade, Enterprise & Industry, EcFin). We particularly thank Stynke Douma and Christian Cambron for being our points of contacts at the EEAS and EC.

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Part 1: Introduction

Background

1. **Global Business Bridges Initiative (the Initiative or ‘the GBB Initiative’ hereafter) is an EU-Turkey effort that aims to trigger business synergies from both parties to jointly venture in neighbouring markets.** Through engaging in North African, Middle Eastern and Central European economies, the initiative will focus on leveraging the already existing complementarities and help create business opportunities for all parties involved. Building and fostering trilateral business linkages in the forms of technical, commercial or financial cooperation will be at the heart of this effort. The modus operandi of the Initiative entails matchmaking events that will bring together companies from EU Member States, Turkey and third countries. The first phase of the Initiative will take place in 2013 and selected pilot countries are Egypt, Tunisia and Palestine. At later stages, based on the success of first round of trilateral matchmaking events in pilot countries, the initiative can be replicated in countries such as Azerbaijan, Kazakhstan, Iraq, Libya, Algeria and Morocco.
2. **The GBB Initiative will have two layers of effects: desired or direct outcomes and the spillover effects.** Desired (direct) outcomes of the initiative include increased business connectivity and networking opportunities, provision of market and potential partner information for SMEs. The Initiative also aims to create certain spillover effects such as more trade and investment flows among the partner and target economies that is supported with increasing employment and connectivity across different layers of public and private decision makers; policy dialogue on the improvement of business environment, particularly for SMEs, hopefully supported with a more fertile and levelled ground for SMEs.
3. **The rationale of the Initiative hinges on the already established strong industrial, investment and business relations between EU and Turkey.** In addition to the bilateral trade between the two sides which is over € 100 billion, crisis-resilient EU FDI flows in Turkey make up 80 % of the total FDI flows to Turkey. More than 15 thousand EU companies, most of them SMEs, are present in Turkey. Over the last two decades, especially with the Customs Union, these trends have helped EU industries integrate with the Turkish productive base. Today, Turkey, with its goals to become one of the largest 10 economies of the world, aims to build a strong presence in medium and high technology industries and also to become a hub for EU companies to serve regional markets. Turkey's challenge today is to both upgrade and diversify its production base while also deepening and diversifying its integration with a variety of markets in the region and around the globe.
4. **EU, both through its institutions and its private sector, has played a critical role in Turkey's economic transformation. Whether it can play a similar role for other countries in North Africa, Middle East and Central Asia remains to be seen.** With the effects of the Euro crisis being felt in many of its member countries, EU is going through hard times. Despite being not only one of the most sophisticated production bases of the world, but also a successful economic integration project, the Union is now debating its future. Sustaining competitiveness while maintaining the Union is one of the key challenges. An equally important challenge pertains to the engagement of the EU with its neighbourhood. As many of the countries in EU's

immediate neighbourhood are undergoing important processes of transformation, what role EU will play is an important question.

5. **The pilot countries chosen for this Initiative are not only important political partners of both EU and Turkey, but also they all present substantial economic growth potential, which in turn may imply many business opportunities for all sides.** Egypt, with a large and young population of 82.5 million is already an important economic actor but has the potential to transform into a upper-middle income economy, presenting endless opportunities for SMEs. Tunisia, one of the most developed economies of the African continent, is already economically integrated with the EU. Its economic growth and further integration with its surrounding region is very likely to bring additional business opportunities. Finally, Palestine, which has a much smaller economic size but possesses high political significance, has not only a strong growth potential but also the capacity to become a boutique hub for many Turkish and EU SMEs that want to serve the region. In such a context, GBB Initiative aims to assume a proactive role in paving the way for fostering trilateral business linkages and linking EU-Turkish firms with their Egyptian, Tunisian, and Palestinian counterparts.

Feasibility of the Initiative

6. **Given this background, is the GBB Initiative really feasible?** This is the main question that this study tries to answer. There is also an interrelated subset of questions to be addressed:
 - a. **How can we identify the complementarities between EU and Turkish SMEs for jointly venturing in the pilot economies?** Which type of economic activities would be more conducive for trilateral business cooperation? How can these complementarities trigger economic progress at the local level?
 - b. **Under which conditions and for which business areas can it deliver the desired results?** Is it possible to go beyond simple “blind-dating” types of matchmaking events and do more targeted activities? If yes, what should be the additional measures that can raise the attractiveness of such a “targeted matchmaking” initiative?
 - c. **Is there really additional merit from a trilateral initiative, as opposed to several ongoing initiatives?** How can the GBB complement the bilateral cooperation schemes? How can it contribute to the policy dialogue for economic transformation process?
7. **From a political perspective, the GBB Initiative's feasibility level is high.** The Initiative complements ongoing EU and Union for the Mediterranean efforts in the region, as elaborated in Annex 10 of this report. GBB's trilateral nature distinguishes it from existing initiatives and thus increases its feasibility. The trilateral nature means that the initiative is able to benefit from the accumulated knowledge of EU SME's, the cultural understanding and soft power of the Turkish SME's and business potential of the MENA region. At this critical juncture of world history, MENA region, particularly the pilot countries Egypt, Tunisia, and Palestine, Turkey and EU are all facing different types of economic, social and political challenges. But a healthy

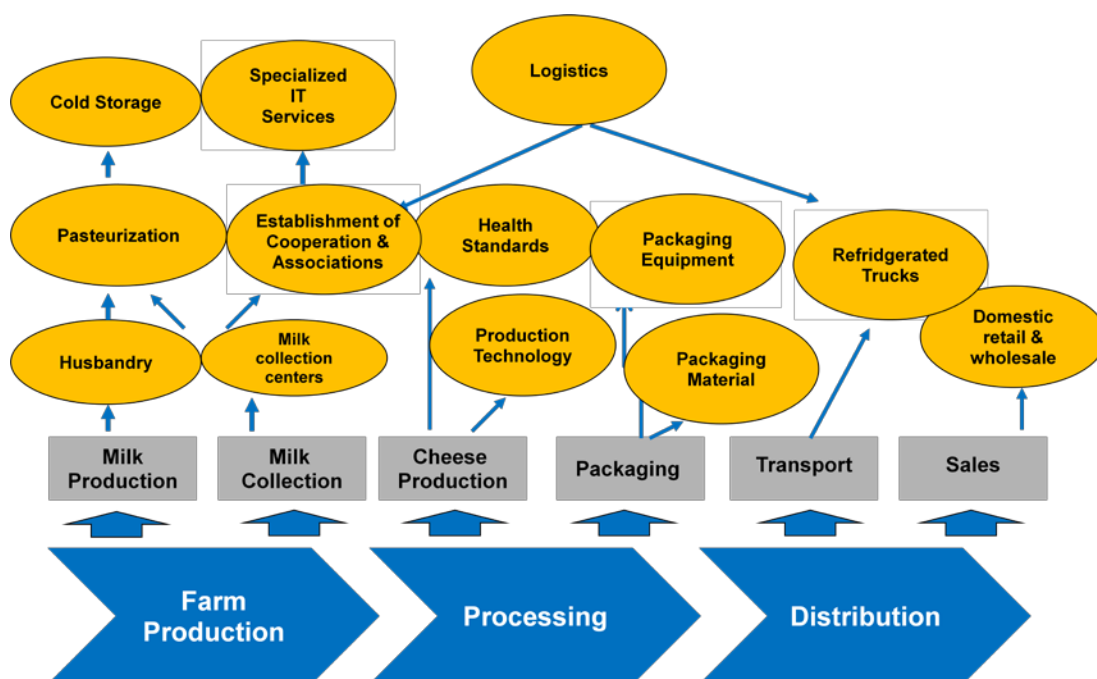
interaction and deeper economic integration among them also present countless opportunities. In such a context, GBB Initiative carries the potential to function as an igniter or maybe an accelerator of business interactions across the three sides.

8. **From an economic perspective, there is a difference between the macro and micro-level feasibilities of the initiative. At the macro level, it is possible to see how this Initiative can be beneficial for the three sides.** Since the Initiative has the potential to foster complementarities and contribute to economic integration, it is well received by all parties involved. While some see the Initiative as a simple trade facilitator, most EU and Turkish stakeholders see it as a SME internationalization policy tool. For the pilot countries on the other hand, it may play the role of a foreign investment promotion tool. In addition, from a macro perspective, it is relatively easy to see the potential complementarities. Pilot countries have a lot to offer, not only through their skilled and relatively lower cost labour, but also through their access to GAFTA countries in addition to their domestic markets. Turkey, on the other hand, with its own dynamic and growing domestic market presents countless opportunities for firms from the pilot countries not only in terms of business links but also through its recent development experience. Turkish SMEs have faced similar challenges in the recent past that could be of use for pilot countries' SMEs. Furthermore, factors that make it easier for Turkish firms to connect with Maghreb firms such as business culture and ability to do business in uncertain settings can also be attractive for EU SMEs currently alien to this type of business environments. EU's advantages are also clearly visible. It is not only among the most sophisticated markets of the world but its firms possess both technical expertise and financial capabilities that could be highly beneficial for both Turkish and MENA SMEs.
9. **While these sound good to the ears of all parties, seeing the feasibility of the GBB Initiative at the micro level is a more challenging task.** The novelty of the Initiative is also what makes it difficult. At a trilateral level, seeing how different parties can complement each other with a "win-win-win" framework was a challenging task due to the lack of precedents. Almost all SME internationalization programs are designed with a bilateral perspective, establishing links of SMEs from one country with another country. Moreover, most SMEs function with simple business models, and for those, internationalization simply means forming and managing bilateral ties. Hence most business support organizations and associations, even though they believe in the macro feasibility of a trilateral approach, conceive of SME internationalization simply from a bilateral perspective. Therefore, a trilateral effort would imply a new way of thinking for SMEs, business associations and public parties. Given all these constraints, the aim of this study is to design and apply a unique methodology to identify if and how this Initiative could operate at the firm level and deliver the desired results.
10. **Throughout the course of this study, after many rounds of discussions with stakeholders and experts, we have come to the conclusion that focusing on narrowly defined sectors would limit the feasibility of this Initiative.** Our initial approach was based on identifying those sectors which would be more conducive for trilateral linkages. However, narrowly defined sectors put limits on the extent to which we could identify complementarities. For instance, road transport is a sector on which everybody agrees that there is a tremendous growth opportunity in Egypt, presenting investment and business opportunities for both EU and Turkish firms. However, thinking of road transport as a sector by itself, it is hard to see how EU and Turkish firms would complement each other since they are already competitors in this area. What we need is a broader definition of economic activity that could help

us see how different actors complement each other and also fill the missing links to add more value to the final product or service in question.

11. **A value chain based approach is the only possible way to conceptualise and operationalise trilateral complementarities between EU, Turkey and the pilot countries.** Employing a value chain perspective enables us to combine quantitative and qualitative assessments in order to capture the potential compatibilities of different actors in different industries. We look at different aspects of the subsectors from input to output stage and identify the services and products that can be provided by SMEs in this process. As an example, below is an illustration of the value chain for the production of cheese. There are three major stages in this value chain: input, processing, and distribution, carried out through a variety of interlinked activities at every stage, which are divided to sub-activities. For example, the main activities at the input stage are milk production and collection, which can be divided into sub-activities such as milk collection and pasteurisation. Moreover, there are also support activities which are utilised at more than one stage of the value chain and can be provided by third parties. Logistics and specialised IT services are examples for such support activities in this chain. Firms in a value chain may either be integrated or specialized. An example to the former is a large firm that is vertically integrated by producing its input (milk) and processing it into the output (cheese). Specialised firms, on the other hand may be just active in a single element of the value chain, such as packaging.

Figure 1: An example of a Value Chain: Cheese Industry



12. **Taking the unit of analysis as value chains, we can indeed consider the GBB Initiative as a trilateral cluster building exercise.** When several firms active along the value chain are geographically concentrated, they form a cluster by creating synergies and taking advantage of complementarities. In some cases, in addition to physical proximity, if firms within a cluster are connected to regional or global

networks, they can become cross-border clusters, span a wider geographic area. Hence, the GBB Initiative, through helping firms increase their connectivity levels, can function as a trilateral or international cluster building exercise for the pilot countries. The task for this feasibility study is then to identify which value chains would be more fertile for such cluster building or enhancing initiatives at a trilateral dimension. For instance, if we take the above-mentioned cheese value chain example, certain roles can be conceived for different parties within the same cross-border cluster. Many firms can be mobilised from the EU for health standards and distribution, while Turkish firms can be operational in refrigerated transportation services, while both sides can take up roles in production and packaging activities and cooperate with the local SMEs in many of the related activities.

13. **While this study aims to identify the value chains that are conducive for trilateral cooperation, it does not entail in-depth value chain analyses.** Through a synthesis of different layers of assessments, this study will be proposing the value chains that GBB Initiative should target. However, at later stages it will be highly useful if more in-depth value chain analyses are conducted to shed light on private sector performance gaps and policy related bottlenecks. The pre-condition for this is the local ownership of the cluster initiatives, spinning off from the GBB Initiative's value chain focused matchmaking activities. Hence roles of local cluster managers, sectoral and business associations will be of critical importance.

Structure of the Study

14. In addition to the introduction, the main report of this feasibility study consists of 6 parts, which summarise our findings and present them in a distilled form:
 - a. **Part 2 provides a brief assessment of the main economic context in pilot countries.** This section also identifies the main policy issues that should be closely monitored for economic transformation. This study does not only contain a static analysis but also a dynamic perspective, taking into account the transformation potential of the targeted countries and value chains, along with the way the EU and Turkey can further contribute to this process, should the bottlenecks be removed with the necessary policy interventions.
 - b. **Part 3 introduces the methodology that we have developed to identify the complementarities and value chains.** While Part 3 summarizes the main elements of our unique methodology, Annex 1 presents it in entirety.
 - c. **Part 4 presents our main findings and results that we have obtained through applying our methodology, desk research and interviews.** We introduce the main results of three different layers of assessments, namely, country, products and sectors assessments. The synthesis of these results leads to the identification of value chains, which are also briefly introduced in the end of these sections. The detailed results and value chain fact sheets are presented in the Annexes.
 - d. **Part 5 entails “risks and risk mitigation strategy” which is an indispensable part of any feasibility study.** Inevitably there are risks that may limit the extent to which GBB Initiative can accomplish its direct and

indirect objectives. We identify these risks and propose a number of measures to mitigate the effects of them.

- e. **Part 6 concludes with a number of recommendations for moving forward.**

15. **Since we wanted the main report to be digested by a wide spectrum of stakeholders, we wanted to keep it as concise as possible.** However, the report also contains a long list of annex sections, which present the details of our analysis and findings from our research. The annexes are produced as separate documents so we apologize for any repetition that the reader may come across in the annex sections. The order of the annex sections is the following:

- a. Annex 1: Methodology
- b. Annex 2: Country Assessment Results
- c. Annex 3: Product Assessment Results
- d. Annex 4: Sector Assessment Results
- e. Annex 5: Value Chain Fact Sheets
- f. Annex 6: An Economic Assessment of Palestine for the GBB Initiative
- g. Annex 7: Key Existing Regulatory Barriers in Egypt and Tunisia and Major Government Support Programs
- h. Annex 8: Overview of Women and Youth Employment and Entrepreneurship in Egypt and Tunisia
- i. Annex 9: An Assessment of Structural Transformation Potential in Egypt and Tunisia, using Product Space Methodology
- j. Annex 10: An Overview of the Existing EU Initiatives and Programs Relevant for the GBB Initiative
- k. Annex 11: Country Fact Sheets for Possible Future GBB Initiative Activities

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Part 2: Economic context and key issues

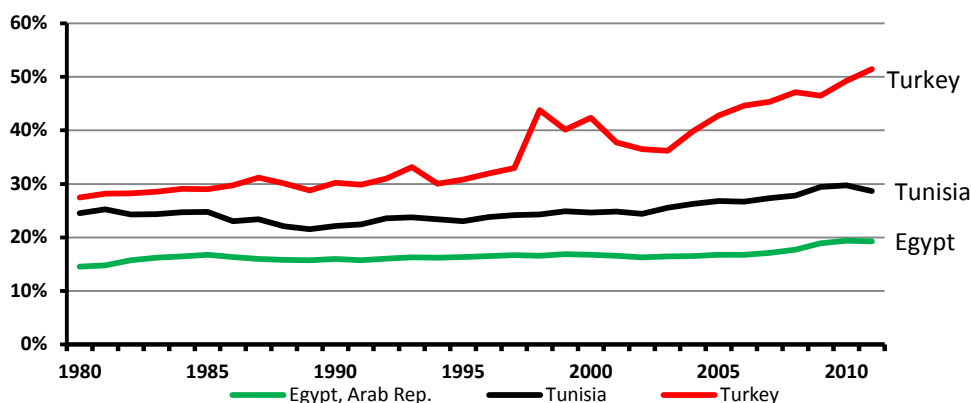
16. **The GBB Initiative will directly target SMEs, whose performance is a function of the general economic environment.** Hence, the factors that will make the business environment better will also directly affect the feasibility of the GBB Initiative. In this part of the study, we aim to provide a general assessment of the Egyptian and Tunisian economies. This part starts with a general overview of the Egyptian and Tunisian economies and then provides a short assessment of these countries' business environments separately. An assessment of the Palestinian economy is provided in Annex 6.
17. **A closer analysis of Egypt and Tunisia's main macroeconomic and social indicators shed light on main differences and similarities between the two countries.** Egypt's economy is five times larger than that of Tunisia, while Tunisian per capita income is 1.5 times greater than the Egyptian per capita income. After the revolution, Egypt had a relatively stronger economic recovery in terms of 2012 Q1 growth rate. Unemployment rate is at 12.6% in Egypt, whereas it is 18.1% in Tunisia. Literacy rate is low in both countries while poverty rate appears to be a more serious problem in Egypt at 15.4%, compared to Tunisia's 8.1%.

Table 1: Macroeconomic and Social Indicators, 2011 or Latest

	Egypt	Tunisia
GDP (current US\$)	229 Billion	45 Billion
GDP (rank)	27 th	78 th
GDP per capita (current US\$)	2781	4296
GDP per capita (rank)	130 th	103 rd
GDP Growth (2012 Q1)	5.2%	1.2%
Currency	Egyptian Pound = \$0.16	Tunisian Dinar = \$0.61
Inflation (July 2012)	6.7%	5.6%
Unemployment (2012 Q1)	12.6%	18.1%
Life expectancy	73.2	74.5
Literacy rate	66.4%	77.6%
Poverty rate (\$2 per day, PPP)	15.4%	8.1%

Sources: World Bank, UNDP, IMF

18. **From a long term perspective, both countries have a problem converging to the income levels of the European Union countries.** In 1980, Tunisia's per capita income was 25% of the per capita income of the countries that constitute the EU-27 member states today. Today, Tunisia stands at 29%. Egypt's convergence performance is similar, in 1980 its per capita income was only 15% of the EU countries, and during the course of last three decades, Egypt could close this gap by only 4%, reaching 19% of the EU income level. Turkey, on the other hand, had a better convergence performance: it was at a similar level in 1980, at 27% of the EU per capita income, while in 2011, it reached a level of 51%.

Figure 2: GDP per capita of Egypt, Tunisia and Turkey as a percentage of the EU-27 per capita income, 1980-2010 (PPP)

Source: World Bank-World Development Indicators

19. **Egypt and Tunisia have a mixed record in trade and FDI performance.** In terms of total trade volume as a percentage of GDP, Tunisia is a highly open economy, trade volume surpassing its GDP at 104%. Egypt, on the other hand, is less of a trading nation with only 53% trade to GDP ratio. Egypt's total exports of goods and services amount to USD 53 billion and Tunisia's USD 23 billion. However, in terms of industrial goods exports, Tunisia's exports are higher than those of Egypt. Tunisia possesses a more balanced trading structure, with current account deficit around 2% of GDP, while Egypt runs a much larger Current Account deficit at 7% of GDP. In terms of number of countries that they trade with, Egypt appears to have a diversified portfolio of trade partners, while Tunisia's trade is quite concentrated on a few countries. In terms of sectoral diversification, Tunisia has a much better performance. This is because it has export capacity in a wide variety of medium and low technology sectors, while resource-driven commodities dominate Egypt's export portfolio.

Table 2: Trade and FDI Profiles of Egypt and Tunisia, 2011 or Latest

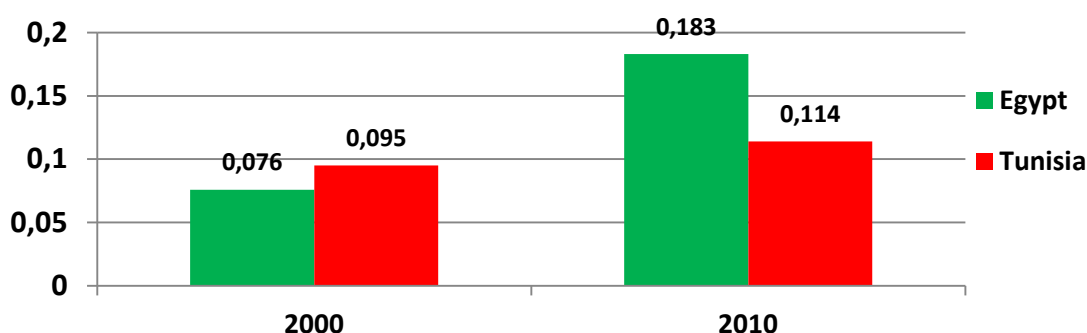
	Egypt	Tunisia
Trade as a % of GDP	53%	104%
Exports of goods and services	\$53 Billion	\$23 Billion
Imports of goods and services	\$69 Billion	\$24 Billion
Current account balance	-6,85%	-2,07%
Main Export Partners	Italy (8.7%), India (7.3%), Saudi Arabia (6.1%), USA (5.2%), Turkey (4.9%)	France (28.7%), Italy (19.9%), Germany (8.5%), UK (5%), Libya (4.5%)
Main Import Partners	USA (10.7%), China (9.1%), Germany (6.3%), Italy (5.1%), Kuwait (4.7%)	France (18.9%), Italy (17.6%), Germany (7.6%), China (6.1%), Russia (4.7%)
Main Export Commodities	Petroleum products (19%), Gas (9%), Vegetables and fruit (8%), Textiles (5%), Clothing (5%)	Clothing (%19), Electrical machinery (16%), Petroleum products (%12), Telecom equipment (5%), Fertilizers (%5)
Main Import Commodities	Petroleum products (10%), Road vehicles (7%), Cereals (7%), Iron and steel (6%), General industrial machinery (%5)	Electrical machinery (10%), Petroleum products (10%), Textiles (8%), Road vehicles (7%), General industrial machinery (5%)
FTAs	Agadir, COMESA, EFTA, EU (AA), GAFTA, MERCOSUR,	Agadir, AMU, EFTA, EU (AA), GAFTA, Turkey

	Egypt	Tunisia
	Turkey, USA (QIZ)	
Total FDI Inflows, 2010	\$11 Billion	\$1.5 Billion
FDI inflows sectoral distribution, 2010	Agriculture:1% Industry:73% Services: 26%	Agriculture:0% Industry:67% Services: 33%

Sources: World Bank, UNCTAD, International Trade Centre, UN Comtrade

20. **Both Egypt and Tunisia have increased their overall market shares in global trade in the last decade.** Figure 3 below tells an interesting story. In 2000, Tunisia had a slightly higher market share than Egypt in the world trade, while this situation reversed in 2010. As of 2010, Egypt exported 0.183% of all world exports and this ratio was 0.114% for Tunisia. Egypt's fast growth in terms of market share and Tunisia's rather stagnant performance should be noted. In our product assessment methodology, we aim to see which products have outperformed the country average growth rates in terms of global share.

Figure 3: World Market Shares of Egypt and Tunisia (country exports / world exports) 2000 and 2010



Source: UN Comtrad and TEPAV Calculations

21. **Both countries have a relatively limited set of exports where they possess comparative advantage, but they also carry a great potential for structural transformation, according to an assessment based on the product space methodology, as elaborated further in Annex 9.** The product space is a visual network that consists of goods that are linked through the capabilities required for producing them.¹ While the product space includes all goods produced in the world, the product space positioning of a country is determined by the products where it has a higher than average export share in the world. Literature points out that countries with high presence in the core of the product space have more complex economies and have better growth prospects in the long term. Both countries have good presence in the outskirts but low presence in the core of the product space, with Tunisia having a somewhat better performance. With the current set of capabilities, Egypt can expand further in the building materials cluster to goods such as furniture and metal articles, as well as to plastics and medicaments. For Tunisia, the opportunities for expansion lie in the machinery, electronics, textiles and food sectors.

¹ For an overview of the product space methodology please see Haussman, R. Hidalgo, C. 2010. Country Diversification, Product Ubiquity, and Economic Divergence. Harvard University Center for International Development Working Paper 201.

22. **According to the investment priorities captured by recent surveys in the pilot countries, priority problems of political instability and policy uncertainty, inefficient bureaucracy and corruption, worker training and labour regulations, access to finance, and informal competition are emphasized among the bottlenecks by the respondents in Egypt. On the other hand, government bureaucracy, political and policy instability, access to finance, restrictive labour markets and tax rates are stated as constraining by Tunisian respondents (Table 3)².** The former regimes were characterized by a high degree of discretionary decision-making and corruption which affected every layer of the society. For instance, this impact can be seen in selection procedure of for instance firms in public tenders, regions to receive development projects as well as SMEs to receive loans. There is a considerable gap between the legal frameworks for combating corruption and their actual implementation. The lack of voice and accountability leads to poorly informed economic decisions, irrational policy choices, and, ultimately, loss of economic competitiveness.
23. **The bottlenecks stated by domestic investors may not be in line with the bottlenecks stated by foreign investors.** For instance in the Egypt 2008 enterprise survey, customs, trade regulations and electric supply were more emphasized as constraining by foreign (FDI) manufacturing companies than the domestically owned firms. Many challenges appear in the labour markets of the pilot countries. Although labour markets in the pilot countries can be seen as fairly flexible, regulations such as unemployment insurances have not been introduced yet. They rely instead heavily on severance restrictions and payments. The demand for skilled workers has grown more rapidly than the ability and responsiveness of the educational system to supply them. The pilot countries are considered to lag in terms of educational quality and efficiency³.

Table 3: Leading constraints, by country, from World Bank's Investment Climate Survey and World Economic Forum's Global Competitiveness Report (GCR) Executive Survey⁴

Egypt (ICS Update 2011)	Egypt (GCR 2011-12)	Tunisia (GCR 2011 – 12)
Macroeconomic uncertainty	Policy instability	Inefficient government bureaucracy
Political Instability	Inadequately educated workforce	Regulatory policy uncertainty
Regulatory policy uncertainty	Access to financing	Access to financing (e.g., collateral)
Corruption	Inefficient government bureaucracy	Macroeconomic uncertainty (e.g., inflation, Exchange rate)
Practices of competitors in the formal sector	Restrictive labour regulations	Tax rates

24. **We use a selection of widely employed benchmarking indices to identify the relative positions of the pilot countries as determined by competitiveness, logistics, institutional and governance indicators.** The countries used in the benchmarking analysis were identified based on the results of the country

² World Bank, 2012 "From Political to Economic Awakening in the Arab World: The Path of Economic Integration"

³ *ibid*

⁴ *ibid*

assessments. Summary of the main results of this benchmarking exercise can be found in Table 4 while Annex 7 presents the detailed results. We employ the following indices to benchmark Egypt and Tunisia's economic environment:

- a. Global Competitiveness Index (GCI), (World Economic Forum)
- b. Logistics Performance Index (LPI), (World Bank)
- c. Doing Business Index (DBI), (World Bank)
- d. Worldwide Governance Indicators (WGI), (World Bank)
- e. Human Development Index (HDI), (United Nations Development Program)

25. **Most of Egypt's overall rankings are worse than Tunisia, except HDI where the two countries have approximately the same scores.** Egypt's overall ranking in GCI out of 142 countries is 94 and Tunisia's overall ranking is 40, much better than Egypt. In LPI, Egypt ranks 57th among 155 countries and Tunisia ranks 41th, a little better than Egypt. In DBI, overall ranking of Egypt is 110 out of 183 countries whereas Tunisia is a high performer with an overall ranking of 46. Finally, Egypt's performance in WGI is quite worse than other countries as a result of the rising of political unrest. However, Egypt performs better than Tunisia regarding voice and accountability indicator under WGI.

Table 4: Benchmarking Results Summary Table

Benchmarking Index	Egypt	Tunisia
Global Competitiveness Index (GCI)	Worst among all other benchmarked countries. Relatively successful for some of the basic requirements but not the same performance for most of the advanced requirements. Overall rank (out of 142): 94	Better results than Egypt and Turkey. Despite the political conditions, Tunisia's macroeconomic environment is competitive. Overall rank (out of 142): 40
Logistics Performance Index (LPI)	Despite its geographical location, Egypt has the worst performance among all the countries, except Tunisia in terms of international shipments. Overall LPI ranking (out of 155): 57	Outweighs Egypt in the overall ranking. Both of the pilot countries have advantageous geographical positions. However, inefficient policies and the heavy trade regulations hold them back in openness and thus economic growth. Overall LPI ranking (out of 155) : 41
Doing Business Index (DBI)	May need to overhaul its regulatory structure to attract SMEs and rejuvenate its economic environment. Major challenge is dealing with construction permits. Overall DBI ranking (out of 183): 110	A high performer in regulatory system and investment environment. Overall DBI ranking (out of 183): 46
World Governance Indicators (WGI)	Poor enforcement of law and corruption are the main bottlenecks. Performance is quite worse than other countries as a result of the rising of political unrest.	More likely to recover its problems of poor governance after the political unrest.
Human Development Index (HDI)	Overall score is very close to those of Tunisia and Turkey although Egypt is considered a lower middle income country. HDI score:0.64	Although Tunisia has followed a pattern similar to that of Egypt, there is some room for improvement. HDI score:0.69

26. **Female employment and entrepreneurship is at low levels in both Tunisia and Egypt.** We assess these issues in-depth in Annex 8. Both countries have high

female enrolment rates in all educational stages. In Tunisia, female enrolment levels are 106% and 151% of male enrolment levels in secondary and tertiary education, respectively. However, females have higher unemployment rates in both countries. Unemployment is high especially among younger females, with Egypt having the highest female youth unemployment rate in the MENA region. As for entrepreneurship, female entrepreneurs in both countries are hindered by fear of failure and run slow-growing and domestically oriented establishments. The value chains chosen as cooperation areas in this study have high contribution to female employment. In Turkey, the benchmarked country, all of the sectors we have chosen have higher or similar levels of female employment to the national average, suggesting a positive overall impact to female employment in the pilot countries assuming that their employment structures would be similar.

Egypt: Economic Context and Main Issues Affecting the Feasibility of the Initiative

27. **Egypt's economy has been severely affected by the revolution and the global economic crisis but a strong recovery is on the way.** Egyptian economy grew by 5.1% in 2010, but the growth rate dropped to 1.8% in 2011. With most of the vital sectors of the economy reaching their pre-revolution levels, the economy is on the recovery track. Foreign exchange reserves, although highly diminished in the past year, have also started to recover. Nevertheless, the most pressing issue is the high unemployment rate that did not return to its pre-revolution level. 5 million jobs have been lost since the revolution, which underlines the urgent need for job creation.
28. **A problematic dichotomy is visible in the Egyptian private sector, which is characterized by mostly small and micro sized enterprises operating in high levels of informality on the one hand, and large companies that operate in the highly regulated industries such as oil and gas, telecom and financial services, on the other.** Today around 2.5 million private businesses operate in Egypt and 90 % of these are small and micro scaled.⁵ The common features of these firms are their relatively low levels of productivity and high levels of informality, which inhibits their growth and limits their access to finance. In addition to these, there is a substantial number of family-owned or public companies which are of much larger scale and have varying degrees of competitiveness. This dichotomy creates an opportunity for SMEs. As the Egyptian economy normalizes and investment climate becomes more levelled and conducive for private economic activity, we can expect SMEs to grow at much faster rates. Seeing this opportunity, there is a plethora of investment and private equity funds. Finally, the growth of the middle class in Egypt will be an important factor affecting the expansion of companies. Private entrepreneurship and public-private partnerships constitute one of the government's most important priorities as it encourages the private sector to invest in non-traditional areas, especially in financial services and infrastructure development.
29. **Egyptian economy's normalization is likely to create many opportunities for foreign direct investments.** Main sectors in which foreign multinationals traditionally invest in Egypt include oil and gas, manufacturing, tourism and financial

⁵ "Egypt Private Sector Country Profile" African Development Bank, 2009

sectors. There seem to be two main problems regarding FDI flows into Egypt. First is the lack of diversity in terms of sectors though this trend had started to change before the revolution as a variety of manufacturing sub-sectors attracted foreign investments. Second is the low level of presence of SMEs in the FDI scene in Egypt, which can be partially explained by the hurdles of investment and business climate. As these hurdles are removed in their respective value chain, we can expect a higher degree of foreign SMEs entering the Egyptian scene. This is what happened in Turkey. As the EU accession process speeded up and helped the upgrading of institutions in the economy, more and more SMEs, particularly from the EU member states have taken the advantage of investing in the Turkish market. Finally, efforts in enhancing the PPP regime in Egypt, which are at an infant stage, carry the potential to attract more FDI.

30. **One of the critical problems awaiting the new Egyptian government is the issue of public finance reform and the gradually removal of the subsidies, which are currently not well targeted and distort the economy.** As can be followed from the discussions for an IMF program, the most important challenge for the Egyptian economy is the public finance reform. Many analysts point out to the issue of mismanagement of public resources via subsidies. 20% of government budget is spent on fuel subsidies, with the total sum for 2011 adding up to EGP 97 Billion. Another issue distorting both public finance and labour market is the high employment and wages in the public sector, where staff expenses account to 25% of the budget. A seldom mentioned but still significant burden on the public budget is paying back interests on debts, which accounts to roughly another 25% of the public expenditures.
31. **Another clear priority is the issue of employment generation, for which improving the investment climate and enhancing skills are of utmost importance.** Average labour quality is low in Egypt due to weak vocational training. The government has been promoting higher education for decades, and students favour white-collar jobs over blue-collar ones, even if they have lower wages. It is common for vocational school graduates to go to university. Many policymakers are now increasingly leaning towards favouring technical education but there is no coherent plan on how to improve this area. Under these circumstances, sectors that have high employment creation capacity should be given priority as a short term remedy. The Ministry of Manpower and Immigration has prioritized vocational training and is seeking to activate existing partnerships and start new ones.
32. **Enhancing connectivity both within Egypt, and between Egypt and its neighbours is likely to contribute to the long term growth of the Egyptian economy. However, it also requires heavy investments in Infrastructure.** Egypt's several FTAs make it an attractive location for trading. Nevertheless, most markets such as the COMESA are physically hard to reach due to infrastructure and logistics problems. The government officials, businesspeople and academics all agree that increasing the connectivity across North Africa and Mediterranean should be a priority of the government. With only a few tracks missing in Libya, the Euro-Mediterranean Ring Road is about to be finished and is expected to boost trade across North Africa. Businesspeople note that despite low official figures, undocumented trade with Libya has been very high recently. Eastern Libya has become logistically dependent on Egypt. In addition to these, enhancing connectivity within Egypt, particularly between the main and emerging economic centres will lead to a more balanced distribution of economic activity and lower the congestion burden in Cairo.

33. **In addition to these policy priorities, such as public finance reform, employment generation and connectivity, one area that will need further consensus building is the formulation of a clear Industrial policy vision for Egypt.** Different interviewees stated conflicting opinions on whether to focus on high value added and innovation driven sectors services such as ICT, and renewable energy, or labour intensive ones such as textiles as growth drivers. Many interviewees saw textiles and garments as an inferior industry that Egypt should move away from while several others highlighted the immediate need for such labour intensive industries. Both policymakers and businesspeople argue that Egypt has a competitive advantage in innovation-based high-tech industries due to abundance of both qualified and low-cost labour while most mentioned that such industries can only generate limited employment in the near term. Given this background, an industrial policy vision that is not only in conformity with the economic priorities, but also sets a long term horizon for investors and public sectors is something currently missing in Egypt.
34. **The regulatory bottlenecks are further assessed in Annex 7. We compiled a list of the main constraints for private sector growth. The items in this list directly or indirectly affect the feasibility of the GBB Initiative.** A close monitoring of the below mentioned reform (or improvement) areas is useful for informing the companies that will participate in the GBB Initiative.
- a. General investment and business environment reforms (Freeing the entrepreneurship spirit, moving from privileges to merit, establishing fair rules of the game, making markets much more flexible)
 - b. Bureaucracy and red tape constitute major impediments often cited by businesspeople. The government will need to rapidly launch civil service reforms aimed at addressing salaries, skills and motivation issues.
 - c. Judicial reforms, currently under way with the creation of commercial courts, need rapid implementation, as contract enforcements and other commercial litigations take a very long time to resolve.
 - d. Access to finance is still a major problem for small- and micro-enterprises. Despite high liquidity, Egyptian banks still have difficulties serving small businesses. To cope with the large number of businesses in the country, an innovative approach is needed to jumpstart financing. The processing capacity is certainly a major obstacle which would require significant training and innovative approaches. Credit bureaus covering both banks and non-bank financial institutions are a pre-requisite to speed up procedures and mitigate risks.
 - e. Foreign investors also note that non-tariff barriers to importing are on the increase in Egypt and it is therefore cheaper to use local goods. Mentioned non-tariff barriers were quality control inspection standards, quotas, import bans on certain products, and price controls. Importing is forbidden for foreign non-manufacturing companies. Egyptian businessmen note that there are several ways to overcome this, such as establishing a locally owned company just for the purpose of importing goods.
 - f. Lack of skilled workers and professionals puts a brake on economic growth. School and university curricula are not adapted to the needs of businesses. Incentives should be provided to promote this critical sector.

Tunisia: Economic Context and Main Issues Affecting the Feasibility of the Initiative

35. **A small and open economy on the Northern tip of the African continent, Tunisia possesses a great potential for economic growth, transformation and diversification.** Tunisia is not only one of the highest per capita income countries in Africa, but it also ranks very high in many of the business-related benchmarking indices such as doing business, global competitiveness and logistics performance. Its proximity to the European continent has traditionally placed Tunisia as an important transport hub and a natural agricultural and industrial hinterland for the European market.
36. **From a long term perspective, diversification of markets appears to be a priority for Tunisia.** Currently, Tunisia is like a natural economic hinterland of European countries, mainly France, Italy and Germany. With the euro-crisis affecting the demand in these economies, Tunisia needs to diversify away into other markets and sectors. Out of the 3000 foreign companies operating in Tunisia, 85 % is from only three countries: France (1270), Italy (744), and Germany (274). These three countries make up around 60 % of Tunisia's exports and 50 % of its imports. A part of this imbalance is 'natural' as the vicinity, history and language tissue of the region will explain. However, one has a sense that Tunisia had a very controlled economy and attracted foreign investment with a promise to protection from much competition. It is evident that Turkey is not a strong economic partner. Whether this can change overnight, with the political will, is highly doubtful, given, especially, the language constraint. The revolution, however, seems to have opened the ground for new companies and countries to enter the Tunisian market more easily than before.
37. **A key aspect of the Tunisian economic transformation entails business environment reform. Tunisia seems to have a good playing field for "some" businesses, but the "unevelled" features of the business environment are a concern for many other potential investors.** Even though Tunisia scores relatively high on the international benchmarking indicators (e.g. Doing Business, Logistic Performance, WEF Competitiveness etc), our dialogue with the private sector reveals that the business environment can also be burdensome for many investors and unfair treatment by the government, through a variety of means, is not uncommon. Ben Ali's regime may have ensured a viable investment climate for many, while doing exactly the opposite for others. Likewise, the new political context may prove to be more advantageous for Turkish firms. However, from the perspective of the GBB Initiative, the challenge is to level the playing field for "everyone" so that SMEs from both Turkey and other EU countries can freely operate and cooperate in Tunisia. Freedom of starting a business, investing, owning, accessing finance in a fair manner and capital movement should be at the core of the new public-private sector dialogue. It should also be noted that because of strict profit repatriation legalities (Tunisia ranks 88th out of 139 countries in WEF on this issue / ranks 40th overall), companies like McDonalds, Burger King, Starbucks do not operate in Tunisia. Easing the restrictions on capital flows may lead to more private equity and SME activity.
38. **Tunisia's further economic integration with its neighbours and the African continent is likely to provide many opportunities for Turkish and European SMEs in the future.** Tunisia is the most developed country of Africa but it is not connected to the continent. Investments that will be made to connect Tunisia with Algeria and Libya would certainly have strong multiplier effects. Today one of the

most pressing problems in Tunisia is the high level regional disparities. A solution to this is to better connect less developed cities to main ports and other neighbouring markets. According to the African Development Bank, coastal areas in Tunisia have received 65% of public investment over the last decade.⁶ Midwest region, which borders with Algeria, is the poorest region. In this context, it shall be noted that 80 km of the Algeria-Tunisian highway is missing and awaiting international finance.⁷

39. **Tunisia's economic relations with Libya are an important asset that can contribute to the feasibility of the GBB Initiative.** Libya is already an important partner for Tunisia as 7 % of Tunisian exports go to the Libyan market. However Libya is quite an unsaturated market with strong sophistication potential. As it gets more sophisticated though, Libya may also become more competitive for Tunisian firms. Hence building strategic alliances with SMEs from Europe and Turkey can also prove to be beneficial in the long term. In the future, more Turkish and European firms can use Tunisia as a gate to Libya and Algeria. Thus, infrastructure projects should be closely monitored to guide the SMEs about Tunisia being a hub in the future.
40. **Lack of political vision seems to be among the most important constraints for further development of critical sectors.** This is most visible when we look into the tourism industry, retail sector, renewable energy or urban development. In all of these sectors, an active role of the government is necessary to overcome both coordination and market failures. There is a multiplicity of bottlenecks, from the restriction on capital flows to expat workers, from the tax regime to property registry that could be tackled with minimal cost but only with a political vision to unleash the growth potential of these sectors. To what extent this will change under the new regime remains to be seen. But it is certainly one of the important parameters that we should closely monitor for the feasibility of the GBB Initiative.
41. **In addition to above-mentioned issues, there is also a consensus on the fact that access to finance is among the binding constraints.** Access to working capital, in particular, is often cited as an important barrier for both the growth and internationalization of SMEs in Tunisia. Products of the banking sector are found to be channelled inefficiently and not at sufficient levels. Even though there is an abundance of local banks, they have limited experience in SME lending. For the design of the match-making schemes of the GBB, this constraint raises the importance of providing additional incentives / support mechanisms for the Tunisian SMEs so they can participate more effectively in the process. In this area, considering guarantee schemes and specialized investment funds could also be good idea to support the GBB.
42. **Business-labour relations in Tunisia appear to be problematic.** The remnants of the so-called authoritative bargain of the previous regime will be difficult to normalise in the interim period. Rigidities in the labour market need to be tackled with a long-term labour market reform perspective. There are also regional rigidities: if a firm operates in one region, it is almost impossible to bring workers from another region. From an SME internationalisation perspective, labour productivity is also a critical factor that needs to be further explored. The current high unemployment figures exacerbate this problem.

⁶ . "Tunisia 2012." *African Economic Outlook: Tunisia*. African Development Bank Group, 2012.

⁷ This is a project in which the Union for the Mediterranean is working, together with the Algeria-Morocco connexion of this highway

43. **One key aspect of business climate improvement is the upgrading of the industrial infrastructure in Tunisia.** While Tunisia has a variety of industrial policy tools such as incentives, industrial zones, entrepreneurship development programs and incubators, private sector complains about the quality of the industrial infrastructure. There seems to be a need to upgrade the capacity of relevant institutions, particularly industrial zones and technoparks that are in charge of providing infrastructure services. This could be considered as part of the Initiative.
44. **Just like in Egypt, economic transformation agenda will have to focus on the removal of the subsidies, sooner or later in Tunisia.** However, it seems that this will happen at a later stage, largely due to political feasibility issues. According to an African Development Bank study, commodity subsidies in Tunisia sum up to an amount of TND 1.3 billion (€ 685 Million). Subsidies contain raw materials, cereal, oil and gas. However, after talking about this issue with several political personalities, we see that there is no intention at all to cut down the subsidies in the coming years, independent of the *colour* of the political party.
45. **The regulatory bottlenecks are further assessed in Annex 7. We compiled a list of the main constraints for private sector growth. The items in the list directly or indirectly affect the feasibility of the GBB Initiative.** A close monitoring of the below mentioned policy bottlenecks is useful for informing the companies that will participate in the GBB Initiative.
 - a. Inefficient government bureaucracy
 - b. Regulatory policy uncertainty
 - c. Access to financing (e.g., collateral)
 - d. Macroeconomic uncertainty (e.g., inflation, Exchange rate)
 - e. Tax rates

Palestine: Main Economic Issues Affecting the Feasibility of the Initiative

46. **Palestine is selected as one of the pilot countries for the Global Business Bridges Initiative for a number of reasons.** First reason is that supporting the Palestinian economy is among the priorities for both the EU and Turkey. Second, small size of the Palestinian economy but its rather vibrant nature may enable a “boutique” but well targeted form of trilateral matchmaking platform for the GBB Initiative. Third, TOBB, one of the partners and beneficiaries of the GBB Initiative has been undertaking the Industry for Peace (TOBB-BIS) Initiative in Palestine with a view to support industrial development and employment generation. Through its subsidiary company⁸ established for the TOBB-BIS Initiative, TOBB has focused on the Jenin Industrial Estate project since 2010.
47. **Hence, GBB Initiative and TOBB-BIS Initiative intersect at the Jenin Industrial Estate Project.** Trilateral matchmaking that will be conducted under the GBB Initiative can be coordinated with the investment promotion activities of the TOBB-BIS Initiative for the Jenin Project. To understand the complementarities between EU and Turkish SMEs, we apply a different methodology from what we employ for

⁸ TOBB-BIS Industrial and Technology Parks Development and Management Company. TOBB-BIS A.Ş. was incorporated in 2005 in Istanbul, Turkey, and was registered in Ramallah in 2006. The headquarters of the company are located in Ankara at the premises of TOBB Economics and Technology University.

Egypt and Tunisia. Our assessment of the economic context and findings for value chains are presented in Annex 6.

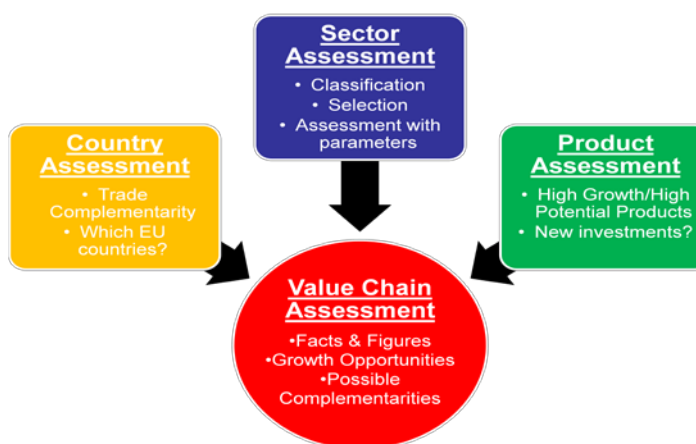
48. **Benchmarking the costs of doing business to alternative locations, we argue that the Jenin Industrial Estate can be a center for competitive investments coming from a wide range of countries and sectors.** However, this is conditional on tackling a number of critical issues.

- a. **Trading across borders.** Movement and access problems appear to be the most binding constraint to FDI growth and private sector development in Palestine. Israel's closure policies arising from security concerns severely impede international trade, particularly with border-crossing and customs measures which involve unpredictable inspection practices leading to time consuming and inefficient logistics outcomes. Certain studies also point to problems in obtaining Palestinian certificate of origin, which is required to differentiate Palestinian products from those of the settlements. Import taxes collected by Israel to be refunded to Palestine are often returned with delays, leading to financial losses for private firms. If these issues can be solved with a working mechanism for JIE, we believe that Palestine's competitive potential can be unleashed in the short term.
- b. **Energy.** Comparative figures show that electricity price in Palestine (17cent/kWh) is around 20 % more expensive than the Turkish average (14cent) and most other benchmarked sites. The situation is much worse for natural gas. To make the JIE competitive, energy prices need to decrease. Since industrial electricity price in Israel is only 9 cent/kWh (with 0 % tax), and natural gas price is 37 cent/m³, effective off-site infrastructure and negotiation with the Israel Electric Corporation can lower the energy costs in Jenin. The assistance of the international donor community will also be required in achieving this task.
- c. **Labour quality and wages.** Compared to alternative sites, quality of labour in Palestine is very high, though wages appear to be accordingly high. This issue needs to be further investigated at sectoral level in order to identify the niche labour skills available in Palestine that can attract companies from around the world and the region.

Part 3: Methodology

49. **This part introduces the methodology of identifying the sectors and business areas that should be at the focus of the GBB Initiative's trilateral matchmaking activities.** Our aim is to explore the areas in which we can identify the maximum amount of complementarities between EU Member States' (here after referred to as EU) SMEs and Turkish SMEs in their interactions with SMEs from the pilot countries, i.e. Egypt, Tunisia and Palestine. Throughout the course of this study, we attached a high level of importance to the development of a unique and workable methodology that can help us see these complementarities from a trilateral perspective. The details of our methodology can be found in Annex 1, while in this part we provide a general overview to help readers put in context the results which are presented in the next section.
50. **Our methodology rests on a bottom-up, non-linear and data-driven approach that focuses on value chains to identify complementarities.** Our approach is bottom-up because we did our best to understand first the local needs and growth potential in the pilot countries, before we looked at the possible complementarities. Our approach is non-linear in the sense that we first conducted different layers of assessments and tried to synthesize the results coming from these assessments in order to identify the value chains. These different layers of assessments feed one another as we do not employ a hierarchical and linear flow of analysis. Lastly, our approach is data-driven as we combined quantitative and qualitative assessments in order to capture the potential compatibilities of different actors, in different sectors. With this “value chain inspired” perspective, we conduct assessments at the level of countries, products and sectors (See Figure 4). While the country and product assessments are based on the analyses of trade data from 2000 through 2010, sector assessment consists of qualitative assessments based on the fact finding missions to Egypt, Tunisia, Barcelona, and Brussels as well as quantitative information from our desk research.
51. We present the main findings in the next section, while the detailed results of our analyses using this methodology are presented in the annex sections on “Country Assessment Results” (Annex 2), “Product Assessment Results” (Annex 3), and “Sector Assessment Results” (Annex 4). The syntheses of all these findings are presented in the Value Chain Fact Sheets (Annex 5).

Figure 4 – Overview of our Feasibility Methodology



The Value Chain Approach

52. **Value chain, an economic concept that first emerged in the late 1970s, is a representation of the various processes involved in producing goods and services, starting with inputs and ending with the outputs.** Value chains show how added value is created during the course of activities from the input to output stage within firms or industries. Used in an industry context, value chain analyses describe relationships and linkages among buyers, suppliers, and the market actors in between. Value chains may include both inter- and intra-industry firm relations. SMEs play different roles in intra-firm and intra-industry value chains. They can provide support activities or outsourcing for large firms or they can constitute a part of the industry value chain by adding value to a product or process.
53. **While business clusters point to a specific geographic area, the notion of value chains can span a much larger geography.** A similar concept that is closely linked to value chains is the notion of business clusters. First promoted by Harvard professor Michael Porter in 1990s, clusters can be conceptualised as all relevant inter-connected businesses of a given value chain in a certain geographic area. In the last decade, for many countries, developed and developing alike, policies to support business clusters are used as critical industrial policy tools. In some cases, especially for a number of capital intensive industries, value chains are organised at the global level, while some others operate at regional or national levels, and sometimes at sub-national levels. Automotive or pharmaceutical industries are the perfect examples for a global value chain (GVC). Agro-food industry, on the other hand, because of the importance of transport duration, can be a good example for a regional or national value chain.
54. **We use the value chain approach for the purpose of identifying business areas suitable for trilateral cooperation, but we should note that we do not undertake in-depth value chain analyses.** We conduct three layers of assessments, namely, Market, Product and Sector Assessments, in order to determine the comparative advantages of the pilot countries and see which value chains pose greater opportunities for trilateral cooperation. The results of the Product Assessment show us the products that the pilot countries have competitive advantage in, while the Country Assessment gives us clues about already established trade ties and underutilised trade complementarities. Sector assessment results complement these findings by indicating the sectors where potential value chains are located. After finding the comparative advantages and possible investment, trade and technical cooperation areas through these assessments, we try to shed light on the possible roles for Turkish and European Union Member State firms. We should emphasize that, through the synthesis of these assessments, we only point to the “possible” roles and that we do not undertake in-depth value chain analyses, which are beyond the scope of this study.
55. **Value chain approach helps us determine which elements of the value chain to focus on and which type of SMEs from which countries may take up critical roles in the matchmaking events.** After we map a value chain, we elaborate which countries’ firms could provide each individual SME-related value chain component. There may be cases where firms from two or even three countries can operate together in an individual value chain component. The key factors we are taking into account at this stage are:

- a. Possibility of knowledge or technology transfer to the pilot countries from Turkish and EU companies
- b. Business environment and possible constraints of the value chain component in the target countries
- c. Country, Sector and Product Assessment results
- d. Expert opinions based on interviews

Country Assessment Methodology

56. **The first layer of assessment we conduct in our methodology is the “Country Assessment” which helps us to identify the countries to focus on while looking for possible partners and export destinations.** It provides a geographic perspective that is separate from product or sector based approaches and cannot be captured by these methods. The added value of this method to our study is that it enables us to see the already established links between the pilot countries and their partners. Another benefit of this method is that it allows us to tap into underutilised potentials based on complementarities.
57. **For the country assessment, we first calculate the Trade Complementarity Index (TCI) values to see the structural similarities between the pilot countries and each of the 27 EU Member States and Turkey.** This method helps us to see the “big picture” on where the pilot countries stand in terms of current and potential trade with all the 27 EU Member States and Turkey. Trade Complementarity Index is a tool that measures the similarity of the exports of one country to the imports of the other and vice versa. In essence, it is the correlation between the %s of the shares of different sectors in the import basket of one country and export basket of another country. TCI score can be between 0 and 1, with higher scores indicating higher compatibility. A TCI score of 1 would mean that one country's export structure looks exactly the same as another country's import structure. A TCI score of 0, on the other hand would mean that there is no correlation between these structures.
58. **As the next step, we compare the TCI scores of each pair of countries to the actual size of trade between them.** We also look at the shares of the pilot countries in the total exports and imports of their trade partners in order to see the importance of the countries as trade partners for each other. A high TCI score with high levels and importance of trade value shows that these countries are worth considering for large scale business opportunities as the two countries complement each other very well and they are important trade partners for each other already. A high TCI score with relatively low levels and importance of trade suggests an opportunity to expand into that particular market.

The details of the country assessment methodology can be found in Annex 1, and the detailed results can be found in Annex 2.

Product Assessment Methodology

59. **According to the SITC Rev. 2 4 digit classification, Egypt exports 680 types of products and Tunisia exports 613 types of products to the world. We conduct**

another layer of analysis, which we call “product assessment” in order to see which of these products present further investment opportunities from Europe and Turkey in the pilot countries. The aim of this assessment is to focus on the narrowly defined products and determine the ones where EU and Turkish firms can benefit from the comparative advantages of the pilot countries in products that do not compete with, but rather complement the European ones.

60. **The Product Assessment Methodology is based on determining the products that are growing in the World trade, that have shown high potentials in the pilot countries and are declining in Europe.** For this purpose, we apply three different filters to the trade data. First, we determine the products in whose trade the pilot countries have gained market share faster than the average. Second, among this list of products, we identify the ones whose market share in world trade has been increasing between 2000 and 2010. Lastly, among the sorted out products, we apply the third filter to see which ones are declining in the European Member States and Turkey between 2000 and 2010.
61. **To evaluate the outcomes of these three steps, we look at the frequency of appearance of the resulting products as well as how important they are as trade commodities for each European country.** Several products are identified as a result of this methodology for each EU country and Turkey. We take these products and rank them according to the frequency of their occurrence. Frequently occurring products point out to a possible area of complementarity. Additionally, we look at the export magnitudes of the occurring products for each European country and Turkey. Knowing about products that have high export shares in both pilot countries and partner countries help us in prioritisation.

Sector Assessment Methodology

62. **Sector Assessment provides the background setting of the value chain analysis. With the help of this we identify sectors and business areas where there may be room for trilateral cooperation.** Sectors are subdivisions of an economic system and encompass a wide range of related economic activities. Each pilot country has a different set of competitive advantages in each sector. Finding out sectors where there are both growth opportunities and complementarities with Turkish and EU businesses is the key aim of our analysis. We assess the sectors using data from our desk research as well as insights gathered during the fact-finding missions.
63. **Sector assessment is designed to be forward looking, taking into account future growth potential of sectors under question.** The previous assessments have focused on already existing and strong business areas and trade links. The product assessment identifies the most competitive products based on trade data of the last 10 years while country assessment analyses the existing trade links. This part of our methodology complements the other two by determining sectors that are emerging and have growth potential.
64. **We start our Sector Assessment by identifying a long list of sectors. Services sectors are assessed with a different classification system but with the same filtering method.** For grouping the products, we take the list of all products from SITC Rev. 2 at two digit level and group them according to main activity areas. The

main activity areas we have identified are the following: Primary Goods, Food and Agriculture, Building Materials, Chemical and Pharmaceutical Products, Textiles and Clothing, Machinery and Vehicles, Electronics, and Others.

65. **As the next step, we set a number of selection criteria in order to filter these sectors.** Based on this first layer of assessment we move from a long list to a shorter list. These parameters are the following:
 - a. **SME participation and barriers to entry:** As this initiative is aimed at matchmaking SMEs, we examine only SME oriented sectors and leave out sectors and products that have capital requirements, economies of scale or entry barriers which prohibit or are not conducive to SMEs.
 - b. **Employment generation potential:** Job creation is a desired outcome of this initiative and an important need of the pilot countries. SMEs are important sources of job creation. Nevertheless, it is also important that there are skilled workers in the pilot countries to fill the positions and there would be no need to employ foreign labour.
 - c. **Priority in the new economic program:** With the changing political landscapes in the pilot countries, economic priorities are being restructured. For example, the phasing out of energy subsidies in Egypt will affect energy intensive businesses. Based on our insights from the fact-finding missions, we filter the sectors according to the political climate in each country.
 - d. **Links with the Product Assessment:** We lastly check if the sector can be linked with products, which are identified in the Product Assessment for that country.
66. **Consequently, sectors that come out of this filter are assessed with a number of additional parameters.** This time, our aim is to move from a short list to a selected list of sectors by using the below criteria:
 - a. **Current state of affairs:** Information about the size and characteristics of the sector, advantages and bottlenecks.
 - b. **Complementarity potential:** The presence of EU or Turkey in the sector, existing and potential links.
 - c. **Growth potential:** Is the sector in an early stage of growth or has it already matured? Availability of natural and human resources.
 - d. **Value chain positioning:** Which value chains within the sector can be analysed for matchmaking opportunities?
67. **Our sector analyses are based on analysis of the available data, insights gathered during the fact finding missions, interviews conducted with local businesses and subject matter experts, and desk research performed by TEPAV.** Sector based quantitative information has been obtained through international sector associations and national statistics institutes. We aimed to verify qualitative findings through statistical data where possible.

Synthesis of results

68. **The results that come out from country, product and sector assessments feed into the value chain assessments, through which we aim to identify those**

value chains where business complementarities make trilateral matchmaking feasible. We conduct our brief value chain assessments by sorting, filtering and assessing different country and sectoral information, as well as products and services within the sector assessment. We synthesise all the results from the above mentioned sources, with a view to design a perspective of linkages within and between sectors in the course of the value chain assessment, as certain activities or products may be associated with more than one sector or business area.

69. **In the next part, we present our main findings from the three layers of assessments along with the Value Chain Fact Sheets that contain crucial information about the identified value chains.** Annexes 2, 3, 4, and 5 contain more detailed results and findings. As mentioned before, these sections do not intend to provide in-depth value chain analyses, examining all parts of the chain, along with the bottlenecks involved in different processes. Our value chain fact sheets are prepared to present concise information rather than a comprehensive assessment of the value chains. Our aim is to point out to the economic potential and shed light on the possible complementarities across EU, Turkish and pilot country SMEs.

Part 4: Main Findings and Results

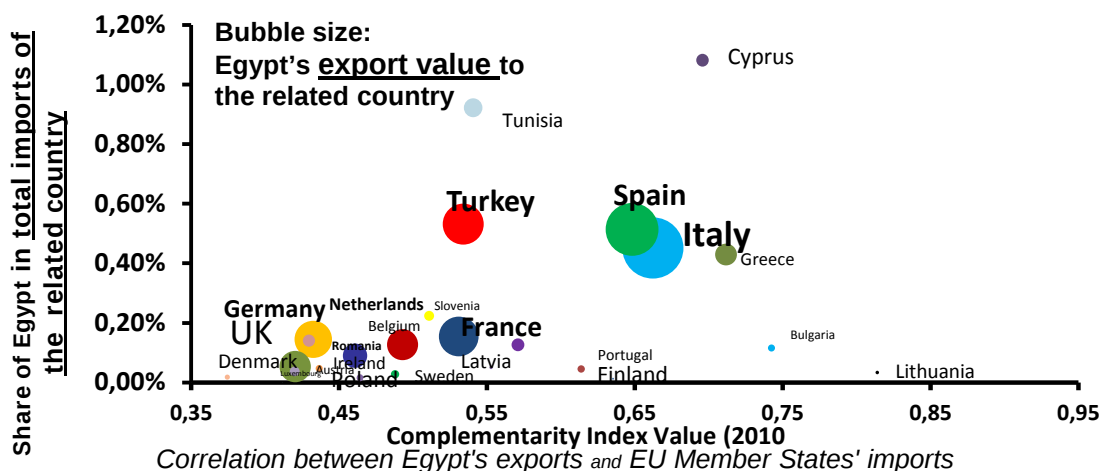
70. **In this part, we present the main findings and results of our study.** Our results are derived through the application of the methodology introduced in the previous part. We first provide a summary of the results from country, product and sector assessments. Value chains, which are identified through the synthesis of these assessments, are presented at the end of this part. The detailed results are presented in Annexes 2, 3, 4 and 5.
71. **Our three layers of assessments provide us with a macro, meso and micro levels of understanding of the trilateral business opportunities, which are then synthesized to identify the value chains.** Country assessment yields results at a quite macro level, and it helps us explore the structural similarities across countries through a broad definition of sectors. Product assessment is focused more on the micro-level dynamics with a view to identify the products which may signal investment and/or cooperation opportunities. Sector assessment, on the other hand, is a meso level analysis of broadly defined areas of economic activity, which shed light on the current state and growth potential of identified sectors. Neither of these assessments is sufficient by itself to identify triangular partnerships and value chains. Hence our value chain proposals, presented at the end of these sections, aim to bring a more holistic perspective, meshing all results and findings, as well as reflecting the viewpoints and suggestions of the stakeholders.
72. **Results are presented for Egypt and Tunisia separately in this part. Results for Palestine are presented in Annex 6.**

4.1. Country Assessment Results

Egypt's exports and other countries' imports

73. To explore structural similarities between Egypt's exports and other country's imports along with their existing bilateral trade, we combine the trade complementarity index (TCI) values with actual trade volumes. We use the similar illustration for Egypt, Tunisia and Turkey, showing three different types of information. For example the following figure for Egypt should be read as follows:
- The horizontal axis refers to the TCI; the more we move right, the more the export structure of Egypt and the import structure of a particular country resemble each other.
 - The vertical axis shows Egypt's share in the total imports of the related country; the more we move to the top, the greater the relative importance of Egypt for that country.
 - The bubble size indicates Egypt's export value to the related country; The greater the size of the bubble, the greater is the importance of that particular country for Egypt.

Figure 5: Complementarity index values and trade values (Correlation between Egypt's exports and other countries imports)



Source: UN Comtrade and TEPAV calculations

74. The data and the results can be found in Table A2 1 at the end of Annex 2. By looking at these different types of data, we can draw a number of observations regarding Egypt's export complementarities and capacity:

- There seems to be a geographic cluster of Mediterranean countries as far as Egypt's exports are concerned. Italy, France, Spain, Turkey and Greece appear to be complementary importers for Egypt's exports as well as important importers from Egypt in terms of volume. Around 0.5 % of these countries' imports are composed of Egyptian products.
- There is also a cluster of countries, including the UK, Germany and the Netherlands, for which Egypt exports substantial volumes, despite being relatively less important for these countries. These countries have lower complementarities with Egypt, vis-à-vis the Mediterranean cluster mentioned above.
- While Lithuania and Bulgaria have high TCI values, they have almost non-existent trade relations with Egypt.

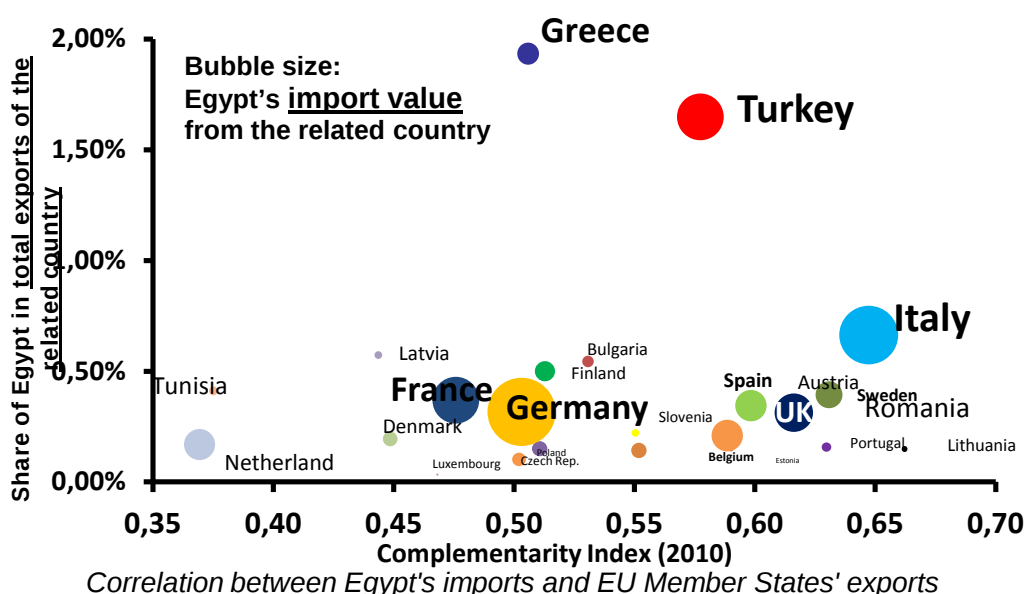
Egypt's imports and other countries' exports

75. We now combine the TCI, as defined by the similarity between Egypt's import structure and other countries' export structure, with trade volumes. Similar to our analysis presented in the previous figure, Figure 6 below shows three different types of data:

- The horizontal axis refers to the TCI value; thus, the more we move right on the axis, the more Egypt's import structure and the export structure of the particular country resemble each other.
- The vertical axis shows share of Egypt in total exports of the related country. Thus the more we move to the top of the axis, the more important Egypt is for the market of that country.

- c. The bubble size indicates the import value of Egypt from the related country. In turn, the larger the size of the bubble, the greater the relative importance of the particular country for Egypt is.
76. The data and the results can be found in Table A2 2 at the end of Annex 2. The following conclusions can be drawn regarding Egypt's import complementarities and import relations with other countries:
- Turkey and Greece stand out. These two countries' export structures display relatively high levels of complementarity with Egypt's import structure. More importantly, around 2 % of Greek exports and 1.5 % of Turkish exports go to Egypt, meaning Egypt is a critical market for these countries, vis-à-vis others.
 - There does not seem to be a geographic cluster as far as Egypt's imports are concerned. This means Egypt imports from a much wider area compared to its exports.
 - Italy, Spain and the UK's export structures display a high levels of similarity with Egypt's import structure. These countries also export significant volumes to Egypt. However, Egypt's share in the total exports of these countries is relatively small (around 0.5 %).
 - On the other hand, while Egypt imports large volumes from Germany and France, their export structures display a relatively low level of complementarity. However, similar to the case of Italy and Spain, Egypt appear to be an insignificant market for both Germany and France, as exports to Egypt do not exceed 0.5 % of the total exports of these countries.

Figure 6: TCI values and trade values (Correlation between Egypt's imports and other countries' exports)



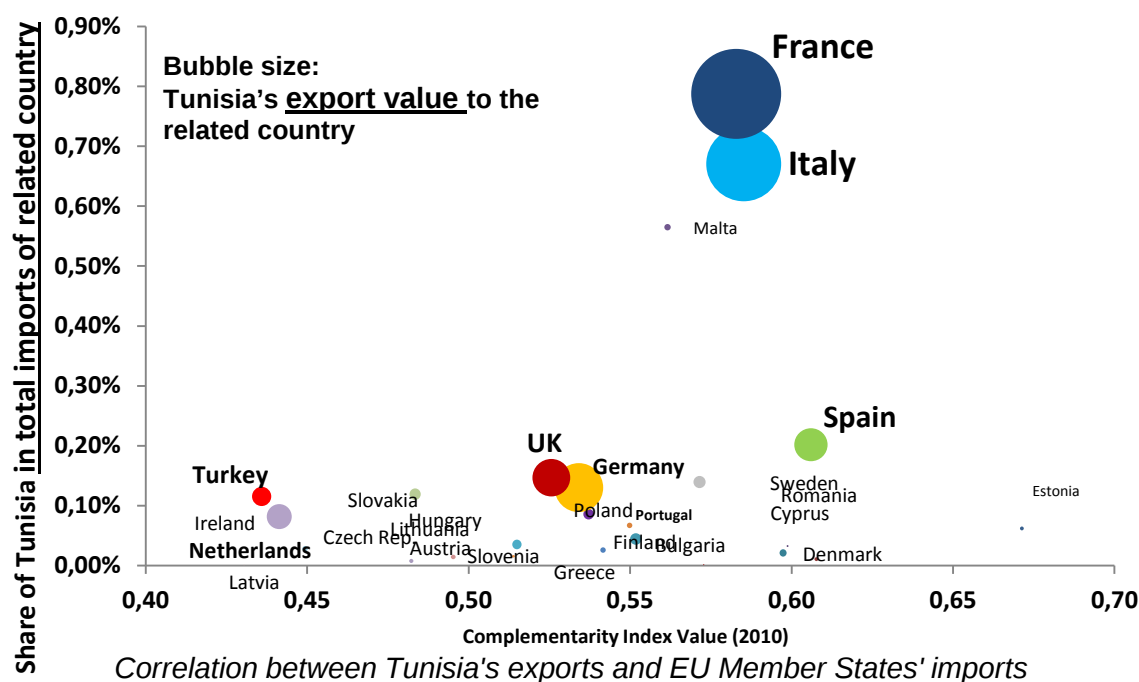
Source: UN Comtrade and TEPAV calculations

Tunisia's exports and other countries' imports

77. We now combine the complementarity index values as defined by the structural similarity between Tunisia's exports and other countries' imports, together with Tunisia's share in total imports from each EU Member State to see how important Tunisia is for each EU Member State. We also look at Tunisia's export volume to each EU Member State to see how important that country is for Tunisia. The data and the results can be found in Table A2 3 in Annex 2. Figure 7 reveals the following results:

- a. France and Italy appear to be not only complementary importers for Tunisia's exports, but also important importers from Tunisia in terms of volume. Around 0.75 % of France and Italy's imports are composed of Tunisian products.
- b. There is also a cluster of countries, including UK, Spain and Germany, for which Tunisia is relatively less important but still Tunisia exports substantial volumes. Around 0.15 % of these countries imports are composed of Tunisian products. The complementarity level of Spain is higher than most of the other countries. Germany and UK are less complementary for Tunisia vis-à-vis the three countries mentioned above.
- c. Estonia, Denmark and Cyprus have very high complementary index values but have almost non-existing trading relationship with Tunisia.

Figure 7: TCI and trade values (Correlation between Tunisia's exports and other countries imports)



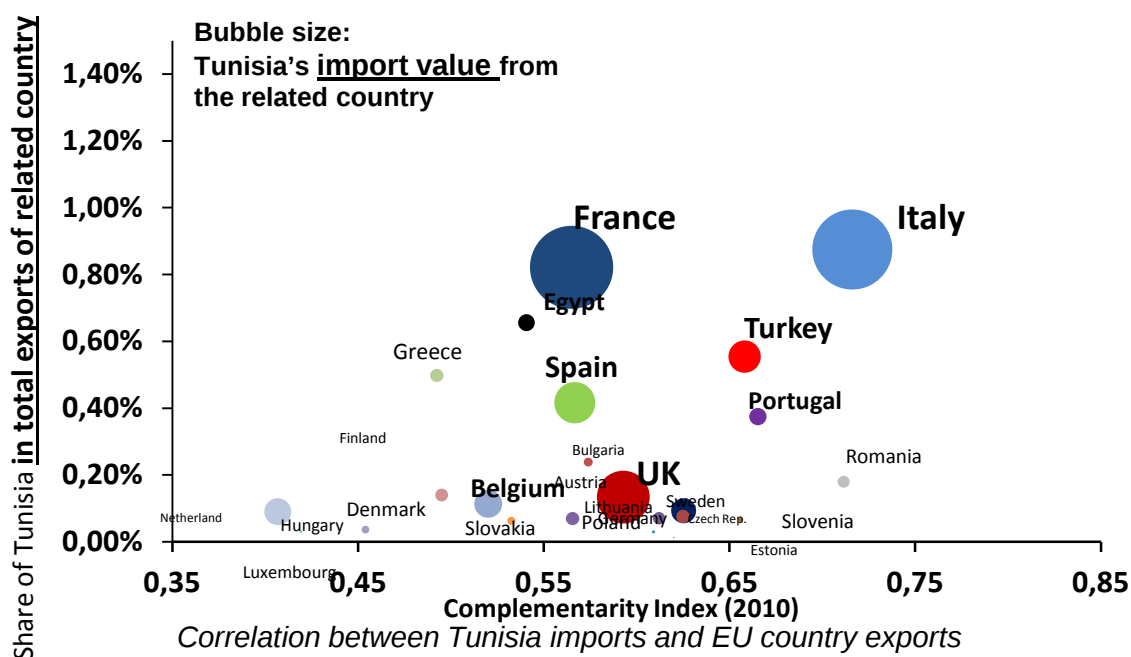
Source: UN Comtrade and TEPAV calculations

Tunisia's imports and other countries' exports

78. In the following figure we combine the TCI values, as defined by the similarity between import structure of Tunisia and export structure of other countries, with trade volumes. The data and the results can be found in Table A2 4 at the end of Annex 2 and reveals the following results:

- a. Italy and France stand out. Tunisia's imports from these two countries are relatively high. More importantly, around 0.9 % of Italian exports and 0.9 % of French exports go to Tunisia. This means Tunisia is an important market for these countries, vis-à-vis others. However, France is not as complementary for Tunisia's imports as Italy.
- b. There seems to be a geographic cluster as far as Tunisia's imports are concerned. Tunisia imports more from the geographically closer Mediterranean countries. Among these are Italy, France, Turkey and Spain.
- c. UK also is one of the significant countries with a high complementarity index and trade value. However, Tunisia's share in total UK exports is very low compared to other countries.
- d. It should be noted that Malta is removed from the graph to have a more balanced scale as it was an outlier on the y-axis. The bilateral trade between Tunisia and Malta has a relatively high value as well as Tunisia's share in Malta's total exports. However, the complementarity index for Malta was low, which made its removal from the graph negligible.

Figure 8: TCI values and trade values (Correlation between Tunisia's imports and other countries' exports)



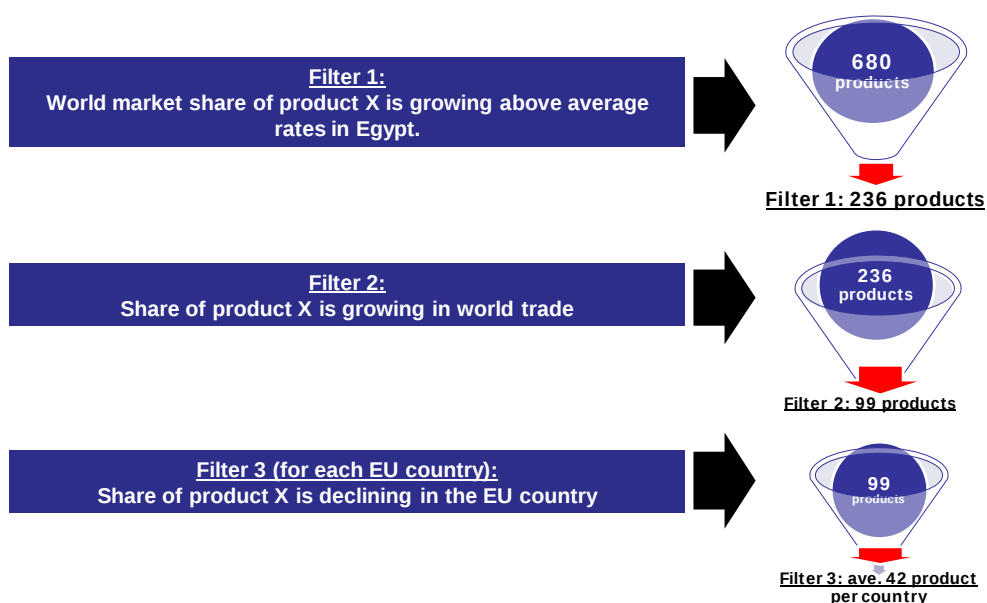
Source: UN Comtrade and TEPAV calculations

4.2. Product Assessment Results

Main results for Egypt

79. **According to the SITC Rev. 2 4-digit classification, Egypt exports 680 different types of products.** Figure 9 provides for a brief visualisation of the filtering mechanism for Egypt's export products. The detailed results can be found in Annex 3.
- We try to pick those products in which Egypt has gained market shares faster than the average between 2000 and 2010. After the first filter, we identify 236 products for each of which Egypt successfully raised its market share in the world trade.
 - These 236 products are filtered for a second time to identify among this list of products the ones whose market share in world trade has been increasing between 2000 and 2010. We leave out 137 products, in which Egypt is raising its market share but the world trade is already declining in those products. There remain 99 products with positive growth rates in world trade and we use these ones for this analysis.
 - The third filter which is applied among Egypt and each and every EU member state and Turkey, is carried out to identify the products whose shares are declining in the EU countries' and Turkey's exports between 2000 and 2010. 42 products per country remained on average after the last filter. The details of the last filter and the results by country will be presented in the following parts of this section.

Figure 9: Filtering Process for Egypt's export products



80. When we consolidate the identified 4-digit products at their 2-digit main sectors, it is easier to see the broader sectoral areas of opportunity. Table 5 lists these sectors below: Manufactures of metals, Plastic materials, Vegetables and Fruits and non-

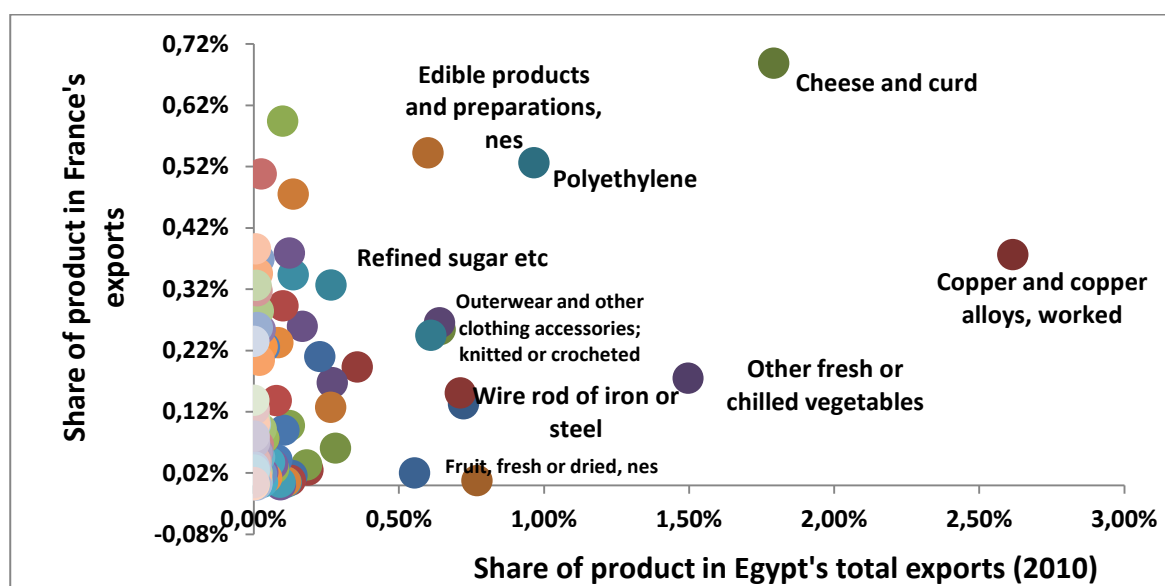
metallic minerals (cement, glass etc.) stand out. Particularly, vegetables and fruits should be noted as it has a 7 % share in Egypt's total exports and is related to agro-food value chain, which appears to be one of the politically prioritised areas. We should also note that some of these products may have a high degree of vulnerability for their competitiveness in the event of a policy change regarding energy subsidies.

Table 5: Most frequently occurring export products of Egypt (Consolidated at SITC Rev2., 2-digit level)

Product description	Share in Egypt's exports	Frequency
Manufactures of metals, nes	2.35 %	128
Artificial resins and plastic materials, and cellulose esters etc	2.13 %	78
Vegetables and fruit	7.76 %	69
Non-metallic mineral manufactures, nes	3.25 %	48
General industrial machinery and equipment, nes, and parts of, nes	0.50 %	44
Other transport equipment	0.03 %	42
Cereals and cereal preparations	1.97 %	42
Fixed vegetable oils and fats	0.40 %	40

81. **The last filter, which is applied among Egypt and each and every EU Member State and Turkey, is carried out to identify the products whose shares are declining in the EU countries' and Turkey's exports between 2000 and 2010.** The results are presented in a separate graph for each EU Member State and Turkey in the end of Annex 3. In order to give an idea about how results look like for each country, we present the results of one country pair, as an example below. Figure 10 presents the results of the France-Egypt analysis. Table A3 3 displays all the relevant data that is used in France-Egypt figure.
82. **87 products came out of the filter for France and Egypt. This means there are 87 products, where Egypt is gaining market share while France is losing, and world shares of these products are increasing.** The horizontal axis refers to the share of product in Egypt's total exports in and the vertical axis refers to the share of product in France's total exports in 2010 in Figure 10. The products on the upper right part of the graph are labelled as they appear to be the important export products for both countries with high shares in their total exports. For France and Egypt, the outstanding ones are as follows:

- cheese and curd
- copper and copper alloys, worked
- edible products and preparations
- polyethylene
- other fresh or chilled variables
- outerwear and other clothing accessories; knitted and crocheted
- refined sugar
- other fresh or chilled vegetables
- wire rod of iron or steel
- fruit, fresh or dried

Figure 10: France – Egypt, 87 products identified

83. After carrying out the same filters for each EU member state and Turkey, the products which stand out due to their high shares in the export baskets of the countries are listed in Table 6. These are the products that appear on the upper right hand side of the Figures that list the identified products for each country pair. This indicates that these products have high shares in the exports of both Egypt and the country in question. The table below lists these products and presents related data on the export value of Egypt, share in Egypt's total exports and country of occurrence. Copper alloys worked, cheese and curd, fresh vegetables, polyethylene stand out as products that may display further trilateral investment opportunities in the future, based on our product assessment for Egypt.

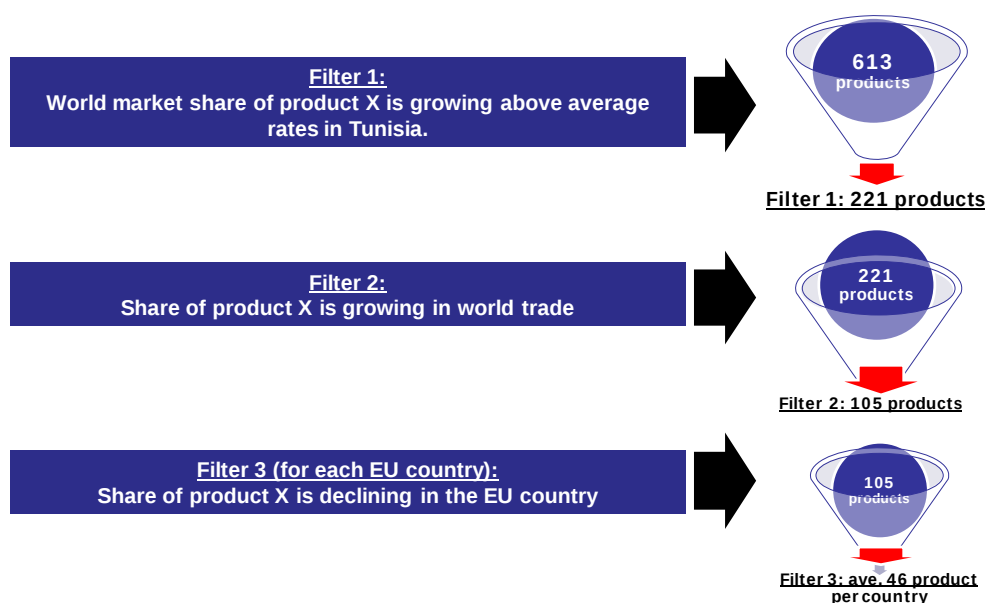
Table 6: Most frequently occurring high share export products of Egypt (SITC Rev2., 4-digit level)

Product description	Egypt's export value	Share in Egypt's total exports	Frequency (out of 28)	Country of occurrence
Copper and copper alloys, worked	688.804.263	2,62 %	9	Au, Be, Den, Fi, Fr, Lu, Slk, Sw, UK
Cheese and curd	471.689.377	1,79 %	6	Be, Den, Fi, Fr, Hu, Lu
Other fresh or chilled vegetables	393.976.442	1,50 %	6	Hu, It, Cy, Be, Fr, Gr
Polyethylene	253.999.058	0,96 %	10	Be, Den, Fr, Ge, It, Li, Lu, Por, Sw, UK
Wire rod of iron or steel	187.214.708	0,71 %	5	Ge, Sw, Fi, Fr, Lu
Articles of iron or steel, nes	169.019.081	0,64 %	5	Den, It, Ma, Fi, Lu
Refined sugar etc	168.394.028	0,64 %	7	Den, Ne, Pol, Sp, UK, Tu, Fr
Outerwear knitted or crocheted, not elastic nor rubberized; other, clothing accessories, non-elastic, knitted or crocheted	160.640.417	0,61 %	7	Au, Cy, Den, Es, Por, Ro, Sin
Edible products and preparations, nes	157.949.872	0,60 %	6	Be, Cyp, Fr, Ir, Lu, Por
Polypropylene	93.681.164	0,36 %	7	Be, Bu, Fi, Hu, It, Ne, Slk
Other sheet and plates, of iron or steel, worked	70.027.764	0,27 %	6	Be, Bu, Por, Sw, Fi, Ge
Cement	49.145.748	0,19 %	5	Bu, Li, Ne, Pol, Slk
Structures and parts of, of iron, steel; plates, rods, and the like	2.129.358	0,01 %	7	Cz, Es, Fn, Sw, Fi, Ge, It, Ma

Main results for Tunisia

84. **According to the SITC Rev. 2 4-digit classification, Tunisia exports 613 different types of products.** Figure 11 presents a brief visualisation of the filtering mechanism for Tunisia's export products. The detailed results can be found in Annex 3.
- We try to pick those products in which Tunisia has gained market shares faster than the average between 2000 and 2010. After the first filter, we identify 221 products for which Tunisia successfully raised its market share in the world trade.
 - These 221 products are filtered for a second time to identify among this list of products the ones whose market share in world trade has been increasing between 2000 and 2010. We leave out 116 products, in which Tunisia is raising its market share but for which the world trade is already declining. There remain 105 products with positive growth rates in world trade, which are used in this analysis.
 - The third filter, which is applied among Tunisia and each and every EU Member State and Turkey, is carried out to identify the products whose shares are declining in the EU Member States' and Turkey's exports between 2000 and 2010. 46 products per country remained on average after the last filter.

Figure 11: Filtering Process for Tunisia's export products



85. The consolidation of the identified 4-digit products to 2-digit main sectors helps us see the broader sectoral areas of opportunity. Table 5 lists these sectors below: Vegetables and fruit, coffee tea and spices, organic chemicals, professional and scientific instruments, non-metallic minerals (cement, glass etc.) stand out. Particularly, vegetables and fruits should be noted as it has a 2.35 % share in

Tunisia's total exports and is related to agro-food value chain, which appears to be one of the politically prioritised areas.

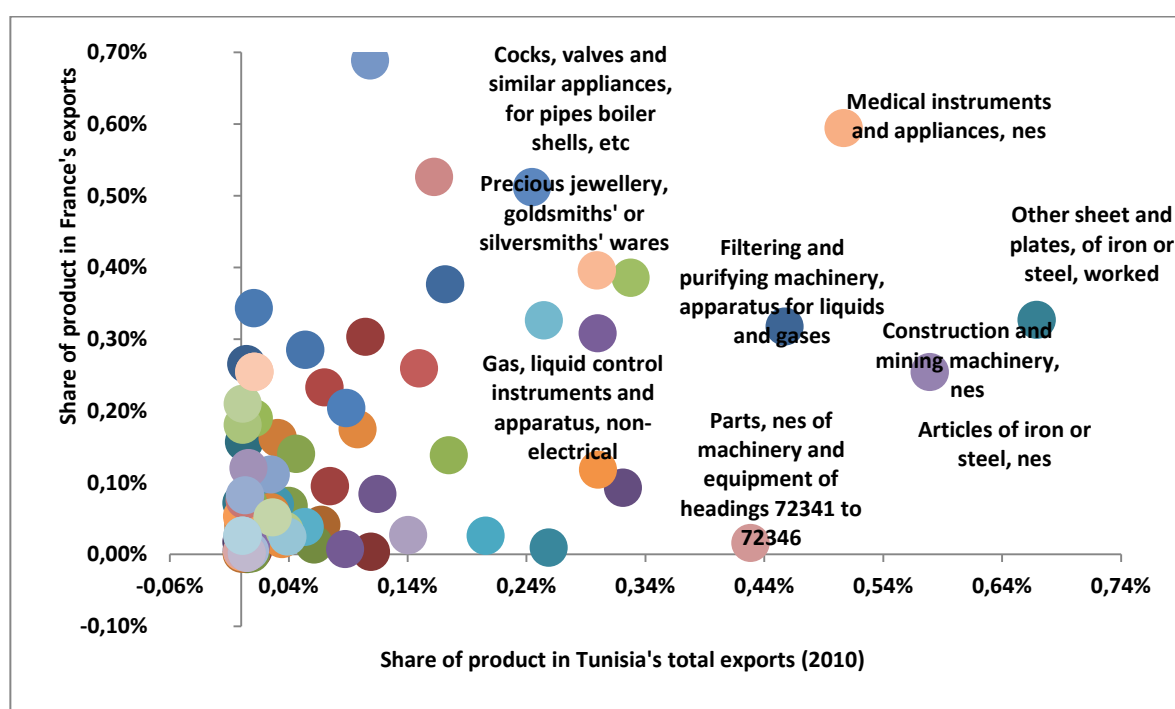
Table 7: Most frequently occurring export products of Tunisia (SITC Rev2., 2-digit level)

Product description	Share in Tunisia's exports	Frequency
Vegetables and fruit	2.35%	128
Coffee, tea, cocoa, spices, and manufactures thereof	2.13%	78
Organic chemicals	7.76%	69
Professional, scientific, controlling instruments, apparatus, nes	1.30%	54
Non-metallic mineral manufactures, nes	3.25%	48
Iron and steel	0.50%	44
Manufactures of metals, nes	0.03%	42
Machinery specialized for particular industries	1.97%	42
General industrial machinery and equipment, nes, and parts of, nes	0.40%	40

86. **The last filter, which is applied among Tunisia and each and every EU Member State and Turkey, is carried out to identify the products whose shares are declining in the EU Member States' and Turkey's exports between 2000 and 2010.** The results are presented in a separate graph for each EU Member State and Turkey in the end of Annex 3. In order to give an idea about how results look like for each country, we present the results of one country pair, as an example below. Figure 12 below presents the results of the France-Tunisia analysis.

87. **84 products came out of the filter for France and Tunisia. This means there are 84 products where Tunisia gains market share while France is losing, and world shares of these products are increasing.** The horizontal axis refers to the share of product in Tunisia's total exports and the vertical axis refers to the share of product in Tunisia's total exports in 2010 in Figure 12. The products on the upper right part of the graph are labelled as they appear to be the important export products for both countries with high shares in their total exports. For France and Tunisia, the outstanding ones are as follows:

- Medical instruments
- Other sheet and plates of iron or steel, worked
- Cocks valves and similar appliances for pipes, boiler shells, etc
- Precious jewellery, goldsmiths, or silversmith's wares
- Filtering and purifying machinery
- Construction and mining machinery,
- Parts of machinery and equipment of headings 72341 to 72346
- Gas, liquid control instruments and apparatus, non-electrical

Figure 12: France– Tunisia, 84 products identified

88. After carrying out the same filters for each EU Member State and Turkey, the products which stand out due to their high shares in the export baskets of the countries are listed in Table 8. These are the products that appear on the upper right hand side of the Figures that list the identified products for each country pair. This indicates that these products have high shares in the exports of both Tunisia and the country in question. The table below lists these products and presents related data on the export value of Tunisia, share in Tunisia's total exports and country of occurrence. Copper alloys worked, cheese and curd, fresh vegetables, polyethylene stand out as products that may display further trilateral investment opportunities in the future, based on our product assessment for Tunisia.

Table 8: Most frequently occurring high share export products of Tunisia (SITC Rev2., 4-digit level)

Product description	Tunisia's export value	Share in Tunisia's total exports	Frequency (out of 28)	Country of occurrence
Television receivers, colour	357.091.811	2,17 %	8	Be, Den, Ir, Lu, Por, Sln, Sw, UK
Other made-up articles of textile materials, nes	153.592.227	0,94 %	5	Cz, Es, Hu, Ne, Por
Other made-up articles of textile materials, nes	153.592.227	0,94 %	5	Cz, Es, Hu, Ne, Por
Other sheet and plates, of iron or steel, worked	109.880.146	0,67 %	11	Au, Be, Bu, Fi, Fr, Ge, Gr, Por, Sp, Sw, UK
Articles of iron steel, nes	95.133.750	0,58 %	6	Den, Fr, Ir, It, Lu, UK
Medical instruments and appliances, nes	83.237.721	0,51 %	9	Be, Den, Fr, It, Ma, Por, Sp, Sw, UK
Construction and mining machinery, nes	75.077.530	0,46 %	8	Fr, Ge, It, Sw, UK, Sln, Fi, Be
Parts, nes of machinery and equipment of headings 72341 to 72346	53.796.502	0,33 %	9	Den, Fi, Fr, Ge, Hu, It, Ma, Sln, Sp
Trailers and transports containers	52.738.259	0,32 %	5	Au, Cz, Ge, Hu, Sln
Precious jewellery, goldsmiths' or silversmiths' wares	49.123.296	0,30 %	6	Cy, Es, Fr, Ge, Gr, Ma
Gas, liquid control instruments and apparatus, non-electrical	41.805.912	0,25 %	6	Fr, Gr, Ir, It, Lu, Ne
Cocks, valves and similar appliances, for pipes boiler shells, etc	40.168.011	0,24 %	7	Fr, Gr, Ir, Lu, Ne, Sln, Sp

4.3. Sector Assessment Results

Main results for Egypt

89. The matrix below shows the long list of sectors for Egypt, along with the application of the first round of selection criteria. Using these criteria, we assess the extent to which each sector fulfils the criteria ("high", "medium" or "low"). This first tier of assessment was conducted using available data on sectors as well as interviews with sectoral experts and decision makers from the public and private sectors (See Table 9).

Table 9: Full List of Sectors and Application of Parameters for Egypt

 : High level
  : medium level
  : low level

Sector	SME Participation & No barriers to Entry	Employment Generation	Political Priority	Product Links
Primary Goods				
Food and Agricultural				
Building Materials				
Chemicals and Pharmaceuticals				
Textiles and Apparel				
Machinery and Vehicles				
Electronics				
Other Manufacturing (Paper, instruments etc.)				
Business Services (ICT)				-
Communication Services				-
Construction and Related Engineering Services				-
Distribution Services (Retail)				-
Educational Services				-
Environmental Services				-
Financial Services				-
Health Related And Social Services				-
Tourism And Travel Related Services				-
Recreational, Cultural And Sporting Services				-
Transport Services				-

90. Based on the application the first tier of criteria to the long list of sectors for Egypt, we identify the following short list of sectors:

- a. Food and Agricultural products
- b. Textiles and Apparel
- c. Business Services (ICT)
- d. Distribution Services (Retail)

- e. Renewable Energy
- f. Tourism And Travel Related Services
- g. Transport Services

91. We then take this short list of sectors, and provide a more in-depth assessment in order to inform our identification of the target value chains. Our sector assessment parameters include (i) current state of affairs, (ii) growth potential, (iii) complementarity potential, and (iv) value chain positioning. These in-depth sector assessments based on these four parameters can be found in Annex 4.

Main results for Tunisia

92. The matrix below shows the long list of sectors for Tunisia, along with the application the first round of selection criteria. Using these criteria, we assess the extent to which each sector fulfil the criteria as “high”, “medium” or “low” level of fulfilment. This first tier of assessment was conducted using available data on sectors as well as interviews with sector experts and decision makers from public and private sectors.

Table 10: Full List of Sectors and Application of Parameters for Tunisia

 : High level
  : medium level
  : low level

Sector	SME Participation & No barriers to Entry	Employment Generation	Political Priority	Product Links
Primary Goods				
Food and Agricultural				
Building Materials				
Chemicals and Pharmaceuticals				
Textiles and Apparel				
Machinery and Vehicles				
Electronics				
Other Manufacturing (Paper, instruments etc.)				
Business Services (ICT)				-
Communication Services				-
Construction and Related Engineering Services				-
Distribution Services (Retail)				-
Educational Services				-
Environmental Services				-
Financial Services				-
Health Related And Social Services				-
Tourism And Travel Related Services				-
Recreational, Cultural And Sporting Services				-
Transport Services				-

93. **Based on the application the first tier of parameters to the long list of sector for Tunisia, we identify the following short list of sectors:**
- a. **Food and Agricultural products**
 - b. **Textiles and Apparel**
 - c. **Tourism And Travel Related Services**
94. **We then take this short list of sectors, and provide a more in-depth assessment in order to inform our identification of the target value chains.** Our sector assessment parameters include (i) current state of affairs, (ii) growth potential, (iii) complementarity potential, and (iv) value chain positioning. These in-depth sector assessments based on these four parameters can be found in Annex 4.

4.4. Identified Value Chain Briefs

95. **Taking into account our three layers of assessments, which were supported with both data analysis and analysis of qualitative information obtained through expert interviews, stakeholder meetings and desk research, we synthesized our findings and main results to identify the target value chains.** While choosing value chains for goods, we take value chains suggested by both the product assessment and the fact-finding mission to the pilot country. For services, we choose the value chains among the selected sectors that were suggested in our fact finding missions, and have linkages to other selected sectors. Additionally, we choose one product value chain for each pilot country where our fact finding missions strongly suggest products with high cooperation opportunities, which are not found in our product assessment.
- **Egypt:**
 - i. **Transport + logistics**
 - ii. **Shopping Malls**
 - iii. **Solar Water Heating**
 - iv. **Tourism**
 - v. **Aquaculture**
 - vi. **Agriculture + Dairy**
 - **Tunisia:**
 - i. **Food and Agriculture**
 - ii. **Electromechanics**
 - iii. **Renewable Energy**
 - iv. **Tourism**
96. **This section provides introductory information about these identified value chains.** More detailed information is presented in Annex 5, which includes fact sheets about these value chains. As we mentioned above, we do not intend to analyze these value chains in a comprehensive manner. What we intend to do is point out to generally defined opportunities for the three sides of the GBB Initiative.
97. **We propose that actors, mainly SMEs, from these value chains should be invited to the matchmaking events with a view to build trilateral clusters.** In this study, we cannot assign specific roles to specific countries or firms in these cluster

building efforts. Our aim is to point out to the economic potential and shed light on the possible complementarities across European, Turkish and pilot country SMEs. We believe that, based on our recommendations, business consultants, who have a better understanding of the actors in the value chains, will identify the most appropriate private entrepreneurs who will seize the relevant opportunities as they deem feasible.

Value Chain Briefs for Egypt

Transport and Logistics:

98. Egypt has a tremendous growth potential in transport and logistics, both because of its strategic location and because of the rising need for the services and construction related to the sector. With 9 seaports, 6700 kilometres of railroads, more than 67 thousand kilometre roads and several international airports, Egypt is already an important transportation hub. Nevertheless road dependency and multiple bottlenecks in internal transportation and the low infrastructure quality are important weaknesses.
99. The opportunities in the sector lie in the construction and management of infrastructure, particularly industrial zones and logistics hubs, as well as in the provision of trucking and freight transport services, for which there is a considerable need. Turkish and EU firms can upgrade the much needed freight and trucking services, and provide logistical services as well as infrastructure within the context of logistic hubs and industrial zones.

Shopping Malls:

100. The first shopping mall in Egypt opened in 1986, two years before the first one in Turkey. Today there are close to 300 malls in Turkey while only around 30 in Egypt. 2000's witnessed a boom in shopping malls in Egypt; several mall complexes opened recently, including the then-largest and second largest shopping malls of Middle East. The market is still highly unsaturated and is expected to grow together with the Egyptian middle class. An indicator of middle class, passenger car ownership in Egypt is only at 33 per thousand while this number is 95 in Turkey and 471 in the EU.
101. Shopping malls have wide-encompassing value chains that bring together SME's in diverse fields such as waste management, security, IT and retail. Shopping malls offer the early mover's advantage to the related Turkish and EU businesses in a rapidly growing market and enable a large set of complementarities in shopping mall construction, management, and retail businesses.

Solar Water Heating:

102. This business area is on the verge of major expansion due to the upcoming removal of energy subsidies, on which there is a wide political consensus. Egypt has rich resources of solar energy; 2000-2600 KWh/m² solar irradiation on average, which is more than twice the average of Central Europe. Nevertheless, only 9 companies are active this area in Egypt, with 5 of them manufacturing on site.

103. As this business area is highly developed both in Turkey and EU, businesses can combine their manufacturing and R&D know how with the design, manufacturing, servicing and maintenance capabilities of Egyptian SMEs to become major players in a market that is about to witness a major boom.

Tourism:

104. 14 million Tourists a year visited Egypt prior to revolution. While this number dropped significantly in 2011, the Ministry of Tourism expects a return to this level by early 2013. Egypt is a well known tourism destination, being the best in history and tenth in tourism in the Country Brand Index in 2008. Despite high brand reputation, tourism in Egypt is not diversified. 80% of tourists come for the sun and sea, while 20% for cultural tourism. Conference tourism is emerging while ecotourism has a small market with high growth opportunities.
105. EU and Turkish businesses such as hotel and tour operators in niche areas such as ecotourism and conference tourism can bring their know-how and marketing capabilities in these emerging markets and with the help of their Egyptian partners experienced in tourism management, increase the added value and diversification of tourism in Egypt.

Aquaculture:

106. Egypt has a USD 1.5 billion local market for fish, and produces 900 thousand tons of fish per year, which is enough to meet neither the local nor the export demand. 65% of seafood is produced in aquaculture, predominantly as freshwater intensive production, with little or no processing. Marine aquaculture is a small business area due to technical constraints. On the other hand, the demand for fish in the EU is expected to rise by close to 10% until 2030, chiefly in processed and ready to eat forms of marine fish.
107. The growing and young population of Egypt, market access to both EU and GCC, and underutilized marine resources offer high growth opportunities for trilateral joint ventures in this sector. Turkish and EU firms can bring their know-how in marine aquaculture and fish processing to combine it with the market knowledge and various value chain capabilities of Egyptian firms. A possible joint venture can overcome technical barriers and grow, harvest and process marine fish for both local and export markets.

Dairy:

108. The dairy market in Egypt is highly fragmented, with 95% of businesses consisting of fewer than five employees. While cheese is a fast growing export with over 60% compounded annual growth rate (CAGR) in the last five years, the country imports large quantities of milk and milk powder due to difficulty of finding high quality raw milk, unhealthy production methods in some farms and spoilage or deterioration of milk quality during transportation and storage.
109. Expanding local consumption as well as access to GCC and other regional markets provide dairy businesses with good opportunities. Complementarities between Egyptian, Turkish and EU firms can improve the quality standards and introduce

best practices in logistics and processing while taking part in the production of fast growing export products such as cheese or meet the high local demand for butter and milk.

Value Chain Briefs for Tunisia

Food and Agriculture:

110. Tunisia is the largest exporter of dates, 3rd largest exporter of olive oil and 7th largest producer of olives. Tomatoes, citrus fruits, potatoes, grapes, shrimps and pepper are the other major agricultural export items. Despite improvements, low agricultural productivity, lack of branding and inconsistency in quality are obstacles for high value added exports. Also, there is room for expanding the exports of processed food and beverages as the sectoral exports are primarily unprocessed or lightly processed.
111. European and Turkish businesses can combine their competences in food processing, quality standards and brand development to realize the high potential of the sector in Tunisia. The areas of potential cooperation include olive oil, wine and beverages and processed fruits and vegetables, but are not strictly limited to these. Health and beauty products such as soap and shampoo can be produced from agricultural products such as olives, grapes and palm oil.

Electro-mechanical:

112. The manufacture of mechanical and electrical equipment plays an important part in the Tunisian economy. Totalling 1.275 million \$ in 2010, electrical cable and wire is the single most important manufactured export of Tunisia, followed by switches and relays and vehicle parts. Due to the high number of engineering graduates and close economic ties to the EU market, the sector enjoys high competitiveness. Nevertheless, higher value-added and design oriented goods such as steering and propulsion systems represent a small share in the exports. The country is chiefly a supplier of European original equipment manufacturers and parts manufacturers catering to these.
113. Cooperation with EU businesses can help Tunisian businesses to progress towards developing their own products while Turkish firms can share their know-how in manufacturing. Weakly internationalized Turkish businesses can use this opportunity to open up to new markets while the EU businesses can expand their supply chains in the upward direction

Renewable Energy

114. Tunisia possesses a long coast with high amounts of wind as well as a desert where the solar radiation reaches 2200 kWh/m², more than twice the average level of Central Europe. Another key advantage of Tunisia is its location where the transmission lines from Africa and Europe are connected. These factors make Tunisia a perfectly suitable candidate for DESERTEC. While this potential is currently underutilized, major projects are underway such as TuNur, a 2 GW

concentrating solar power plant that will serve to 700,000 customers in Italy via a new low-loss underwater cable.

115. Wind and solar energy both offer growth opportunities for EU and Turkish firms in parts manufacture and plant servicing. Turkish businesses are highly competent in manufacturing parts of wind power systems while EU firms are among the global leaders in design and manufacture of solar energy systems. The emerging renewables sector in Tunisia will be an important consumer of spare parts and maintenance&repair services.

Tourism:

116. Tunisia is one of the most important tourist destinations in North Africa; prior to the revolution, 7 million tourists a year visited this country with a population of 10.5 million. Despite these numbers falling to below 5 million in 2011, the Ministry of Tourism expects 20% yearly growth in the next two years. With 8 UNESCO Heritage Sites and 10 applications pending, Tunisia offers a high number of destinations for cultural and natural tourism, as well as sea and sun tourism which attracts the largest number of tourists.
117. One bottleneck of the sector is low value added: an average tourist in Tunisia spends 500\$, compared to 850\$ in Egypt. The revenues in the sector are low and lack of high quality options for dining and souvenirs constrains the spending opportunities of tourists. The other bottleneck is lack of diversification. Tourism in the country consists chiefly of sea and sun tourism on the eastern coast, and a smaller degree of heritage tourism around Tunis. Small luxury hotels, restaurants and local arts & crafts retailers from Turkey and EU can cooperate to increase the alternatives for high value added tourism in Tunisia.

Part 5: Risks and Risk Mitigation Strategy

118. This part identifies the potential risks posed to the GBB Initiative's objectives and outlines measures that could be adopted to mitigate these risks. The GBB Initiative has three layers of objectives. Firstly, the Initiative aims for the selected and invited SMEs' participation in the match making events. Secondly, it aims for the development of trilateral EU Member States-Turkey-pilot country business ventures and economic relations. Thirdly, through the utilisation of business potentials, it aims to contribute to the sustainable development of the pilot countries as well as Turkey and the EU. Factors that pose a risk to the realisation of the GBB objectives can be categorised around these three objectives.

Risks limiting participation

119. The main risks related to the participation of the invited SMEs in the GBB matchmaking events are skewed geographical participation from the EU Member States, perceived dangers of entering a domestically less stable market, untargeted participation and linguistic barriers to participation:

- a. Geography can potentially impact the participation levels from the different EU Member States' SMEs. For instance, participation may be more difficult to secure from the Northern EU Member States than the Southern ones. A Northern EU SME may have a business vision more focused on its neighbours and may be less open to a new vision despite the results of the feasibility study. This is due to proximity and the role geography plays in facilitating business and trade.
- b. Another factor is the perceived risk of entering the market of a domestically less stable country, such as post-revolutionary Egypt and Tunisia or like Palestine whose statehood is not internationally recognised.
- c. Untargeted participation is another risk. We could expect this risk to be dependent on a country's domestic political culture. Countries with a clientelistic business and political culture would be expected to yield greater untargeted participants.
- d. Language can also be expected to have an impact. For instance, as French is the main second language for Tunisia and English is the main second language in Turkey, the potential risk of a linguistic barrier could reduce the incentive to participate.

120. Risk mitigation measures could be introduced to reduce the risks posed to the participation level in the GBB matchmaking events. These include:

- a. Inviting high profile guest speakers to matchmaking events with a view to have Davos-style sessions, to make the events more attractive,
- b. Marketing GBB as an exclusive business club to increase its appeal through enforcing company selection criteria, so that invited companies would feel they are part of a highly selective platform;

- c. Ensuring access to information to participating SMEs on EU activities and programmes that aim to support the MENA countries' political, social and economic development.
- d. Inviting private equity funds, whose participation would create an interest for SMEs that are seeking funds to further grow and internationalize
- e. Inviting actual or potential cluster leaders, who have leading roles in the targeted value chains and thus networking with them would be appealing for the participating SME which in the future become part of these larger companies' value chains

Risks limiting development of business opportunities

121. The main risks posed to GBB's second objective, namely business opportunities, include the development of bilateral business ventures at the expense of focusing on trilateral opportunities, the domestic context of the countries involved, barriers to foreign trade and the protectionist tendencies for certain sectors.

- a. A key risk is the emergence of bilateral business ventures as opposed to trilateral ones from the matchmaking events. As a bilateral deal can be easier to coordinate on a logistical level, it remains as the easy default option. This risk would lead to a situation in which GBB Initiative is not different from the already existing bilateral schemes.
- b. Language also presents a risk. Due to the lack of common widely known language, for instance between Turkey and Tunisia, fruitful business deals could be more difficult to achieve.
- c. A lack of business deals or difficulties in developing and sustaining them could further be caused by the domestic context of a country. High corruption rate, low enforcement of law, economic policy uncertainties and domestic political instabilities could negatively impact business opportunities. This is a particular risk for MENA countries, including Egypt and Tunisia, as elaborated in Annex 7.
- d. Existing barriers to foreign trade and foreign investments is another risk factor to trilateral business formation. This includes tariff and non-tariff barriers at the country level and investment rules and regulations. From the EU dimension, the EU farming policy known as the Common Agriculture Policy (CAP) could be seen to create an un-level playing field for non-EU agro-food competitors. CAP, currently under reform, accounts for 34% of the 2007-2013 EU budget and provides direct payments and price support to farmers and their products. The preferential and free trade agreements the EU has with MENA countries as encoded in the bilateral Association Agreements, aim to reduce the barriers by liberalising EU-MENA trade. However, trade liberalisation does not neutralise the impact of subsidies and price support schemes like CAP. Thus, this would be a type of barrier to agrofood related value chains identified in this study.

- e. The competitiveness of a value chain in each specific country can also be expected to impact the development of trilateral business bridges. The business environment in non-competitive or highly protected markets is likely to be characterised by a zero-sum game as opposed to a win-win structure. This applies to the mining sector for instance. (We partially tried to eliminate this risk through our sector selection criteria, which helped us opt out sectors with high entry barriers).

122. We propose a four layered strategy to mitigate these risks:

- a. Placing great emphasis on the selectivity of the company selection process and trying to select companies that fulfil certain criteria (see following Part for details) such as finding fast-growth companies which have the capabilities to do business in multi-country settings and have the desire to play proactive roles in their value chains
- b. Increasing the appeal of trilateral initiatives by highlighting the originality and added-value of trilateral ventures and emphasising the trilateral aim during the launching phase of the Initiative and during the match-making events;
- c. Inviting political risk insurance organizations / companies and export-import banks, and legal business advisors to the events to increase the matchmaking events appeal;
- d. Encouraging efficiency-enhancing measures through facilitating or providing mentoring schemes so as to assist the SMEs in their internationalization process and accessing the new markets, be they the EU, Turkey or the pilot countries

Risks limiting sustainable development

- 123. A key risk posed to the final objective layer, the contribution of the GBB Initiative to the sustainable development of the parties involved, is social exclusion, particularly in the form of under-representation of women and youth.** This risk is more acute for the MENA pilot countries, where female participation in the work force and women entrepreneurship is lower than in EU Member States. Youth employment is also a factor that could be encouraged among all participating parties. Annex 8 presents further information regarding the status of female and youth entrepreneurship and employment in Egypt and Tunisia.

124. We propose one measure to mitigate the risk of under-representation of women and youth.

- a. Putting quotas or additional incentives for female and youth participation and actively promoting the GBB Initiative among the women and youth entrepreneurship organizations;

Part 6: Moving Forward and Recommendations

125. **GBB Initiative will hopefully facilitate or accelerate potential complementarities between EU, Turkey and pilot countries and help transform them into actual business deals.** Most segments of the EU and Turkish economy are already integrated to a large degree. In terms of their technological structure and market orientation they also present each other good complementarities to reach a critical mass of export competitiveness. Should the necessary business synergies be triggered, both EU and Turkish businesses could benefit from joint initiatives towards those markets where they can not only enjoy competitive advantages together but also create synergies with the local companies. This could prove that a business positive agenda reaping the benefits of the Customs Union in global markets could bring economic gains to the venturing businesses of all parties. Also, it could prove to be an asset to support economic development efforts in third countries. In such a context, our findings point out that Egypt, Tunisia and Palestine are viable economies to begin the pilot phase of the GBB Initiative.
126. **Our overall conclusion is that the GBB Initiative is feasible and has the potential to trigger trilateral cluster building efforts through a value chain-based approach.** Beyond its political and macro-level feasibility, which are no doubt accepted by most stakeholders we have interviewed, the GBB Initiative can also be successful at the micro level. The key to success is a value chain based approach, which would bring together complementary actors involved in the entire value creation process of certain goods and services. This study aimed to identify those goods and services, whose value chains can be the focus of the GBB Initiative. In addition to identifying possible value chains, we also recommend a number of measures to further increase the appeal and hence feasibility of the initiative.
127. **If implemented effectively and supported with a number of additional measures, the GBB Initiative is very likely to deliver its desired outcomes.** The EU-Turkey partnership could enhance the business environment in the third country by contributing to the creation of centres of attraction, enhancement of economic and industrial zones, as well as acting as a catalyst for the investment climate reform agenda. This can take the form of incubation centres, technology transfer, participating in the improvement of the infrastructure and also engaging in services related to human capital such as vocational education. This involvement could take various forms, such as public private partnerships, cooperation between business organisations (i.e. chamber training programmes), cooperation with and between public authorities, as well as direct investments and business undertakings.
128. **This overall positive conclusion has one caveat, though. The GBB Initiative will be more difficult to implement in Tunisia than in Egypt and Palestine. After having assessed the economic environment and possible value chains that may be conducive for trilateral matchmaking, we have doubts about the immediate feasibility of the Initiative in Tunisia.** There are two main sets of challenges for this. First set pertains to the structural problems in the foreign economic relations and business environment of Tunisia that we outlined in Part 2 of this study. Whether and how fast these will change can only be seen after a new government is formed in March 2013. Second reason is Turkish private sector's low level of activity in Tunisia. Finding trilingual (Arabic or French to communicate with Tunisians, English to communicate with Europeans) SMEs from Turkey may be a

challenge at the outset. If there is one thing that is common in Turkish and Tunisian economies, it would be the low level of English proficiency. However, with certain measures, these risks can be mitigated.

129. **As part of this feasibility study, in addition to identifying value chains that have the greatest potential for complementarities, we propose five levels of interventions to increase the attractiveness of the GBB initiative. These five recommendations are intended for all five parties, but they should be of particular importance for the case of Tunisia.** First recommendation includes the company selection process, i.e. selecting, inviting and convincing the right type of companies for this initiative. Second set of interventions pertains to inviting certain non-SMEs parties to make the events more relevant for SMEs. Third set includes mobilizing relevant sectoral organizations and utilizing complementary support schemes (i.e. political risk insurance) to ensure sustainability and to mitigate low participation risks. Fourth set includes a coordination effort to align the GBB Initiative with the ongoing or planned bilateral matchmaking initiatives. Finally, fifth set includes a policy level dialogue to target the bottlenecks in the identified value chains. We elaborate each five set of interventions below.

Recommendation 1: Adopt Company selection criteria

130. **While this study aimed at identifying the value chains, it is at least as important to find the right type of SMEs to participate in the GBB Initiative.** Through the help of EU- and country wide chambers and business associations, the Initiative will mobilize business consultants to identify and invite the SMEs to participate in the process. This is a highly critical process, directly affecting the feasibility of the entire Initiative. From a public policy perspective, finding those at the margin, i.e. those that are not yet internationalized but ready and capable to do so should justify (or legitimize) allocation of public resources to this initiative. In other words, it would be waste of resources to invite those companies who are already well internationalized enough that they do not need the help of GBB Initiative. On the other extreme, it would also be waste of resources to invite those companies who have only very limited intention and capacity to internationalize. Hence, finding those companies that are at the verge of internationalisation is the main challenge of the company selection process. These companies should be pushed within the ranges of the band with good incentives. This is not an easy task, but once achieved effectively, from a public policy perspective, would certainly justify allocating funds for this Initiative.
131. **In light of this challenge, we propose the adoption of a set of company selection criteria, which would help the business consultants identify the SMEs at the margin, i.e. on the verge of internationalisation.** Our recommendations for the selection criteria can be considered as a starter. The actual criteria should be designed by the business consultants.
- a. Companies with high growth performance, so they would have more appetite for additional markets. Company contests that systemically identifies and ranks fast-growth companies, such as Turkey 25, or Arabia 500 can be good platforms to identify the “good-fit” companies⁹

⁹ See Allworld Network WebSite <<http://www.allworldlive.com/about/overview>>

- b. Companies that strive to play a proactive role in their value chains / clusters, so they would have more appetite for networking with complementary firms from other markets. This could be only understood through a direct contact with the company (from their company vision/mission, short term and long term strategic plans)
- c. Companies that have the capability for connectivity so they would have the human resources to operate in multi-country settings. Language skills, IT infrastructure, and background of owners and managers could be considered as sub-criteria for understanding the connectivity capability of SMEs.

132. **Having discussed the value chains and company selection process, we should underline TEPAV's main industrial policy approach: "There are no unproductive sectors but there are unproductive companies."** There may be a lesson to draw from this for the GBB Initiative. Because, productivity is itself among the key drivers of a firm's internationalisation plans. Hence, more productive firms would be the better candidates to benefit from this Initiative, independent from which sector and value chain they operate in. Finding them is a challenge, which should not be underestimated.

Recommendation 2: Invite complementary actors, other than SMEs, to the Initiative

133. **As also outlined in the previous Risk and Risk Mitigation Part, the GBB Initiative can be made more appealing for SMEs, if there are certain parties which SMEs would find worth meeting.** Here we propose to invite private equity and investment funds and large companies.

- a. There are funds that are not known very well by the firms. The proper funds that are looking for high-growth firms with internationalization plans should be introduced and promoted during the matchmaking events to the related firms. Such interaction would not only contribute to the objective of the Initiative but also create additional incentives for SMEs to participate.
- b. The large companies which are also cluster leaders, for instance shopping mall developers for the retail industry or large scale textile buyers could also be beneficial as there is also a role for their subcontractors. This will be especially attractive for companies that are at their early stages of internationalization.
- c. Mobilizing the specific sectoral associations and various business support organizations of the targeted value chains would have a long term impact in terms of sustaining the GBB Initiative's efforts. The ideal outcome of this process would be the creation of spin-off trilateral (EU-Turkey-pilot country) cluster building programs. And relevant NGOs such as sectoral associations can help sustain these efforts.

134. **We see great benefit in the formation of a parallel meso level initiative that could bring together well targeted and dynamic professional, sector and government associations on a trilateral basis.** Such a platform would enable them to discuss what they understand from trilateral business cooperation and what they can do to foster it. Without such a discussion, on a frequent basis if possible,

feasibility of the initiative would be put at risk. This cooperation could also handle trilateral training programs designed towards increasing the productivity of both workers and professionals in the pilot countries. By training the intermediate adequate institutions, through a well defined capacity building program, this initiative might have a multiplying effect on the SMEs of the pilot countries.

Recommendation 3: Utilization of incentives and relevant SME support schemes

135. **A micro-level or a cluster level initiative that would directly support SMEs with trilateral business plans would certainly contribute to the feasibility.** We can conceptualize this as a cluster initiative with tri-partite management, and strong local ownership in the pilot country. Such a scheme would also provide mentoring for companies. Main goal of this component would be to show that a trilateral mechanism could really work.
136. **Coordinating and mobilizing incentives to support trilateral pilot projects could also be considered under this component.** Ex-Im Bank credits and political risk insurance schemes can also serve as important facilitators of trilateral business deals in the pilot country settings. Tax exemptions that are provided by the host countries for foreign investors, together with relevant grants from EU programs, can also be good incentives for SMEs that are willing to operate in these regions.

Recommendation 4: Ensuring Coordination with the ongoing bilateral internationalisation programs

137. **There are many ongoing and planned bilateral matchmaking events between pilot countries and Europe, and between Turkey and pilot countries. GBB Initiative should be better linked to those and consider playing a coordinator or consolidator role.** For example in Tunisia, most of the parties we spoke with, including API, CONECT, UTICA, Ghazala Technopark, EU Delegation stated that they are all working on bilateral matchmaking programs, some of which also have a Turkey focus. The same holds true for Egypt, with several matchmaking initiative in the pipeline of different actors. During the company selection and organizational phases, being aware of all these and complementing them will be of utmost importance.

Recommendation 5: Initiating policy dialogue regarding the value chains

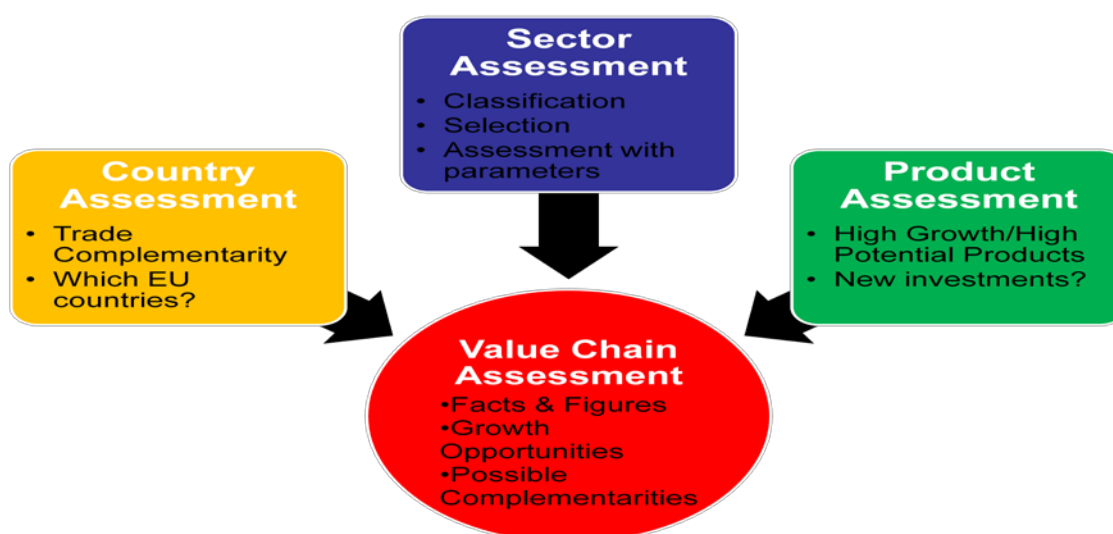
138. **Involvement from the beginning of the third-country (public) authorities in charge of business environment and investment promotion to identify a strategic framework for sector interventions is crucial.** In the long run this will also be necessary for the sustainability of trilateral undertakings. The reason is straightforward: performance of most value chains are constrained by a variety of institutional and regulatory bottlenecks that can only be tackled with government intervention. The most appropriate way to identify and raise awareness on these bottlenecks can be done through the spin-off value chain and trilateral cluster building initiatives.
139. **Based on the relative success of the matchmaking events, supported by the above-mentioned two components, we could also think of a macro-level and a more policy focused dialogue mechanism.** This would be a macro-level initiative

that could serve as a platform to discuss and address policy related bottlenecks that limit the performance of the identified value chains. For Tunisia, this could be conducted, as a separate but parallel Initiative, with the formation of the new government and, of course, if there is sufficient political will from all three sides, i.e. EU, Turkey and Tunisia.

Annex 1: Note on the Methodology of the Feasibility Study

140. **This section introduces the methodology of determining the sectors and business areas that should be at the focus of the Global Business Bridges (GBB) Initiative's trilateral matchmaking activities.** Our aim is to explore the areas in which we can identify the maximum amount of complementarities between EU Member States' (here after referred to as EU) SMEs and Turkish SMEs in their interactions with SMEs from the pilot countries, i.e. Egypt, Tunisia and Palestine. Throughout the course of this study, we attached a high level of importance to the development of a unique and workable methodology that can help us see these complementarities, from a trilateral perspective. Most matchmaking activities are organised at a bilateral level, for which it is simple to find the complementarities. Most SMEs internationalise their operations through building bilateral links. Furthermore, most government agencies and business organisations organise their internationalisation support mechanisms through forging bilateral links across companies from different countries. At a trilateral level, however, seeing how different parties can complement each another with a “win-win-win” framework was a challenging task due to the lack of precedents.
141. **To overcome this challenge, we developed a methodology based on the value chain perspective.** This enables us to combine quantitative and qualitative assessments in order to capture the potential compatibilities of different actors, in different sectors. Taking a value chain perspective, we conduct assessments at the level of countries, products and sectors (See Figure A1 1). While the country and product assessments are based on the analyses of trade data from 2000 through 2010, sector assessment consists of qualitative assessments based on the fact finding missions to Egypt, Tunisia, Barcelona, and Brussels as well as quantitative information from our desk research.
142. We present the results of our analyses using this methodology in the following annex sections on “Country Assessment Results” (Annex 2), “Product Assessment Results” (Annex 3), and “Sector Assessment Results” (Annex 4). The syntheses of all these findings are presented in the Value Chain Fact Sheets (Annex 5).

Figure A1 1: – Overview of our Feasibility Methodology



A1.1. The Value Chain Approach

143. **Value chain, an economic concept first emerged in late 1970s, is a representation of the various processes involved in producing goods and services, starting with inputs and ending with the outputs.** Value chains show how added value is created during the course of activities from the input to output stage within firms or industries. Used in an industry context, value chain analyses describe relationships and linkages among buyers, suppliers, and the market actors in between. Value chains may include both inter- and intra-industry firm relations. SMEs play different roles in intra-firm and intra-industry value chains. They can provide support activities or outsourcing for large firms or they can constitute a part of the industry value chain by adding value to a product or process.
144. **From the point of policymakers, value chains are tools to understand the relationships between markets and policies.** By analysing the costs of individual business activities and benchmarking them against other countries, governments can identify market failures, constraints to growth and competitiveness affecting businesses and develop solutions for the bottlenecks of respective industries, and the economy as a whole. For example, the value chain analysis of an industry with low competitiveness may reveal that shortages of a certain input is affecting the production costs, which in turn is the result of an export subsidy to support the industry supplying the other. In this case, policymakers can restructure the incentives to eliminate these shortages and develop better targeted ones.
145. **The value chain approach has been increasingly employed by a large array of organisations including national governments, bilateral and multilateral development agencies.** International organisations including the OECD, World Bank and ILO have used the value chains for assessing and improving investment climates and promoting job creation. Several governments such as Indonesia and Pakistan have used this approach as a part of their export and competitiveness strategies. Recognising the importance of value chains in competitiveness, the Ministry of Economy of Turkey is currently conducting a project on the promotion of SME clusters in different regions based on value chain analyses.
146. **A similar concept that is closely linked to value chains is the notion of business clusters.** First promoted by Harvard professor Michael Porter in 1990s, clusters can be conceptualised as all relevant inter-connected businesses of a given value chain in a certain geographic area. The productivity level of a cluster is determined by the interplay of certain forces such as (i) factor conditions (human, physical, knowledge, capital resources), (ii) demand conditions, (iii) related and supporting industries, (iv) firm strategy structure and rivalry, (v) government agencies and (vi) institutions for collaboration (chambers of commerce, business associations, professional organisations).¹⁰ In the last decade, for many countries, developed and developing alike, policies to support business clusters are used as critical industrial policy tools.
147. **While business clusters point to a specific geographic area, the notion of value chains can span a much larger geography.** In some cases, especially for a number of capital intensive industries, value chains are organised at the global level, while some others operate at regional or national levels, and sometimes at sub-national levels. Automotive or pharmaceutical industry is the perfect example for a

¹⁰ Michael Porter, Competitive Advantage of Nations (1990)

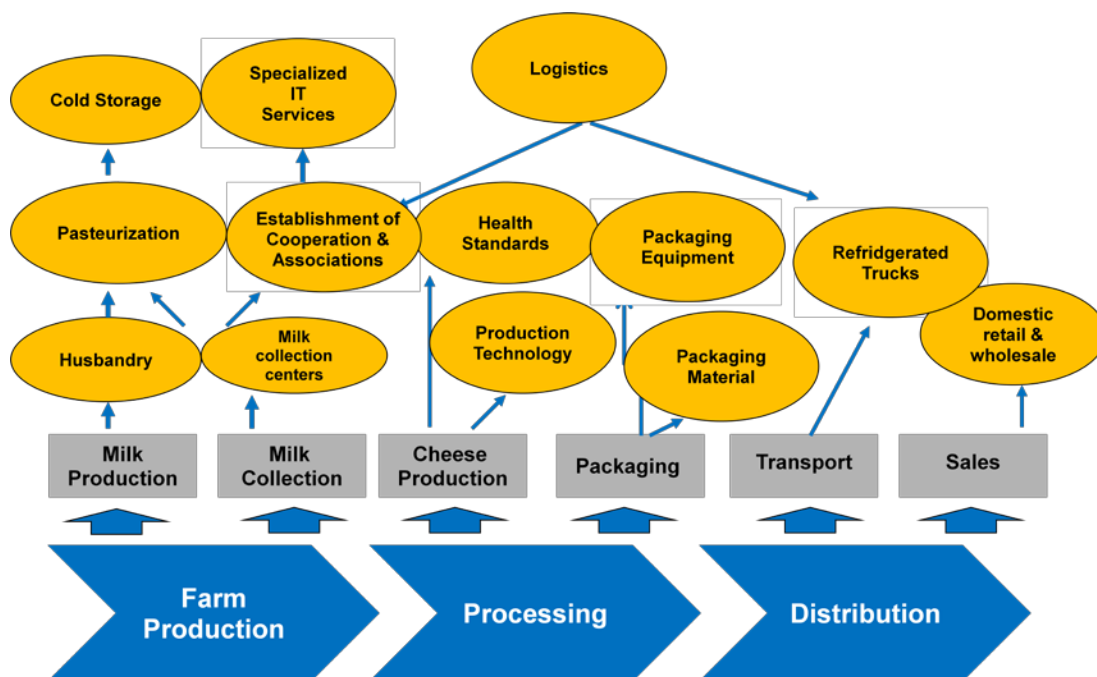
global value chain (GVC). Agro-food industry, on the other hand, because of the importance of transport duration, can be a good example for a regional or national value chain.

148. **The power relationships in the value chain and particularly the roles of SMEs, large companies and multinationals should also be noted.** The literature on value chains often point to the structural differences between “producer-driven” and “buyer-driven” value chains. Technology and R&D intensive industries, such as pharmaceuticals, automotive and semiconductors, in which design of products are controlled by a few upstream firms are examples of the “producer-driven” value chains. In “buyer-driven” value chains, however, production is controlled by large retail chains or brands, and productive activities can largely be outsourced. Those industries with “lower needs for capital and skilled workers are generally organised as buyer-driven chains. Textile and clothing industry is a good example of a buyer driven vale chain, where most value added is controlled by brands or large retail chains and production is largely sub-contracted.¹¹
149. **We use the value chain approach for the purpose of identifying business areas suitable for trilateral cooperation.** There are three steps in our methodology called Market, Product and Sector Assessments, which determine the comparative advantages of our pilot countries and are integrated into our value chain analyses. After finding the comparative advantages and possible investment areas through these assessments, it is necessary to look at these findings with the aim of finding possible roles for Turkish and European firms. This is where the value chain approach comes in.
150. **We identify potential value chains through a synthesis of Product Assessment, Country Assessment and Sector Assessment.** The results of the Product Assessment show us the products that the pilot countries have competitive advantage in, while the Country Assessment gives us clues about already established ties and underutilised complementarities. Sector assessment results complement these findings by indicating the sectors where potential value chains are located.
151. **Our approach is based on taking the most feasible business areas identified in our sector, product, and market assessments and linking them in their relevant value chains.** We look at different aspects of the subsectors from input to output stage and identify the services and products that can be provided by SMEs in this process. As an example, below is the Figure A1 2 where we analyse the value chain for production of Cheese, a product identified in both product and sectoral analyses for Egypt. There are three stages in this value chain: input, processing, and distribution. There are main activities at every stage, which are divided to sub-activities. For example, the main activities at the input stage are milk production and collection, which can be divided into sub-activities such as milk collection and pasteurisation. Moreover, there are also support activities which are utilised at more than one stage of the value chain and can be provided by third parties. Logistics and specialised IT services are examples for support activities in this chain. Firms in a value chain may be integrated or specialised, such as a large firm that is vertically integrated by producing its input (milk) and processing it into the output (cheese). Specialised firms, on the other hand may be just active in a single element of the value chain, such as packaging. When several firms active along the value chain are

¹¹ OECD, Mapping Global Value Chains, April 2012, DSTI/IND/WPGI(2012)4

geographically concentrated, they form a cluster by creating synergies and taking advantage of complementarities.

Figure A1 2: An example of a Value Chain: Cheese Industry



152. **Value chain approach helps us determine which elements of the value chain to focus on and which type of SMEs from which countries may take up critical roles in the matchmaking events.** After we map a value chain, we elaborate which countries' firms could provide each individual SME-related value chain component. There may be cases where firms from two or even three countries can operate together in an individual value chain component. The key factors we are taking into account at this stage are:

- a. Possibility of knowledge or technology transfer to the pilot countries from Turkish and EU companies
- b. Business environment and possible constraints of the value chain component in the target countries
- c. Country, Sector and Product Assessment results
- d. Expert opinions based on interviews

153. **We first filter the value chain activities by their potential for supporting SMEs, filling vacuums in the existing value chains, tackling the related bottlenecks and facilitating knowledge transfer.** Relying on desk research, business people's opinions, and the outcomes from the fact-finding missions, we find whether the pilot countries can benefit from additional participation by EU and Turkish companies, i.e. if there is a complementary role to be played by them. We also explore whether pilot country SMEs can benefit from technology and know-how transfer from Turkish or EU based businesses. The business environment and constraints of the value chain component are assessed with the same method, this time focusing on factors such as import restrictions and non-tariff barriers, quality of infrastructure, and the level of

local skills. At later stages of the GBB Initiative, these identified bottlenecks can fill the agenda of a policy dialogue process.

A1. 2. Country Assessment Methodology

154. **Country Assessment helps us to determine the countries to focus on while looking for possible partners and export destinations.** It provides a geographic perspective that is separate from product or sector based approaches and cannot be captured by these methods. The added value of this method to our study is that it enables us to see the already established links between the pilot countries and their partners. Another benefit of this method is that it allows us to tap into underutilised potentials based on complementarities.
155. **Country Assessment consists of the calculation of the Trade Complementarity Index (TCI) and the identification of opportunities based on the results.** This method helps us to see the “big picture” on where the pilot countries stand in terms of current and potential trade with all the 27 EU Member States and Turkey. Trade Complementarity Index is a tool that measures the similarity of the exports of one country to the imports of the other and vice versa. In essence, it is the correlation between the percentages of the shares of different sectors in the import basket of one country and export basket of another country. For this we first calculate the percentages of the products categorised under SITC Rev.2 at two digit level. The reason why the products are categorised at the two digit level is to capture the opportunities in the related and supported industries within the same broad sectoral definition. Then with these shares we calculate the TCI, which is the correlation between the shares of the products in a country's exports and in the other country's imports. The formula for the trade complementarity index between countries i and j is as follows:

$$TCI_{ij} = \frac{\sum_{k=1}^K [X_{ki} \times M_{kj}]}{\sqrt{\left[\sum_{k=1}^K X_{ki}^2 \times \sum_{k=1}^K M_{kj}^2 \right]}}$$

Where

- i and j refer to a country and its trade partner, i and $j = 1, 2, \dots, N$;
 - k is a commodity group, $k = 1, 2, \dots, K$;
 - X_{ki} represents the share of commodity group k in the exports of country i ;
 - M_{kj} is the share of commodity group k in the imports of country j .
156. **TCI score can be between 0 and 1, with higher scores indicating higher compatibility.** A TCI score of 1 would mean that one country's export structure looks exactly the same as another country's import structure. A TCI score of 0, on the other hand would mean that there is no correlation between these structures. (Please see Information Box A1 1 for elaboration on perfect and imperfect cases of trade complementarity.

Information Box A1 1: Two hypothetical cases of complementarity**A Perfect case of Complementarity:**

Let's assume there are two countries A and B; and three commodities X, Y and Z. Country A imports all three commodities, X, Y and Z; country Y exports these three commodities X, Y and Z. Commodities X and Y each have 25 percent share and commodity Z has a 50 percent share in total imports of A and total exports of B respectively. The complementarity index value is equal to 1. This is an example for a perfect complementarity case where both the sectoral diversity levels (i.e. sectoral shares) in the countries' total trade structures match perfectly with each other.

	Share of sector X (%)	Share of sector Y (%)	Share of sector Z (%)
Country A's imports	25	25	50
Country B's exports	25	25	50

TCI Value = 1

An Imperfect case of complementarity:

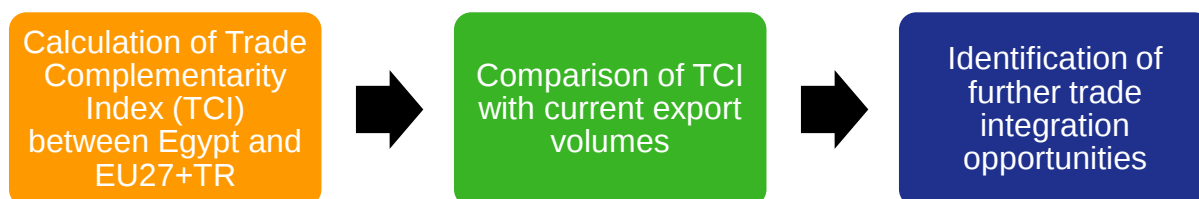
Let's assume, this time that sectors X and Y each have 25 percent share and sector Z has a 50 percent share in total imports of A whereas sector X has 0 percent, sector Y has 65 percent and sector Z has 35 percent share in total exports of B. The complementarity index value is equal to 0.04, which is very low. This is an example for an imperfect complementarity case where the respective shares of the same list of products in the countries' total trade values do not match at all between the two countries

	Share of sector X (%)	Share of sector Y (%)	Share of sector Z (%)
Country A's imports	25	25	50
Country B's exports	0	65	35

TCI Value = 0.04

157. **For the country assessment, we first calculate the TCI between the pilot countries and each of the 27 EU Member States plus Turkey.** We use 2010 data from the United Nations COMTRADE database. We take the import and export values of each country at the two digit product level in SITC Rev. 2 classification, and calculate the correlation between them. The resulting correlation value shows us how similar the export structures of Egypt and Tunisia are to the import structures of each EU country plus Turkey and vice versa. (See Annex 2 for the “Country Assessment Results”).

Figure A1 3: Main Elements of Country Assessment Methodology

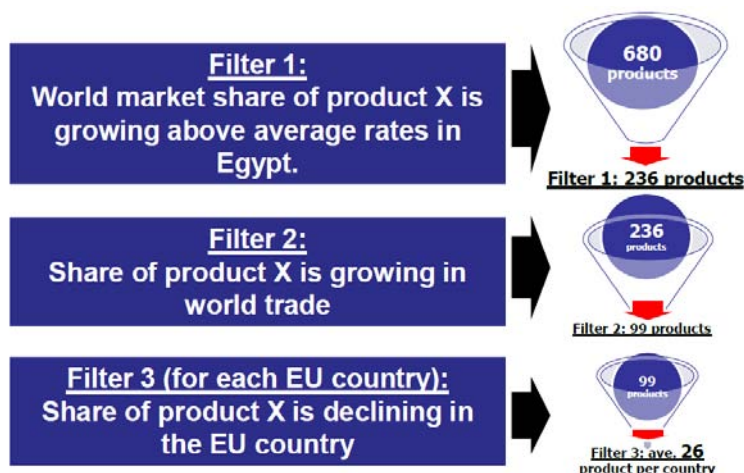


158. **As the next step, we compare the TCI scores of each pair of countries to the actual size of trade between them.** We also look at the shares of the pilot countries in the total exports and imports of their trade partners in order to see the importance of the countries as trade partners for each other.

159. **Lastly, we evaluate the opportunities suggested by the relationship between the TCI scores and actual trade levels.** A high TCI score with high levels and importance of trade value shows that these countries are worth considering for large scale business opportunities as the two countries complement each other very well and they are important trade partners for each other already. A high TCI score with relatively low levels and importance of trade suggests an opportunity to expand into that particular market.

A1.3. Product Assessment Methodology

160. **According to the SITC Rev. 2 4 digit classification, Egypt exports 680 types of products and Tunisia exports 613 types of products to the world. We conduct another layer of analysis, which we call “product assessment” in order to see which of these products present further investment opportunities from Europe and Turkey in the pilot countries.** The aim of this assessment is to focus on the narrowly defined products and determine the ones where EU and Turkish firms can benefit from the comparative advantages of the pilot countries in products that do not compete with, but rather complement the European ones.
161. **The Product Assessment Methodology is based on determining the products that are growing in the World trade, have shown high potentials in the pilot countries and are declining in Europe.** For this purpose, we apply three different filters to the trade data. Please refer to the Information Box A1 2 for a brief visualisation.
162. **First, we determine the products in whose trade the pilot countries have gained market shares faster than the average.** For this, we look at the global market shares of all the exports of each pilot country (four digit level, SITC Rev. 2) between 2000 and 2010 and identify the ones that have grown faster than the average market share growth rates of these countries in all the products. Consequently, we compile a list of above-average growing products for each pilot country.

Information Box A1 2: How we use three Filters for Product Assessment: An example from Egypt


163. **Second, among this list of products, we identify the ones whose market share in world trade has been increasing between 2000 and 2010.** The purpose of this filter is to leave out the “dead end” products, where the pilot countries have gained a competitive edge but the product is on decline in global trade. This would help us avoid potentially wrong investment signals into industries that may not offer growth prospects from a global perspective.

164. **Lastly, among the sorted out products, we apply the third filter to see which ones are declining in the European Member States and Turkey between 2000 and 2010.** We define a product as declining if the related country loses market share in world trade for that particular product. We apply this third filter separately for each EU country and Turkey, leading us to a final list of products which appear more frequently than others. The reason we focus on products that are in decline in the EU Member States is rather straightforward. We assume that a decline would indicate excess capacity for the SMEs that used to serve the production of that particular product in that particular EU Member States. Hence, we assume, this approach can help us formulate a “win-win-win” area for the EU SMEs, Turkey and the pilot countries.

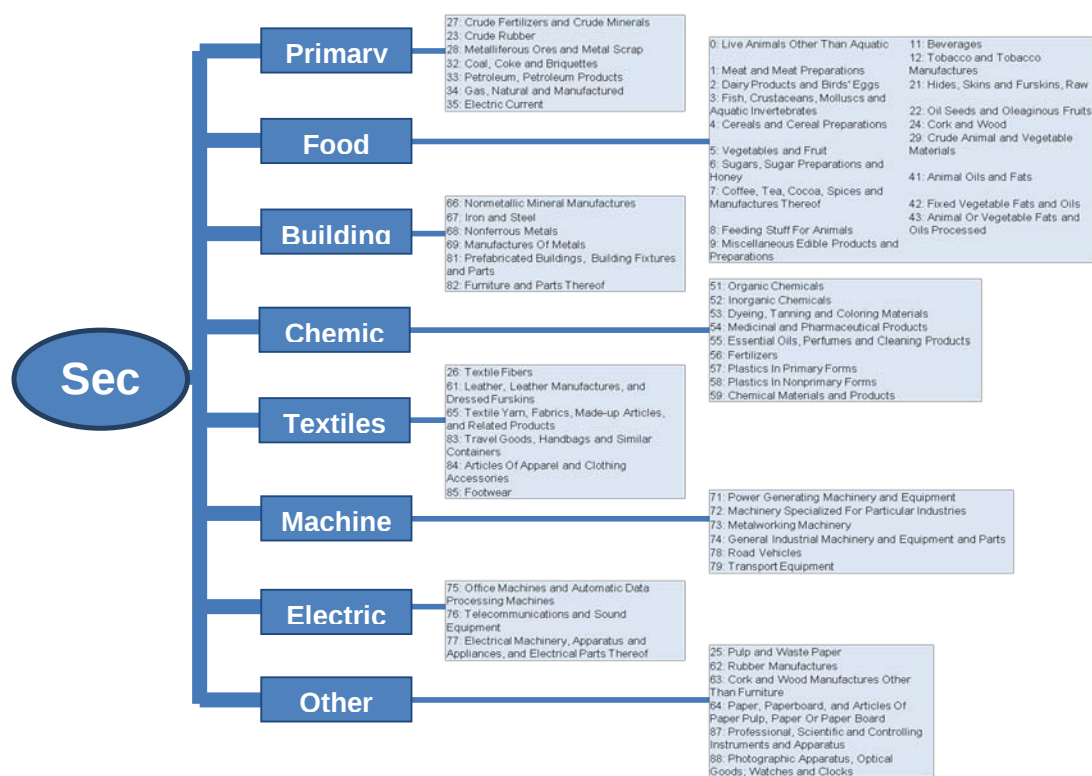
165. **To evaluate the outcomes of these three steps, we look at the frequency of appearance of the resulting products as well as how important they are as trade commodities for each European country.** Several products came out as a result of this methodology for each EU country and Turkey. We take these products and rank them according to the frequency of their occurrence. Frequently occurring products point out to a possible area of complementarity. Additionally, we look at the export magnitudes of the occurring products for each European country and Turkey. Knowing about products that have high export shares in both pilot countries and partner countries help us in prioritisation.

166. **Product assessment helps us define the final products for which we can focus on the related value chains.** For the feasibility of the GBB Initiative and its matchmaking events, focusing exclusively on sectors may run the risk of being too

broad and dilute the process of choosing the right companies. The detailed product analysis, however, help us better identify the final products for which their value chain can be traced backwards. This, in turn, makes the targets clearer in the company selection phase.

A1.4. Sector Assessment Methodology

167. **Sector Assessment provides the background setting of the value chain analysis.** In order to analyse value chains, we first need to spot the most suitable sectors for our initiative. To capture the “soft” information about joint venture possibilities in the pilot countries, we have included assessments of different sectors in our feasibility study. We assess the sectors from the perspective of growth and cooperation opportunities for SMEs, using data from our desk research as well as insights gathered during the fact-finding missions.
168. **With the help of the Sector Assessment methodology, we identify sectors and business areas where there may be room for trilateral cooperation.** Sectors are subdivisions of an economic system and encompass a wide range of related economic activities. Each pilot country has a different set of competitive advantages in each sector. Finding out sectors where there are both growth opportunities and complementarities with Turkish and EU businesses is the key aim of our analysis.
169. **Sector assessment is designed to be forward looking, taking into future growth potential of sectors under question.** The previous assessments have focused on our analysis of already existing and strong business areas and trade links. The product assessment identifies the most competitive products based on trade data of the last 10 years while country assessment analyses the existing trade links. This part of our methodology complements the other two by determining sectors that are emerging and have growth potential.
170. **We start our Sector Assessment by identifying a long list of sectors.** For grouping the products, we take the list of all products from SITC Rev. 2 at two digit level and group them according to main activity areas. The main activity areas we have identified are the following: Primary Goods, Food and Agriculture, Building Materials, Chemical and Pharmaceutical Products, Textiles and Clothing, Machinery and Vehicles, Electronics, and Others. (See Figure A1 4).

Figure A1 4: Our Classification of Goods (SITC Rev.2) Into Sectors

171. **Services sectors are assessed with a different classification system but with the same filtering method.** We take the WTO Services Classification for this purpose. We do not group them this time, but apply the same filter as above. Some sectors such as Business Services are very wide and encompass several subdivisions with limited relationships. In that case, we filter them as above, i.e. ability to be offered by European SMEs, having no entry barriers and monopolistic market structure. The sectors are as follows:

- Business Services (Only Computer-related)
- Communication Services (Excluded by filter)
- Construction And Related Engineering Services (Excluded by filter)
- Distribution Services (Excludes Wholesale)
- Educational Services
- Environmental Services (Excludes sewage and sanitation)
- Financial Services (Excluded By filter)
- Health Related And Social Services
- Tourism And Travel Related Services
- Recreational, Cultural And Sporting Services (Excluded by filter)
- Transport Services (Excludes Pipelines)

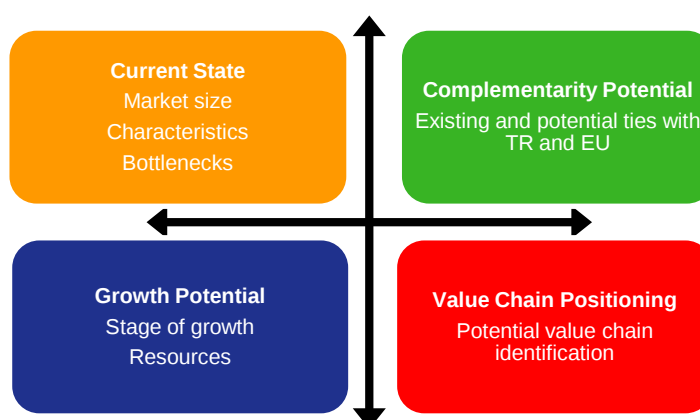
172. **As the next step, we set a number of parameters in order to assess these sectors.** Based on this first layer of assessment we move from a long list to a shorter list. These parameters are the following:

- a. **SME participation and barriers to entry:** As this initiative is aimed at matchmaking SMEs, we examine only SME oriented sectors and leave out sectors and products that have capital requirements, economies of scale or entry barriers which prohibit or are not conducive to SMEs
- b. **Employment generation potential:** Job creation is a desired outcome of this initiative and an important need of the pilot countries. SMEs are important sources of job creation. Nevertheless, it is also important that there are skilled workers in the pilot countries to fill the positions and there would be no need to employ foreign labor.
- c. **Priority in the new economic program:** With the changing political landscapes in the pilot countries, economic priorities are being restructured. For example, the phasing out of energy subsidies in Egypt will affect energy intensive businesses. Based on our insights from the fact-finding missions, we filter the sectors according to the political climate in each country.
- d. **Links with the Product Assessment:** We lastly check if the sector can be linked products with from the list that the Product Assessment has identified for the country

173. **Consequently, sectors that come out of this filter are assessed with a number of additional parameters.** This time, our aim is to move from a short list to a selected list of sectors by using the below criteria:

- a. **Current state of affairs:** Information about the size and characteristics of the sector, advantages and bottlenecks.
- b. **Complementarity potential:** The presence of EU or Turkey in the sector, existing and potential links.
- c. **Growth potential:** Is the sector in an early stage of growth or has it already matured? Availability of natural and human resources.
- d. **Value chain positioning:** Which value chains within the sector can be analysed for matchmaking opportunities?

Figure A1 5: Sector Assessment Parameters



174. **Our sector analyses are based on analysis of the available data, insights gathered during the fact finding missions, interviews conducted with local businesses and subject matter experts, and desk research performed by**

TEPAV. Sector based quantitative information has been obtained through international sector associations and national statistics institutes. We aimed to verify qualitative findings through statistical data where possible.

A1.5. Synthesis of results

175. **At the end of our country, product and sector assessment, we identify value chains where business complementarities make trilateral matchmaking opportunities feasible.** We conduct our value chain analyses by sorting, filtering and assessing different country and sectoral information, as well as products and services within the sector assessment. We synthesise all the results from the above mentioned sources, with a view to design a perspective of linkages within and between sectors in the course of the value chain assessment, as certain activities or products may be associated with more than one sector or business area.
176. **In Annex 6, we present the Value Chain Fact Sheets that contain crucial information about the identified value chains.** This section is meant to present concise information rather than a comprehensive assessment of the value chains. Our aim is to point out to the economic potential and shed light on the possible complementarities across EU, Turkish and pilot country SMEs.

Annex 2: Country Assessment Results

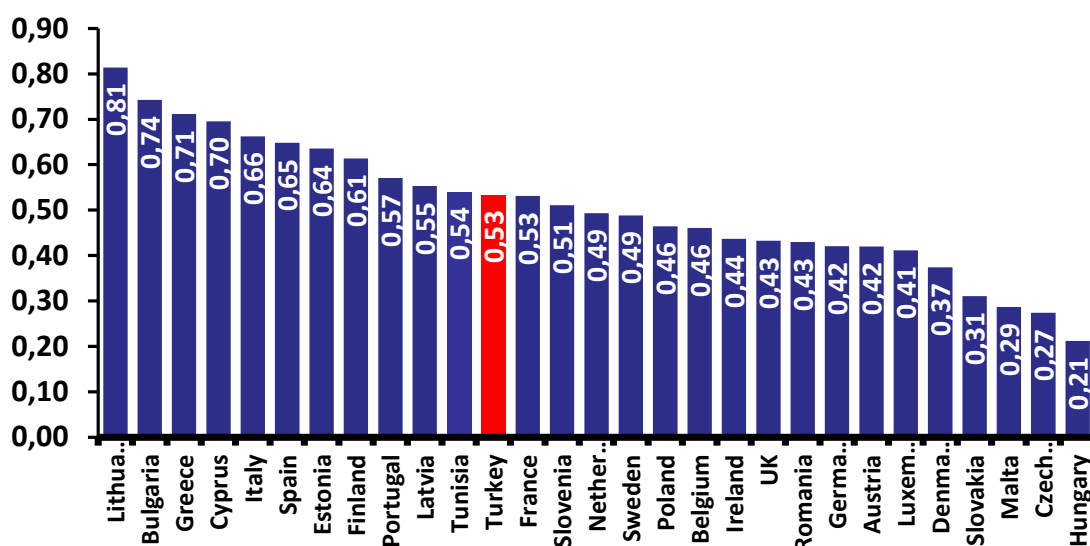
177. **GBB Initiative will be designed as a triangular series of matchmaking events. Determining how many SMEs from each EU Member State will participate is among the challenges.** In terms of countries, two sides of this triangle are clear: Turkish SMEs and pilot country SMEs. At the third side of each triangulation there will be a European SME. The country of origin of the EU SMEs (from within the 27 EU MS) remains to be identified.
178. **As our study aims to identify the most suitable value chains for the GBB Initiative, European Member States will be identified in light of these value chains. However, we also need a layer of analysis to see which countries would have a higher tendency to participate in the Initiative and which ones would benefit more vis-à-vis others.** For this purpose, we developed the country assessment component, which combines a complementarity analysis with current trade flows between countries.
179. **We first calculate the Trade Complementarity Index (TCI) value for each EU Member State (plus Turkey) in their relationship with the pilot countries.** This value indicates the correlation between the shares of different goods in the import and export baskets of two countries. The TCI score is calculated for both Egypt and Tunisia with respect to EU-27 and Turkey and for Turkey with respect to Egypt, Tunisia and EU-27. The necessary trade data for the value of bilateral trade and the importance of each country for the partner country is obtained from the United Nations COMTRADE database. The classification is SITC Rev.2 at the two-digit level. (Please see the Annex 1 for details and examples). The reason we conduct this analysis at the two-digit level (as opposed to 3- or 4-digit level) is that a broader classification of sectors would help us see the complementarities. For instance if one country imports a lot of cars, and another country exports a lot of cars, this may point to a potential complementarity between the two of them, even though they may not trade with each other that much.
180. **Hence, we combine the TCI values with the current trade patterns.** A pair of countries may have a high level of complementarity (i.e. export structure of one country may resemble the import structure of another country) but they may not be trading with each other. This would point to an untapped potential. On the other hand, country pairs that have a high level of complementarity may also have a high level of bilateral trade relations. This would also point to the priority areas of the GBB Initiative, in terms of ensuring its feasibility.
181. **The results are introduced for Egypt, Tunisia and Turkey in three parts respectively.** The order in which we introduce the results for each of these three countries is as follows: First the complementarity levels are introduced in bar charts. Second, export-import values and the importance of the countries for the partner country are added to the analysis illustrated by bubble charts, showing three dimensions of information: TCI, country shares for each other and bilateral trade volumes. Lastly, the complementarity indices of the exports of the country to the imports of the partner country and the complementarity indexes of the imports of the country to the exports of the partner country are compared in a separate graph for each of the three countries.

A2.1. Results for Egypt

182. The Complementarity Index between Egypt's export structure and EU Member States and Turkey's import structures are illustrated in descending order (Figure A2 1). The results are as follows:

- Lithuania (0,81), Bulgaria (0,74) and Greece (0,71) have the highest TCI values respectively. This implies that the sectors that have high shares in the imports of these three countries also have high shares in Egypt's export basket.
- The lowest TCI's belong to Malta (0,29), Czech Republic (0,27) and Hungary (0,21).
- Turkey is located in the upper half of the interval with a TCI value of 0.53.

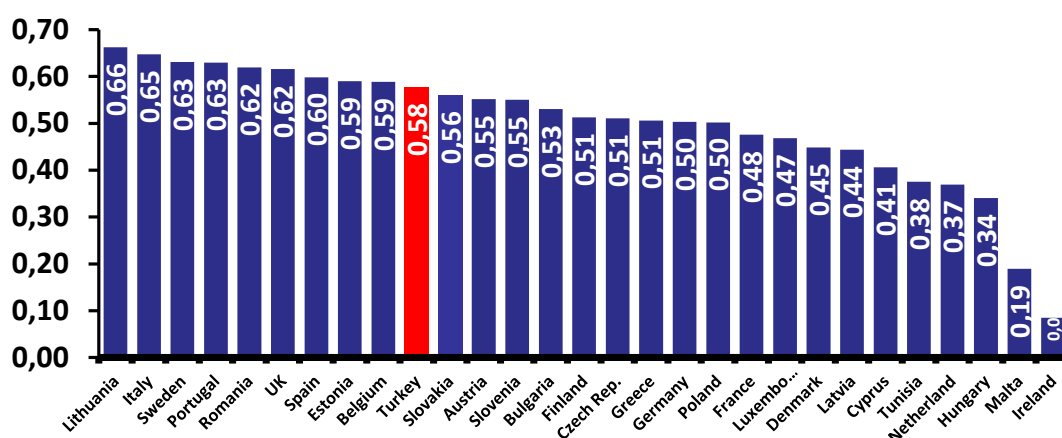
Figure A2 1: TCI for Egypt's exports and other countries' imports



Source: UN Comtrade and TEPAV calculations

183. Second, the TCI between the import structure of Egypt and the export structure of EU Member States and Turkey are illustrated in descending order (Figure A2 2). The results are as follows:

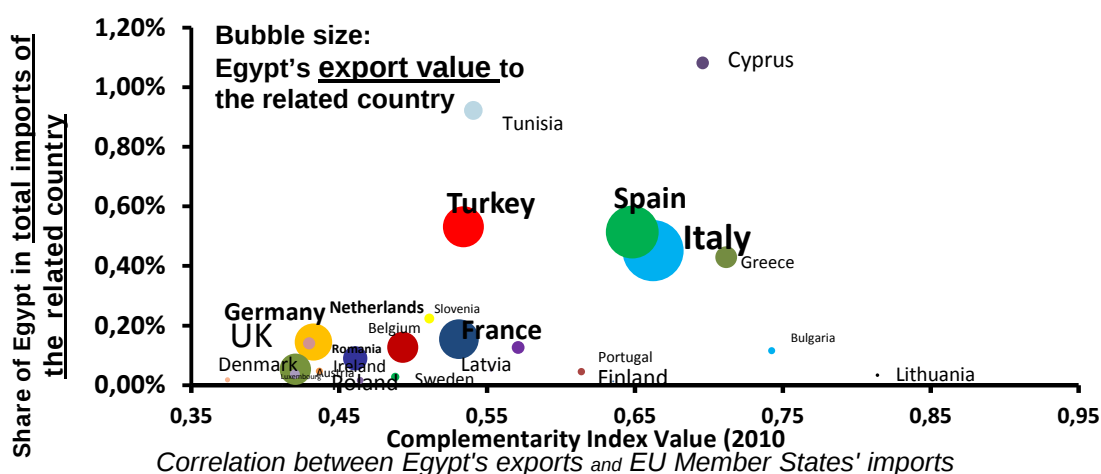
- Lithuania (0,66), Italy (0,65) and Sweden (0,63) have the highest three TCI values respectively. This implies that the sectors that have high shares in the export baskets of these three countries also have high shares in Egypt's import basket.
- The lowest TCI's belong to Hungary, Malta, and Ireland. The lowest values lie between 0.08 and 0.34.
- Turkey is located in the upper half of the interval with a TCI value of 0.58. This is higher than the "Egypt export-Turkey import" TCI value of 0.53.

Figure A2 2: TCI for Egypt's imports and other countries' exports

Source: UN Comtrade and TEPAV calculations

184. **It should be noted that bilateral trade is not reflected in the TCI values.** We now combine the complementarity index values presented in Figure A2 1, with share of Egypt in total imports of each EU Member State to see how important Egypt is for that country. We also look at the export volume of Egypt to each EU Member State to see how important that country is for Egypt. In Figure A2 3 below, we show three types of information:

- The horizontal axis refers to the TCI; the more we move right, the more the export structure of Egypt and the import structure of a particular country resemble each other.
- The vertical axis shows Egypt's share in the total imports of the related country; the more we move to the top, the greater the relative importance of Egypt for that country.
- The bubble size indicates Egypt's export value to the related country; The greater the size of the bubble, the greater is the importance of that particular country for Egypt.

Figure A2 3: Complementarity index values and trade values (Correlation between Egypt's exports and other countries imports)

Source: UN Comtrade and TEPAV calculations

185. The data and the results can be found in Table A2 1 at the end of the section. By looking at these different types of data, we can draw a number observations from Figure A2 3:

- a. There seems to be a geographic cluster of Mediterranean countries as far as Egypt's exports are concerned. Italy, France, Spain, Turkey and Greece appear to be complementary importers for Egypt's exports as well as important importers from Egypt in terms of volume. Around 0.5 percent of these countries' imports are composed of Egyptian products.
- b. There is also a cluster of countries, including the UK, Germany and the Netherlands, for which Egypt exports substantial volumes, despite being relatively less important for these countries. These countries appear to be less complementary for Egypt, vis-à-vis the Mediterranean cluster mentioned above.
- c. More than 1 percent of Cypriot imports come from Egypt and these two countries also have a high level complementarity.
- d. While Lithuania and Bulgaria have high TCI values, they have almost non-existent trade relations with Egypt.

186. We now combine the TCI values presented in Figure A2 2, which focus on import structure of Egypt and export structure of other countries, with trade volumes. Similar to our analysis presented in the previous figure, Figure A2 4 below shows three different types of data:

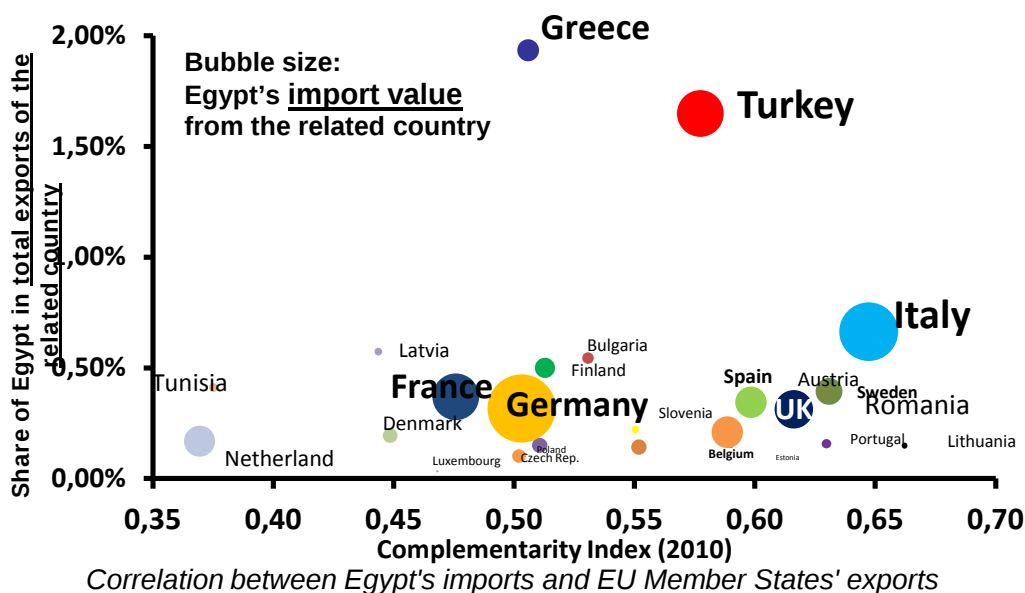
- a. The horizontal axis refers to the TCI value; thus, the more we move right on the axis, the more Egypt's import structure and the export structure of the particular country resemble each other.
- b. The vertical axis shows share of Egypt in total exports of the related country. Thus the more we move to the top of the axis, the more important Egypt is for the market of that country.
- c. The bubble size indicates the import value of Egypt from the related country. In turn, the larger the size of the bubble, the greater the relative importance of the particular country for Egypt is.

187. The data and the results can be found in Table A2-2 at the end of the section. The following conclusions can be drawn from Figure A2-4:

- a. Turkey and Greece stand out. These two countries' export structures display relatively high levels of complementarity with Egypt's import structure. More importantly, around 2 percent of Greek exports and 1.5 percent of Turkish exports go to Egypt, meaning Egypt is a critical market for these countries, vis-à-vis others.
- b. There does not seem to be a geographic cluster as far as Egypt's imports are concerned. This means Egypt imports from a much wider area compared to its exports.
- c. Italy, Spain and the UK's export structures display a high level of similarity with Egypt's import structure. These countries also export significant volumes to Egypt. However, Egypt's share in the total exports of these countries is relatively small (around 0.5 percent).
- d. On the other hand, while Egypt imports large volumes from Germany and France, their export structures display a relatively low level of complementarity. However, similar to the case of Italy and Spain, Egypt appear to be a non-significant market for both Germany and France, as

exports to Egypt do not exceed 0.5 percent of the total exports of these countries.

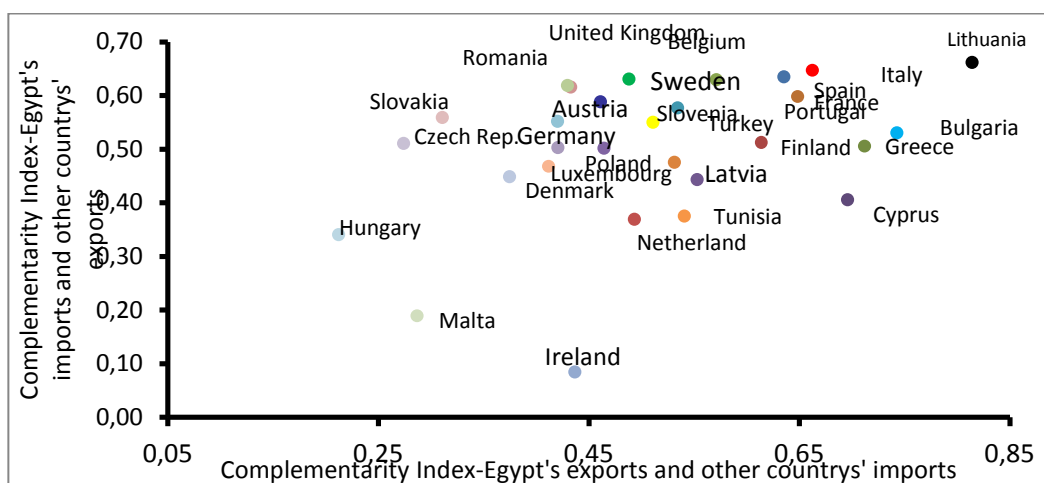
Figure A2 4: TCI values and trade values (Correlation between Egypt's imports and other countries' exports)



Source: UN Comtrade and TEPAV calculations

188. Finally, we combine the import and export TCI's in Figure A2 5. The horizontal axis shows the complementarity between Egypt's export and the EU Member States' import structures. The vertical axis shows the complementarity between Egypt's import and EU Member States' export structures. We see an important pattern here; There is a positive relationship between import and export complementarity indices for Egypt. It can be inferred that when the complementarity index for Egypt's exports and the other countries imports increases, so does Egypt's complementarity index for imports and the other countries exports.

Figure A2 5: Comparison of TCI's for Egypt's exports and imports



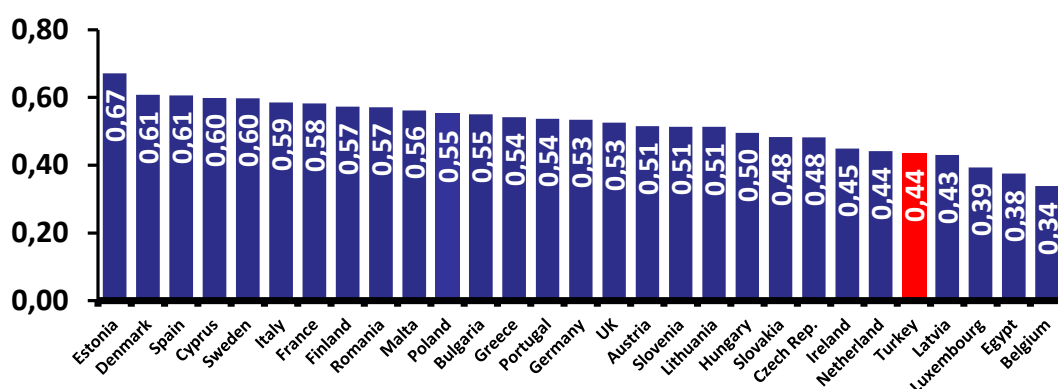
Source: UN Comtrade and TEPAV calculations

A2.2. Results for Tunisia

189. The TCI between Tunisia's export structure and the import structure of EU Member States and Turkey are illustrated in descending order (Figure A2 6). The results are as follows:

- Estonia (0.67), Denmark (0.61) and Spain (0.61) have the highest three TCI values respectively. This implies that the sectors that have high shares in the imports of these three countries also have high shares in Tunisia's export basket.
- The lowest TCI's belong to Luxembourg (0.39), Egypt (0.38) and Belgium (0.34).
- Turkey is located in the lower half of the interval with a TCI value of 0.44. ***This may partially explain why Tunisian exports to Turkey are at such a low level.***

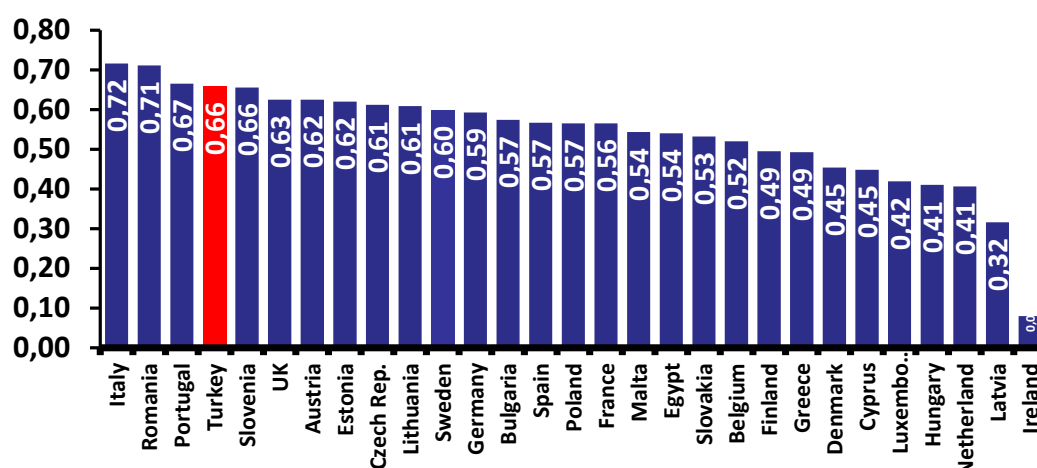
Figure A2 6: TCI for Tunisia's exports and other countries' imports



Source: UN Comtrade and TEPAV calculations

190. The TCI between Tunisia's import structure and EU Member States and Turkey's export structures are illustrated in descending order (Figure A2 7). The results are as follows:

- Italy (0.72), Romania (0.71) and Portugal (0.67) have the highest three TCI values respectively.
- The lowest TCI's belong to the Netherlands (0.41), Latvia (0.32), and Ireland (0.08).
- Turkey is located in the upper half of the interval with a TCI value of 0.66.

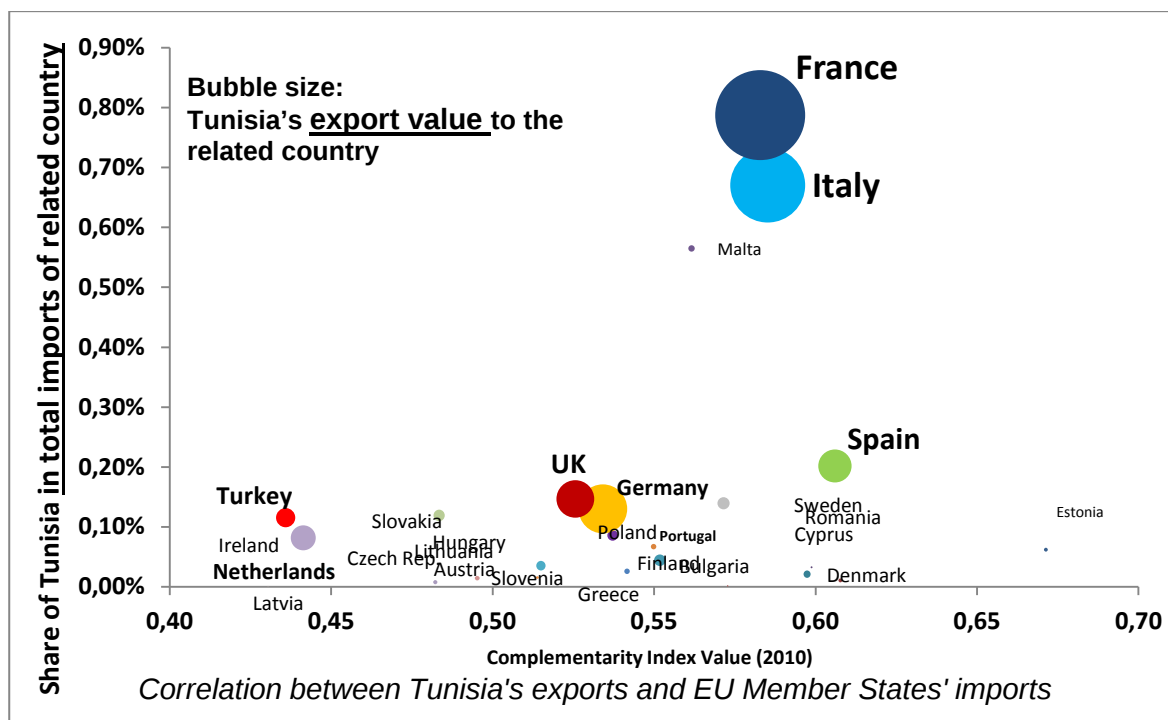
Figure A2 7: Tunisia's imports and other countries' exports' TCI

Source: UN Comtrade and TEPAV calculations

191. **It should be noted that bilateral trade is not reflected in the TCI values.** We now combine the complementarity index values presented in Figure A2 6, with Tunisia's share in total imports from each EU Member State to see how important Tunisia is for each EU Member State. We also look at Tunisia's export volume to each EU Member State to see how important that country is for Tunisia. The data and the results can be found in Table A2 3 at the end of section. Figure A2 8 reveals the following results:

- a. France and Italy appear to be not only complementary importers for Tunisia's exports, but also important importers from Tunisia in terms of volume. Around 0.75 percent of France and Italy's imports are composed of Tunisian products.
- b. There is also a cluster of countries, including UK, Spain and Germany, for which Tunisia is relatively less important but still Tunisia exports substantial volumes. Around 0.15 percent of these countries imports are composed of Tunisian products. The complementarity level of Spain seems to be higher than most of the other countries. The remaining two, Germany and UK appear to be less complementary for Tunisia vis-à-vis the three countries mentioned above.
- c. Estonia, Denmark and Cyprus have very high complementary index values but have almost non-existing trading relationship with Tunisia.

Figure A2 8: TCI and trade values (Correlation between Tunisia's exports and other countries imports)

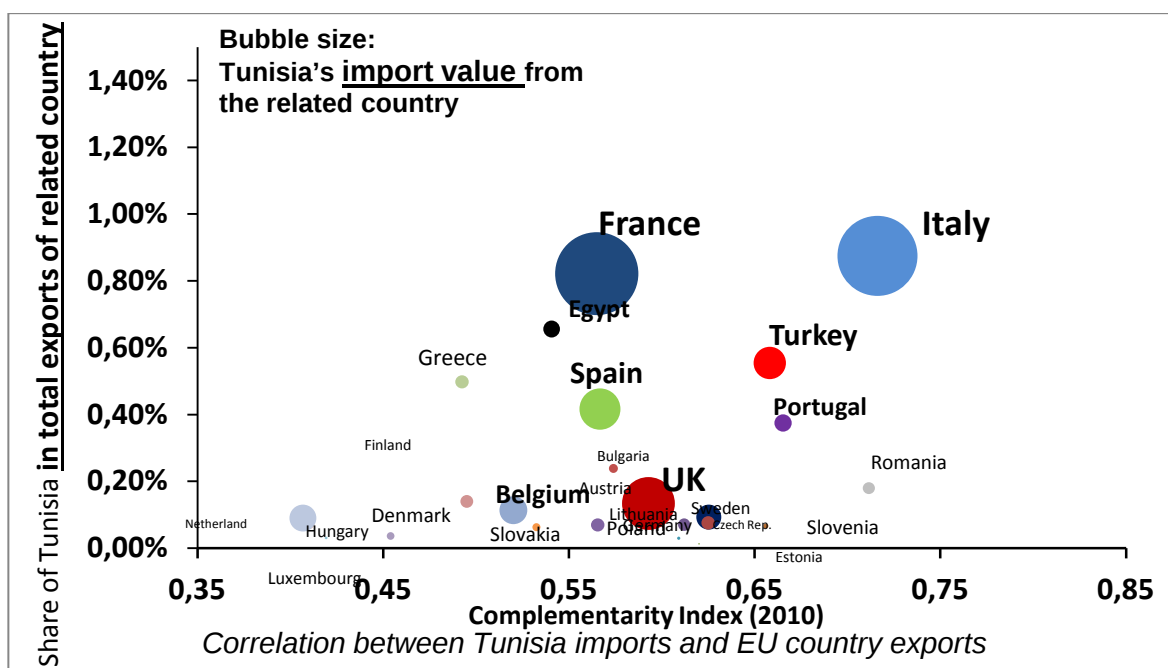


Source: UN Comtrade and TEPAV calculations

192. We now combine the TCI values presented in Figure A2 2, which focus on import structure of Tunisia and export structure of other countries, with trade volumes. The data and the results can be found in Table A2 4 in the end of section. Figure A2 9 reveals the following results:

- Italy and France stand out. Tunisia's imports from these two countries are relatively high. More importantly, around 0.9 percent of Italian exports and 0.9 percent of French exports go to Tunisia. This means Tunisia is a critical market for these countries, vis-à-vis others. However, France is not as complementary for Tunisia's imports as Italy.
- There seems to be a geographic cluster as far as Tunisia's imports are concerned. Tunisia imports more from the geographically closer Mediterranean countries. Among these are Italy, France, Turkey and Spain.
- UK also seems to be one of the significant countries with a high complementarity index and trade value. However, Tunisia's share in total UK exports appears to be very low compared to other countries.
- It should be noted that Malta is removed from the graph to have a more balanced scale as it was an outlier on the y-axis. The bilateral trade between Tunisia and Malta has a relatively high value as well as Tunisia's share in Malta's total exports. However, the complementarity index for Malta was low, which made its removal from the graph negligible.

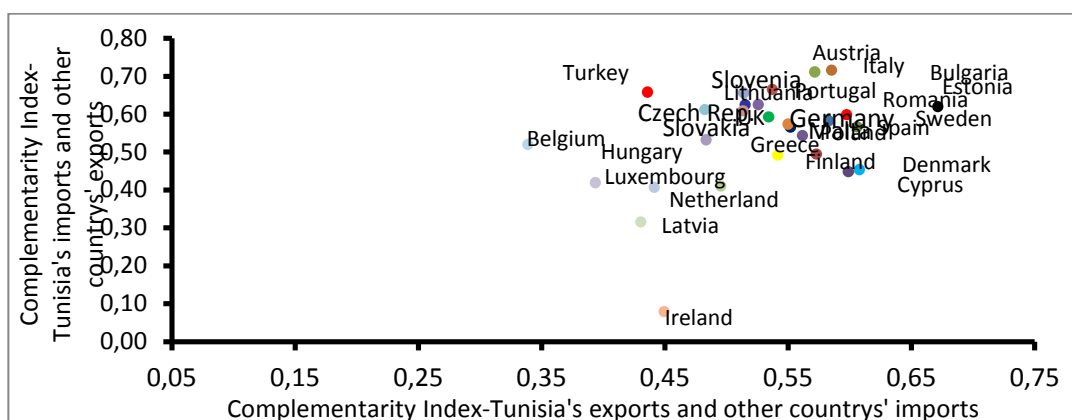
Figure A2 9: TCI values and trade values (Correlation between Tunisia's imports and other countries' exports)



Source: UN Comtrade and TEPAV calculations

193. Finally, we combine Tunisia's import and export complementarity in Figure A2 10. The horizontal axis below shows the complementarity between Tunisia's export structure and the EU Member States' import structures. The vertical axis shows the complementarity between Tunisia's import structure and EU Member State's export structures. We see that there is a cluster on the upper right part of the graph. This means that both the complementarity index of Tunisia's exports and most of the countries' imports, and Tunisia's imports and the other countries' exports are highly complementary. Furthermore, the positive relationship between the export and import complementarity of Tunisia is also apparent here. This may also mean that Tunisia is more Europeanised in terms of its export and import structure vis-à-vis Egypt.

Figure A2 10: Comparison of Complementarity Indexes for Tunisia's exports and imports



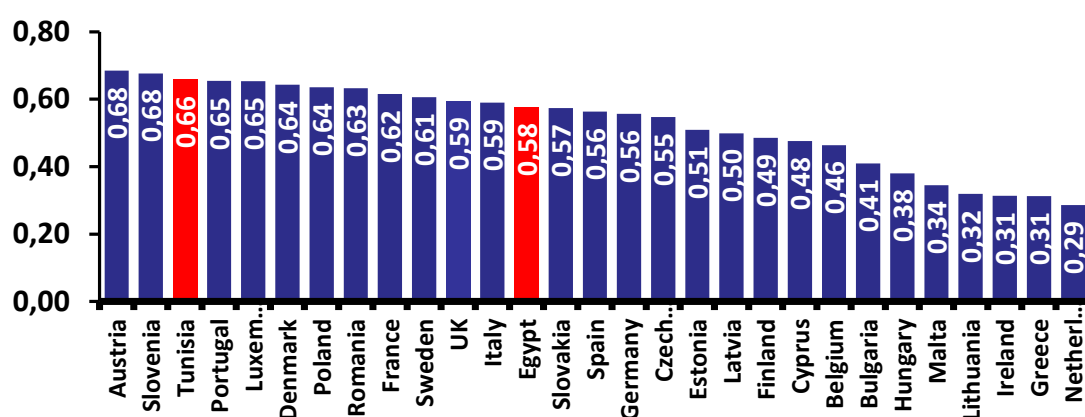
Source: UN Comtrade and TEPAV calculations

A2.3. Results for Turkey

194. The TCI between Turkey's export structure and EU Member States, Egypt and Tunisia's import structures are illustrated in a descending order (Figure A2 11). The results are as follows:

- Austria (0.68), Slovenia (0.68) and Tunisia (0.66) have the highest three TCI values respectively.
- The lowest TCI's belong to Ireland (0.31), Greece (0.31), and the Netherlands (0.29).
- Tunisia and Egypt are located in the upper half of the interval with TCI values of 0.66 and 0.58 respectively.

Figure A2 11: TCI for Turkey's exports and other countries' imports

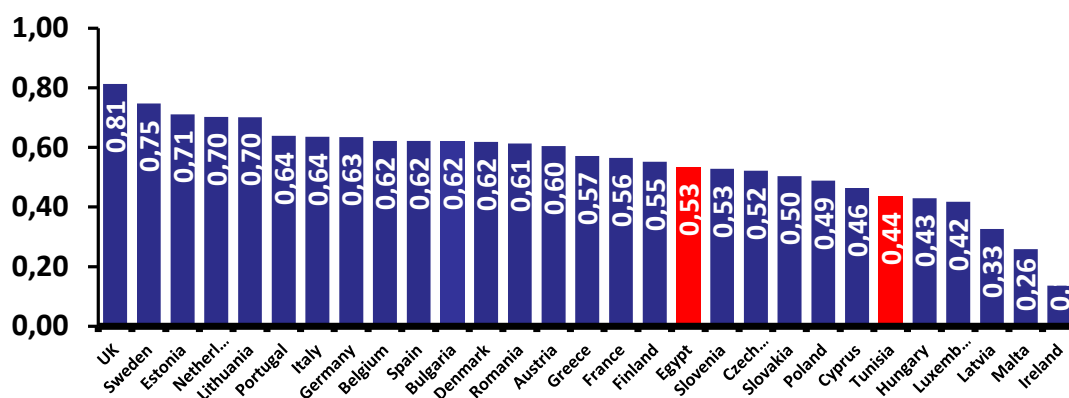


Source: UN Comtrade and TEPAV calculations

195. Second, the Complementarity Index between Turkey's import structure and EU Member States, Egypt and Tunisia's export structures are illustrated in a descending order in Figure A2 12. The results are as follows:

- UK (0.81), Sweden (0.75) and Estonia (0.74) have highest three TCI values respectively.
- The lowest TCI's belong to Latvia (0.33), Malta (0.26), and Ireland (0.14).
- Egypt is located in the upper half of the interval with a TCI value of 0.53 and Tunisia is located in the lower half of the interval with a TCI value of 0.44.

Figure A2 12: TCI for Turkey's imports and other countries' exports

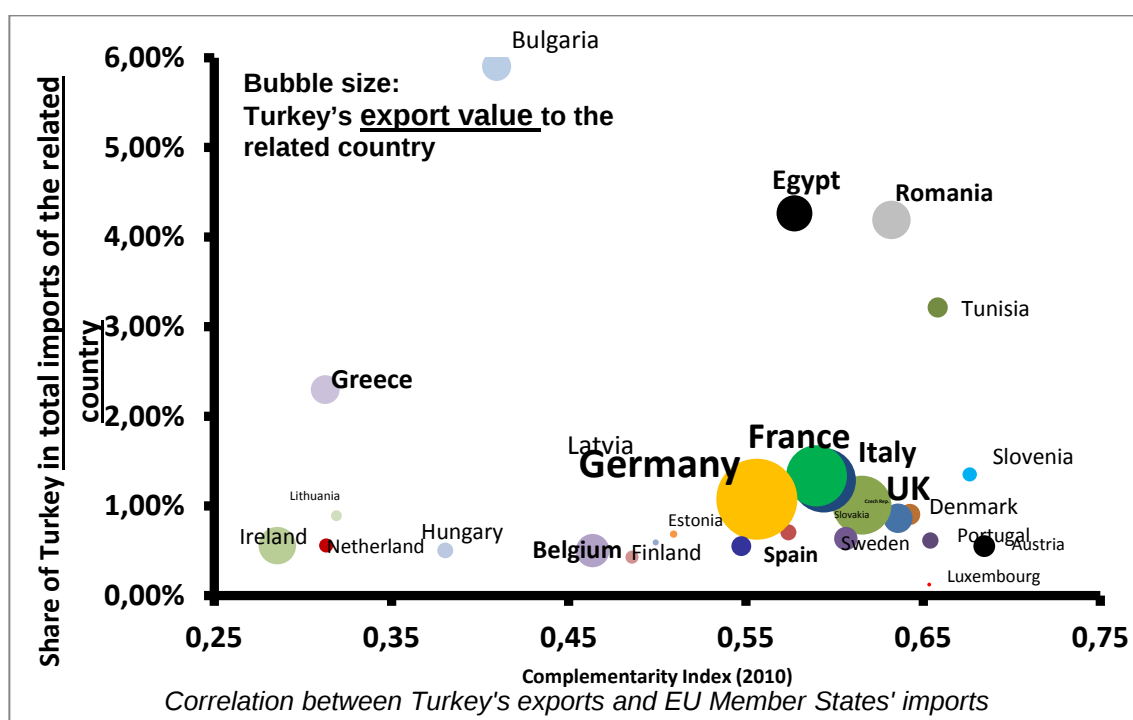


Source: UN Comtrade and TEPAV calculations

196. **As the bilateral trade is not reflected in the TCI values**, we now combine the TCI values presented in Figure A2 11, with Turkey's share in the total imports of each EU Member State to see how important Turkey is for that country. We also look at Turkey's export volume to each EU Member State to see how important that country is for Turkey. The data and the results can be found in Table A2 5 at the end of the section. Following results can be drawn from Figure A2 13 below:

- a) Egypt and Romania appear to be among the important complementary importers for Turkey's exports. Turkey also has a considerable share in their total imports; around 4 per cent of these countries' imports are composed of Turkish products. Tunisia also stands out on the top right, with a high TCI value. The share of Turkish exports in Tunisian imports is also relatively high at around 3 per cent.
- b) There is a cluster of countries, including France, Germany, Italy and UK, for which Turkey is relatively less important but exports more substantial values. These countries are as complementary as the three countries stated above for Turkey.
- c) Turkey also has a considerable export value to Hungary, Bulgaria, Greece and the Netherlands. However, these countries appear to be less complementary for Turkey compared to the countries stated above.

Figure A2 13: TCI and trade values (Correlation between Turkey's exports and other countries' imports)

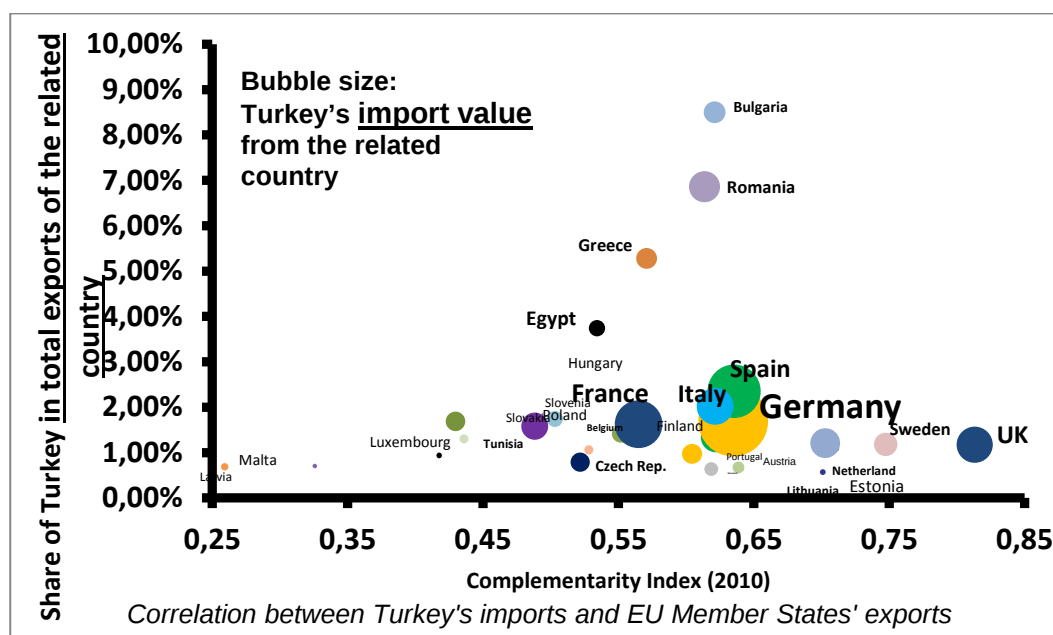


Source: UN Comtrade and TEPAV calculations

197. We now combine the TCI values presented in Figure A2 12, which focus on import structure of Turkey and export structure of other countries, with trade volumes. The data and the results can be found in Table A2 6 at the end of the section. The following points can be made from the Figure A2 14:

- a) There is a cluster of countries consisting of Bulgaria, Greece and Romania on the upper middle part. This can be due to their geographical proximity to Turkey. Although Turkey's import from these countries is low, Turkey seems to be an important market for these countries' exports. The share of Turkey's imports in these countries' exports is around 8 per cent. The TCI of these countries for Turkey appears to be around the average TCI level of the rest of the countries.
- b) A large amount of Egypt's exports go to Turkey (4 per cent).
- c) With a TCI value of 0.81, the UK stands out. However, the importance of Turkey for UK exports seems to be low compared to the other countries.
- d) There seems to be a cluster in the lower middle part of the graph where Germany, France, Italy and Spain are located. Their export structure seems to be similar to Turkey's import structure, though relatively less compared to the countries located on the more rightward part of the graph. However, the value of Turkey's imports from these countries seems to be much higher than all the other countries analysed in this study.
- e) The UK seems to be also one of the significant countries with a high complementarity index and trade value. However, Turkey appears to be a relatively insignificant market for UK exports.

Figure A2 14: TCI and trade values (Correlation between Turkey's imports and other countries' exports)

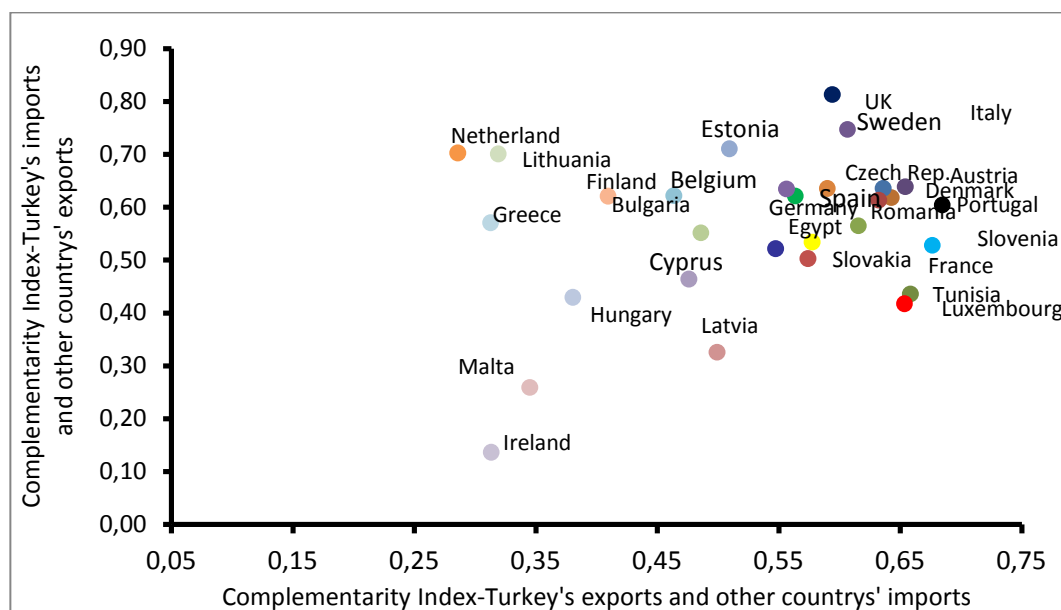


Source: UN Comtrade and TEPAV calculations

198. Finally, we combine the import and the export complementarity of Turkey in Figure A2 15. The horizontal axis below shows the complementarity between the export structure of Turkey and import structure of EU Member States and Egypt and Tunisia. The vertical axis shows the complementarity between import structure of Turkey and export structure of EU Member States and Egypt and Tunisia. We see a similar pattern to that of Egypt here. There is a positive relationship between import and export complementarity indices for Turkey implying that when the TCI for Turkey's exports and the other countries imports increases, so does the complementarity index for Turkey's imports and the other countries exports. A

cluster on the upper rightwards side of the graph is apparent indicating the presence of highly complementary countries.

Figure A2 15: Comparison of Complementarity Indexes for Turkey's exports and imports



Source: UN Comtrade and TEPAV calculations

**Table A2 1: (Correlation between Egypt's exports and other countries' imports)
Complementarity index values and trade values, Data presented in Figure A2 3**

Country	TCI value (x-axis)	Share of Egypt in total imports of the related country (y-axis)	Egypt's export value to the related country (bubble size)	
Lithuania	0.81	0.03%	7,943,809	
Bulgaria	0.74	0.12%	29,354,155	
Greece	0.71	0.43%	271,861,199	
Cyprus	0.70	1.08%	93,496,135	
Italy	0.66	0.45%	2,199,155,232	
Spain	0.65	0.51%	1,621,410,369	
Estonia	0.64	0.01%	1,694,814	
Finland	0.61	0.05%	31,098,182	
Portugal	0.57	0.13%	95,736,545	
Latvia	0.55	0.05%	5,591,406	
Turkey	0.53	0.53%	985,259,786	
France	0.53	0.15%	924,148,250	
Slovenia	0.51	0.22%	59,065,544	
Netherlands	0.49	0.13%	558,822,261	
Sweden	0.49	0.03%	40,634,218	
Poland	0.46	0.02%	27,814,663	
Belgium	0.46	0.09%	351,245,036	
Ireland	0.44	0.05%	28,666,943	
UK	0.43	0.14%	813,364,774	
Romania	0.43	0.14%	87,015,974	
Germany	0.42	0.05%	573,401,815	
Austria	0.42	0.04%	56,438,960	
Luxembourg	0.41	0.00%	70,323	
Denmark	0.37	0.02%	15,108,447	
Slovakia	0.31	0.04%	22,777,101	
Malta	0.29	0.51%	21,649,687	
Czech Rep.	0.27	0.03%	42,555,601	
Hungary	0.21	0.01%	9,727,042	
Tunisia	0.54	0.92%	204,822,620	

**Table A2 2: (Correlation between Egypt's imports and other countries' exports)
Complementarity index values and trade values; Data presented in Figure A2 4**

Country	TCI value (x-axis)	Share of Egypt in total exports of the related country (y-axis)	Egypt's import value from the related country (bubble size)
Lithuania	0.66	0.15%	31,023,457
Italy	0.65	0.66%	2,962,530,025
Sweden	0.63	0.39%	623,343,869
Portugal	0.63	0.16%	76,607,523
Romania	0.62	0.36%	176,550,620
UK	0.62	0.31%	1,268,984,015
Spain	0.60	0.34%	847,908,867
Estonia	0.59	0.15%	19,033,359
Belgium	0.59	0.21%	861,584,262
Turkey	0.58	1.65%	1,879,969,532
Slovakia	0.56	0.00%	-
Austria	0.55	0.14%	205,307,490
Slovenia	0.55	0.22%	53,576,654
Bulgaria	0.53	0.54%	112,075,798
Finland	0.51	0.50%	351,004,182
Czech Rep.	0.51	0.15%	198,281,184
Greece	0.51	1.93%	417,112,706
Germany	0.50	0.32%	4,023,948,348
Poland	0.50	0.10%	159,509,382
France	0.48	0.37%	1,886,072,748
Luxembourg	0.47	0.03%	4,587,818
Denmark	0.45	0.19%	187,692,507
Latvia	0.44	0.57%	50,733,247
Cyprus	0.41	25.79%	388,490,646
Tunisia	0.38	0.41%	67,559,905
Netherland	0.37	0.17%	831,547,126
Hungary	0.34	0.13%	120,151,370
Malta	0.19	31.39%	1,053,844,520
Ireland	0.08	0.17%	197,164,369

Table A2 3: (Correlation between Tunisia's exports and other countries imports) TCI and trade values; Data presented in Figure A2 8

Country	TCI value (x-axis)	Share of Tunisia in total imports of the related country (y-axis)	Tunisia's export value to the related country (bubble size)
Estonia	0.67	0.06%	8,165,915
Denmark	0.61	0.01%	9,032,820
Spain	0.61	0.20%	637,141,169
Cyprus	0.60	0.03%	2,819,259
Sweden	0.60	0.02%	31,338,547
Italy	0.59	0.67%	3,264,852,479
France	0.58	0.79%	4,717,284,254
Finland	0.57	0.00%	963,820
Romania	0.57	0.14%	86,355,254
Malta	0.56	0.56%	23,974,906
Poland	0.55	0.04%	77,398,978
Bulgaria	0.55	0.07%	16,956,528
Greece	0.54	0.03%	16,360,955
Portugal	0.54	0.09%	64,979,239
Germany	0.53	0.13%	1,388,064,984
UK	0.53	0.15%	824,823,855
Austria	0.51	0.04%	52,965,159
Slovenia	0.51	0.02%	4,119,423
Lithuania	0.51	0.00%	25,487
Hungary	0.50	0.01%	12,554,412
Slovakia	0.48	0.12%	76,657,187
Czech Rep.	0.48	0.01%	9,843,323
Ireland	0.45	0.03%	17,015,743
Netherlands	0.44	0.08%	360,052,482
Turkey	0.44	0.12%	214,168,067
Latvia	0.43	0.00%	109,762
Luxembourg	0.39	0.00%	311,204
Belgium	0.34	0.08%	320,255,306
Egypt	0.38	0.17%	92,342,218

Table A2 4: (Correlation between Tunisia's imports and other countries' exports) TCI and trade values; Data presented in Figure A2 9

Country	TCI value (x-axis)	Share of Tunisia in total exports of the related country (y-axis)	Tunisia's import value from the related country (bubble size)
Egypt	0.54	0.66%	172,761,225
Italy	0.72	0.87%	3,907,304,543
Romania	0.71	0.18%	88,825,736
Portugal	0.67	0.38%	182,795,434
Turkey	0.66	0.55%	631,728,837
Slovenia	0.66	0.07%	15,961,328
UK	0.63	0.09%	377,308,788
Austria	0.62	0.08%	109,444,016
Estonia	0.62	0.01%	1,674,619
Czech Rep.	0.61	0.07%	92,726,755
Lithuania	0.61	0.03%	6,183,404
Sweden	0.60	0.12%	194,511,315
Germany	0.59	0.13%	1,696,624,355
Bulgaria	0.57	0.24%	49,255,416
Spain	0.57	0.42%	1,025,336,070
Poland	0.57	0.07%	109,172,176
France	0.56	0.82%	4,203,197,551
Malta	0.54	5.87%	197,154,214
Slovakia	0.53	0.06%	40,180,148
Belgium	0.52	0.11%	465,987,330
Finland	0.49	0.14%	97,957,716
Greece	0.49	0.50%	107,299,163
Denmark	0.45	0.04%	35,245,071
Cyprus	0.45	1.35%	20,277,753
Luxembourg	0.42	0.03%	4,217,090
Hungary	0.41	0.07%	69,770,134
Netherland	0.41	0.09%	441,642,403
Latvia	0.32	0.11%	9,927,413
Ireland	0.08	0.03%	40,527,321

Table A2 5: (Correlation between Turkey's exports and other countries' imports) TCI and trade values; Data presented in Figure A2 13

Country	TCI value (x-axis)	Share of Turkey in total imports of the related country (y-axis)	Turkey's export value to the related country (bubble size)
Austria	0.68	0.55%	834,898,603
Slovenia	0.68	1.35%	356,505,844
Tunisia	0.66	3.22%	714,386,014
Portugal	0.65	0.62%	465,263,791
Luxembourg	0.65	0.13%	25,757,901
Denmark	0.64	0.91%	766,007,945
Poland	0.64	0.86%	1,504,534,343
Romania	0.63	4.19%	2,599,019,656
France	0.62	1.01%	6,055,125,312
Sweden	0.61	0.64%	947,173,839
UK	0.59	1.29%	7,238,432,771
Italy	0.59	1.34%	6,508,644,030
Egypt	0.58	4.27%	2,260,755,297
Slovakia	0.57	0.71%	454,948,581
Spain	0.56	1.13%	3,563,513,651
Germany	0.56	1.08%	11,486,808,286
Czech Rep.	0.55	0.55%	694,308,130
Estonia	0.51	0.69%	90,534,717
Latvia	0.50	0.59%	66,140,172
Finland	0.49	0.43%	296,093,371
Cyprus	0.48	11.31%	978,111,481
Belgium	0.46	0.50%	1,961,202,382
Bulgaria	0.41	5.91%	1,497,832,410
Hungary	0.38	0.51%	441,392,305
Malta	0.34	9.67%	410,435,607
Lithuania	0.32	0.89%	208,322,833
Ireland	0.31	0.56%	339,305,666
Greece	0.31	2.30%	1,456,839,524
Netherland	0.29	0.56%	2,462,185,001

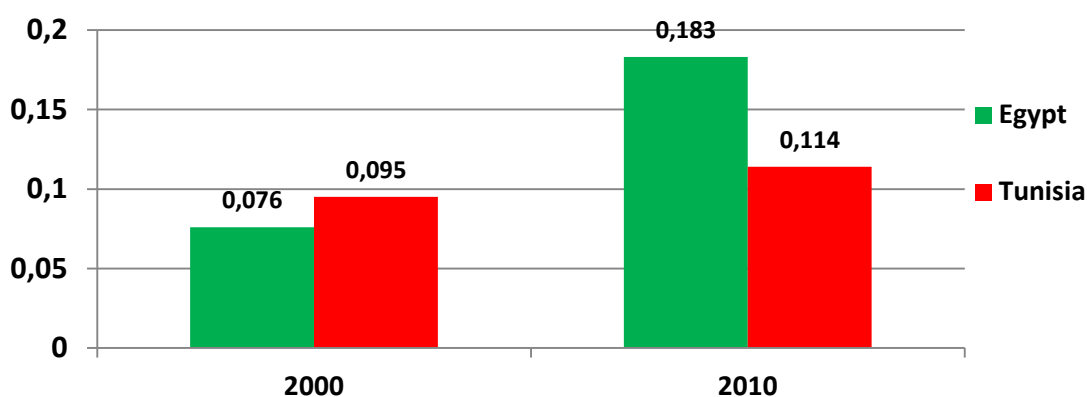
Table A2 6: (Correlation between Turkey's imports and other countries' exports) TCI and trade values; Data presented in Figure A2 14

Country	TCI value (x-axis)	Share of Turkey in total exports of the related country (y-axis)	Turkey's import value from the related country (bubble size)
Austria	0.60	0.97%	1,439,256,090
Belgium	0.62	1.34%	3,213,712,148
Bulgaria	0.62	8.50%	1,702,444,443
Cyprus	0.46	3.86%	58,178,056
Czech Rep.	0.52	0.79%	1,327,671,650
Denmark	0.62	0.64%	678,756,962
Egypt	0.53	3.74%	926,493,310
Estonia	0.71	1.09%	146,192,295
Finland	0.55	1.42%	1,115,496,426
France	0.56	1.62%	8,176,579,003
Germany	0.63	1.69%	17,549,158,947
Greece	0.57	5.28%	1,541,889,596
Hungary	0.43	1.69%	1,382,212,904
Ireland	0.14	0.48%	873,961,307
Italy	0.64	2.35%	10,203,727,238
Latvia	0.33	0.70%	71,359,887
Lithuania	0.70	0.57%	119,165,489
Luxembourg	0.42	0.94%	114,342,465
Malta	0.26	0.69%	195,315,074
Netherland	0.70	1.21%	3,155,980,461
Poland	0.49	1.58%	2,620,952,824
Portugal	0.64	0.67%	503,658,512
Romania	0.61	6.86%	3,449,178,527
Slovakia	0.50	1.74%	926,722,329
Slovenia	0.53	1.06%	291,300,090
Spain	0.62	2.02%	4,840,126,558
Sweden	0.75	1.18%	1,922,793,304
Tunisia	0.44	1.30%	280,720,576
UK	0.81	1.17%	4,680,609,987

Annex 3: Product Assessment Results

199. **Product Assessment is another layer of quantitative analysis that we perform to shed light on possible future investment and cooperation areas for EU and Turkey in the pilot countries. The analysis is conducted at 4-digit level of SITC Rev.2 classification.** The purpose of using more detailed data in this assessment is to focus on the narrowly defined products (as opposed to broadly defined sectors) in order to see the mutual complementarities. This in turn will help us determine the areas in which EU and Turkish firms can benefit from the comparative advantages of the pilot countries. We try to identify those products for which EU and Turkey would not compete with the pilot countries, but rather complement each other. Identification of such products can lead to a clearer definition of “win-win-win” frameworks.
200. **According to the SITC Rev. 2 4 digit classification, Egypt exports 680 different types of commodities and Tunisia exports 613 different types of commodities to the world. The Product Assessment Methodology is based on determining among these products the ones that are growing in the World trade, have shown high potentials in the pilot countries and are declining in Europe.** For this purpose, we apply three different filters to the trade data which consists of export commodities of Egypt and Tunisia at 4-digit level.
201. **Both Egypt and Tunisia have achieved increasing their overall market shares in the global trade in the last decade.** Figure A3 1 below tells an interesting story. In 2000, Tunisia had a slightly higher market share than Egypt in the world trade, while this situation reversed in 2010. As of 2010, Egypt exported 0,183 percent of all world expots and this ratio was 0,114 percent for Tunisia. Egypt's fast growth in terms of market share and Tunisia's rather stagnant performance should be noted. In our product assessment methodology, we aim to see which products have outperformed the country average growth rates in terms of market share in the world.

Figure A3 1: World Market Shares of Egypt and Tunisia (country exports / world exports) 2000 and 2010



Source: UN Comtrade and TEPAV Calculations

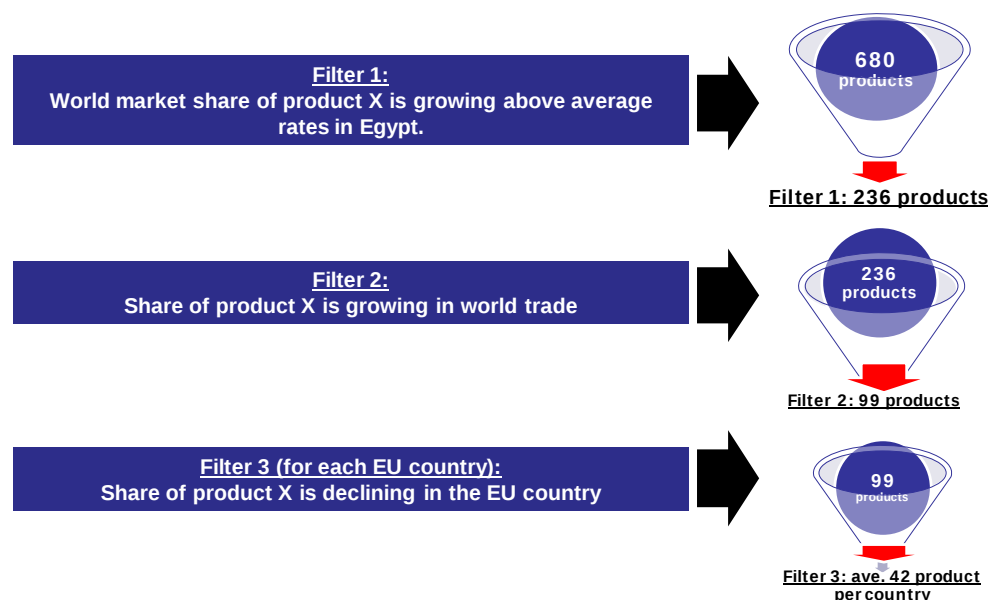
202. **Hence, as a first step of our product assessment, we first determine the products for which pilot countries have gained market shares faster than their average world market share growth rates.** For this, we look at the global market shares of all the exports of each pilot country between 2000 and 2010 which is calculated by the share of the export value of the pilot country in each commodity divided by the total export value of the same commodity in the world trade. Then we identify the commodities that have grown faster than the average market share growth rates of these countries among all their products. Consequently, we compile a list of above-average growing products for each pilot country which will be exposed to another filter.
203. **Second filter consists of identifying among this list of products the ones for which world trade has been increasing between 2000 and 2010.** The products with positive growth rates of world market share are selected. The aim of applying this filter is to leave out the “dead end” products, where the pilot countries have gained a competitive edge but the product is on decline in global trade. This elimination is expected to help us avoid potentially wrong investment signals into industries that may not offer growth prospects from a global perspective.
204. **Lastly, among the sorted out products by means of the first two filters, we apply the third filter to identify the products whose shares are declining in the EU countries and Turkey’s exports between 2000 and 2010.** We define a product as declining if the related country loses market share in world trade for that particular product in the last decade. We apply this third filter separately for each and every EU Member State and Turkey. The reason we focus on products that are in decline in the EU Member State is that we assume that a decline may imply excess capacity for the SMEs in that used to serve the production of that particular product in that particular EU member state. Hence, we assume, this approach can help us establish a “win-win-win” opportunity for the EU SMEs, Turkey and the pilot countries.
205. **After this filter, we reach a final list of products which appear in different countries’ lists more frequently vis-à-vis other products. To evaluate the outcomes of these three steps, we need to combine them with another set of data that will help us to identify how important they are as trade commodities for each EU country. Furthermore we look at the frequency of appearance of the resulting products in order to capture the more frequently occurring products across countries to see cross-cutting products.** More than a hundred products came out as a result of this methodology for each EU Member State and Turkey in each pair, with Egypt and Tunisia. We list these products one after another and rank them according to the frequency of their occurrence. Frequently occurring products point out to a possible area of complementarity. However, frequency of occurrence is not enough itself. Additionally, we look at the export magnitudes of the occurring products for each EU country and Turkey to determine their shares in each country. Knowing about products that have high export shares in both pilot countries and partner countries helps us in prioritisation more than solely concentrating on the frequency of occurrences.
206. **In the end, product assessment helps us define the final products at 4-digit level for which we can focus on the related value chains.** For the feasibility of the GBB Initiative and its matchmaking events, focusing exclusively on sectors may run the risk of being too broad and dilute the process of choosing the right companies. The detailed product analysis, however, help us better identify the final

products for which their value chain can be traced backwards. Furthermore, the analysis may be deepened by digging into the frequently occurring high share products by viewing them at more detail such as 5-digit level. This, in turn, makes the targets clearer in the company selection phase.

A3.1. Main Results for Egypt

207. **According to the SITC Rev. 2 4-digit classification, Egypt exports 680 different types of products.** We try to pick those products in which Egypt has gained market shares faster than the average between 2000 and 2010. After the first filter, we identify 236 products for each of which Egypt successfully raised its market share in the world trade. Please refer to the Figure A3 2 for a brief visualisation of the filtering mechanism for Egypt's export products.
208. **These 236 products are filtered for a second time to identify among this list of products the ones whose market share in world trade has been increasing between 2000 and 2010.** We leave out 137 products, in which Egypt is raising its market share but the world trade is already declining in those products. However, there are 99 remaining products with positive growth rates in world trade.
209. **The third filter which is applied among Egypt and each and every EU member state and Turkey, is carried out to identify the products whose shares are declining in the EU countries and Turkey's exports between 2000 and 2010.** 42 products per country remained on average after the last filter. The details of the last filter and the results by country will be presented in the following parts of this section.

Figure A3 2: Filtering Process for Egypt's export products



210. **Most frequently occurring export products of Egypt together with their share in Egypt's exports can be found at 4-digit level in Table A3 1 and at 2-digit level**

at Table A3 2. Please note that only the products appearing more than 15 times are selected. The commodities in the related tables are ranked according to their occurrence frequencies. Frequency means that a product occurs for one country after filter 3. There are 25 products which appear frequently at the 4-digit level, in most of the EU Member States and Turkey. Products that are related to agro-food, chemical and logistics sectors appear to constitute the majority.

Table A3 1: Most frequently occurring export products of Egypt (SITC Rev2., 4-digit level)

Product description	Share in Egypt's exports	Frequency (out of 28)
Fertilizers, nes	0.04 %	20
Minerals, crude, nes	0.18 %	20
Cement	0.19 %	19
Ships, boats and other vessels	0.02 %	19
Domestic refrigerators and freezers	0.13 %	18
Palm oil	0.09 %	18
Polyamides	0.09 %	18
Rolling mills, rolls therefor, and parts, nes of rolling mills	0.00 %	18
Base metal indoors sanitary ware, and parts thereof, nes	0.11 %	17
Gas, liquid and electricity supply or production meters; etc	0.07 %	17
Tugs, special purpose vessels and floating structures	0.00 %	17
Outerwear knitted or crocheted, not elastic nor rubberized; other, clothing accessories, non-elastic, knitted or crocheted	0.61 %	16
Structures and parts of, of iron, steel; plates, rods, and the like	0.27 %	16
Waxes of animal or vegetable origin	0.00 %	16
Aminoplasts	0.03 %	15
Butter	0.03 %	15
Coffee extracts, essences or concentrates	0.08 %	15
Copper and copper alloys, worked	2.62 %	15
Hand tools, used in agriculture, horticulture or forestry	0.00 %	15
Other nitrogen-function compounds	0.01 %	15
Petroleum bitumen, petroleum coke and bituminous mixtures, nes	0.06 %	15
Printed matter, nes	0.08 %	15
Refined sugar etc	0.64 %	15
Woods and resin-based chemical products	0.66 %	15

211. When we consolidate the identified 4-digit products at their 2-digit main sectors, it is easier to see the broader sectoral areas of opportunity. Table A3 2 lists these sectors below: Manufactures of metals, Plastic materials, Vegetables and Fruits and non-metallic minerals (cement, glass etc.) stand out. Particularly, vegetables and fruits should be noted as it has a 7 percent share in Egypt's total exports and related to agro-food value chain, which appears to be one of the politically prioritised areas. We should also note that some of these products may have a high degree of vulnerability for their competitiveness in the event of a policy change regarding energy subsidies.

Table A3 2: Most frequently occurring export products of Egypt (Consolidated at SITC Rev2., 2-digit level)

Product description	Share in Egypt's exports	Frequency
Manufactures of metals, nes	2.35 %	128
Artificial resins and plastic materials, and cellulose esters etc	2.13 %	78
Vegetables and fruit	7.76 %	69
Non-metallic mineral manufactures, nes	3.25 %	48
General industrial machinery and equipment, nes, and parts of, nes	0.50 %	44
Other transport equipment	0.03 %	42
Cereals and cereal preparations	1.97 %	42
Fixed vegetable oils and fats	0.40 %	40

212. **The last filter, which is applied among Egypt and each and every EU Member State and Turkey, is carried out to identify the products whose shares are declining in the EU countries and Turkey's exports between 2000 and 2010.**

The results are presented in a separate graph for each EU Member State and Turkey in the end of this section. In order to give an idea about how results look like for each country, we present the results of one country pair, as an example below. Figure A3 3 below presents the results of the France-Egypt analysis. Table A3 3 displays all the relevant data that is used in France-Egypt figure.

213. **87 products came out of the filter for France and Egypt. This means there are 87 products, listed in Table A3 3, where Egypt gains market share and world shares of these products are increasing, however at the same time France is losing market share in all of these products.** The horizontal axis refers to the share of product in Egypt's total exports in 2010 and the vertical axis refers to the share of product in France's total exports in 2010 in Figure A3 3. The products on the upper right part of the graph are labeled as they appear to be the important export products for both countries with high shares in their total exports. For France and Egypt, the outstanding ones are as follows:

- cheese and curd
- copper and copper alloys, worked
- edible products and preparations, nes
- polyethylene
- other fresh or chilled variables
- outerwear and other clothing accessories; knitted and crocheted
- refined sugar
- other fresh or chilled variables
- wire rod of iron or steel
- fruit, fresh or dried, nes

Figure A3 3: France – Egypt, 87 products identified

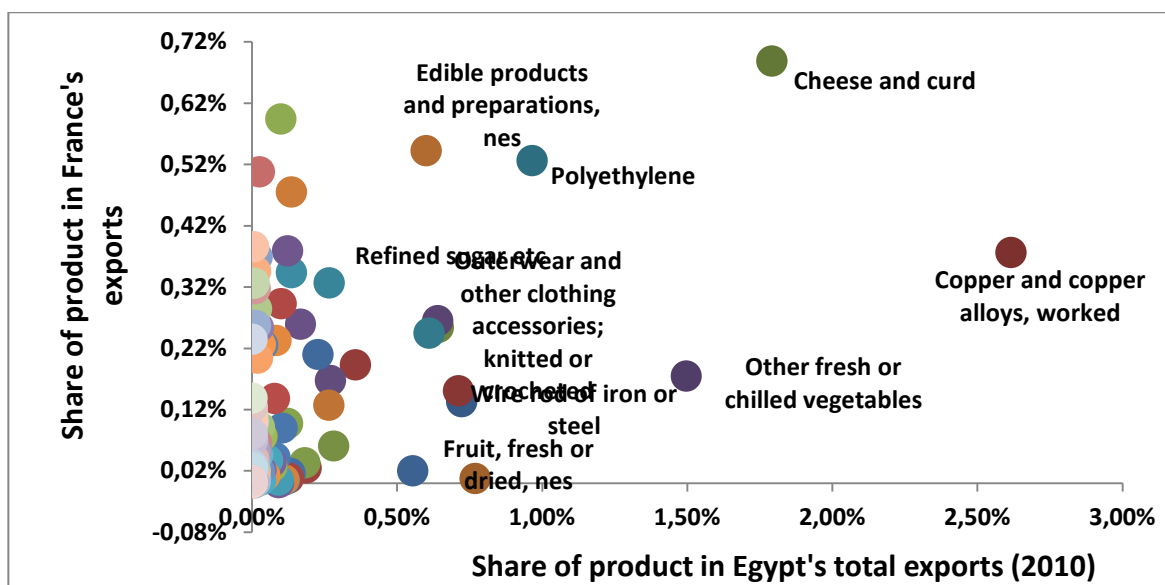


Table A3 3: List of identified commodities for France-Egypt

Commodity Description	
Acyclic alcohols, and their derivatives	Miscellaneous articles of base metal
Acyclic hydrocarbons	Mixtures of odoriferous substances, used in perfumery, food etc
Air conditioning machines and parts thereof, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Air pumps, vacuum pumps and air or gas compressors	Nuts edible, fresh or dried
Aminoplasts	Organic chemical products, nes
Apples, fresh	Other cereal meals and flour
Articles of apparel, clothing accessories of plastic or rubber	Other citrus fruits, fresh or dried
Articles of iron or steel, nes	Other condensation, polycondensation or polyaddition products
Base metal indoors sanitary ware, and parts thereof, nes	Other electric power machinery, parts, nes
Blooms, billets, slabs and sheet bars, of iron or steel	Other fresh or chilled vegetables
Bricks, tiles, etc of pressed or moulded glass, used in building	Other nitrogen-function compounds
Briquettes, ovoids, from coal, lignite or peat	Other polymerisation and copolymerisation products
Butter	Other sheet and plates, of iron or steel, worked
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Outerwear and other clothing accessories; knitted or crocheted
Cement	Palm oil
Cereal grains, worked or prepared, not elsewhere specified	Parts, nes of machinery and equipment of headings 72341 to 72346
Cheese and curd	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Chocolate and other preparations containing cocoa, nes	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Coffee extracts, essences or concentrates	Polyethylene
Construction and mining machinery, nes	Polypropylene
Copper and copper alloys, worked	Printed matter, nes
Domestic refrigerators and freezers	Pulpwood (including chips and wood waste)
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Railway track fixtures, and fittings, etc, parts nes of heading 791
Edible products and preparations, nes	Rape and colza seeds
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Refined sugar etc
Fatty acids, acid oils, and residues; degreas	Rice in the husk or husked, but not farther prepared
Fertilisers, nes	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fibre building board of wood or other vegetable material	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Food waste and prepared animal feed, nes	Ships, boats and other vessels
Fruit prepared or preserved, nes	Slag, scalings, dross and similar waste, nes
Fruit, fresh or dried, nes	Soya bean oil
Gas, liquid and electricity supply or production meters; etc	Special purpose motor lorries and vans
Gas, liquid control instruments and apparatus, non-electrical	Starches, insulin and wheat gluten
Grapes, fresh or dried	Steel and iron forging and stampings, in the rough state
Hand tools, used in agriculture, horticulture or forestry	Structures and parts of, of aluminium; plates, rods, and the like
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Structures and parts of, of iron, steel; plates, rods, and the like
Lifting, handling, loading machinery, telfers and conveyors	Sugars, beet and cane, raw, solid
Macaroni, spaghetti and similar products	Sunflower seed oil
Malt extract; cereals preparations with less 50% of cocoa	Tugs, special purpose vessels and floating structures
Manufactures of mineral materials, nes (other than ceramic)	Waxes of animal or vegetable origin
Materials of rubber	Wire rod of iron or steel
Medical instruments and appliances, nes	Wire, cables, cordage, ropes, plaited bans, sling and the like
Milk and cream fresh, not concentrated or sweetened	Wool; expanding or insulating mineral materials, nes
Minerals, crude, nes	

214. After carrying out the same filters for each EU member state and Turkey, the products which stand out due to their high shares in the export baskets of the countries are listed in Table A3 4. These are the products that appear on the upper right hand side of the Figures that list the identified products for each country pair. This indicates that these products have high shares in the exports of both Egypt and the country in question. The table below lists these products and presents related data on the export value of Egypt, share in Egypt's total exports and country of occurrence. Copper alloys worked, cheese and curd, fresh vegetables, polyethylene stand out as products that may display further trilateral investment opportunities in the future, based on our product assessment for Egypt.

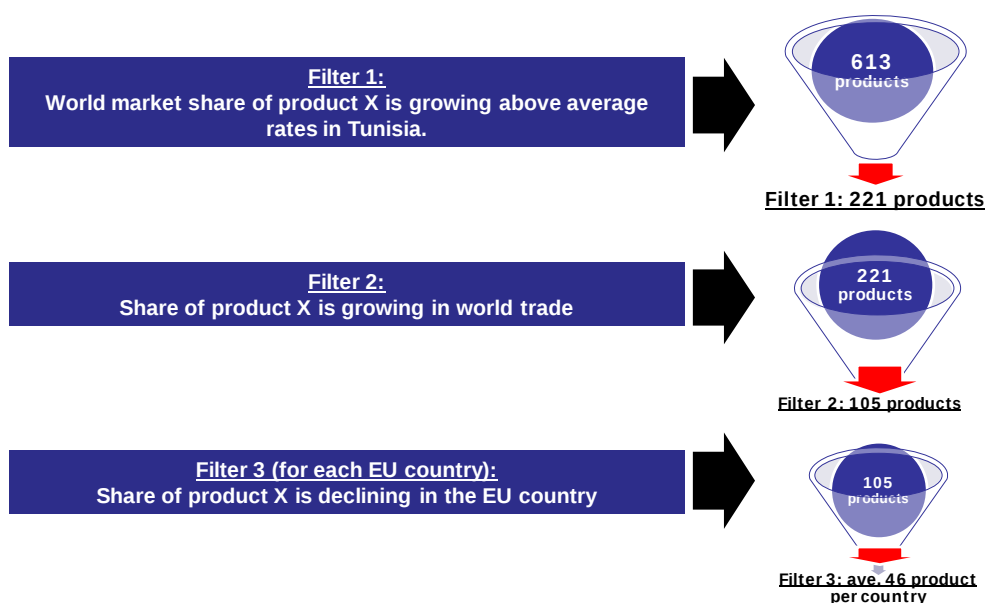
Table A3 4: Most frequently occurring high share export products of Egypt (SITC Rev2., 4-digit level)

Product description	Egypt's export value	Share in Egypt's total exports	Frequency (out of 28)	Country of occurrence
Copper and copper alloys, worked	688.804.263	2,62 %	9	Au, Be, Den, Fi, Fr, Lu, Slk, Sw, UK
Cheese and curd	471.689.377	1,79 %	6	Be, Den, Fi, Fr, Hu, Lu
Other fresh or chilled vegetables	393.976.442	1,50 %	6	Hu, It, Cy, Be, Fr, Gr
Polyethylene	253.999.058	0,96 %	10	Be, Den, Fr, Ge, It, Li, Lu, Por, Sw, UK
Wire rod of iron or steel	187.214.708	0,71 %	5	Ge, Sw, Fi, Fr, Lu
Articles of iron or steel, nes	169.019.081	0,64 %	5	Den, It, Ma, Fi, Lu
Refined sugar etc	168.394.028	0,64 %	7	Den, Ne, Pol, Sp, UK, Tu, Fr
Outerwear knitted or crocheted, not elastic nor rubberized; other, clothing accessories, non-elastic, knitted or crocheted	160.640.417	0,61 %	7	Au, Cy, Den, Es, Por, Ro, Sln
Edible products and preparations, nes	157.949.872	0,60 %	6	Be, Cyp, Fr, Ir, Lu, Por
Polypropylene	93.681.164	0,36 %	7	Be, Bu, Fi, Hu, It, Ne, Slk
Other sheet and plates, of iron or steel, worked	70.027.764	0,27 %	6	Be, Bu, Por, Sw, Fi, Ge
Cement	49.145.748	0,19 %	5	Bu, Li, Ne, Pol, Slk
Structures and parts of, of iron, steel; plates, rods, and the like	2.129.358	0,01 %	7	Cz, Es, Fn, Sw, Fi, Ge, It, Ma

A3.2. Main Results for Tunisia

215. **According to the SITC Rev. 2 4-digit classification, Tunisia exports 613 different types of products.** We try to pick those products in which Tunisia has gained market shares faster than the average between 2000 and 2010. After the first filter, we identify 221 products for which Tunisia successfully raised its market share in the world trade. Please refer to the Figure A3 4 for a brief visualisation of the filtering mechanism for Tunisia's export products.
216. **These 221 products are filtered for a second time to identify among this list of products the ones whose market share in world trade has been increasing between 2000 and 2010.** We leave out 116 products, in which Tunisia is raising its market share but the world trade is already declining in those products. However, there are 99 remaining products with positive growth rates in world trade.
217. **The third filter, which is applied among Tunisia and each and every EU Member State and Turkey, is carried out to identify the products whose shares are declining in the EU Member States and Turkey's exports between 2000 and 2010.** 46 products per country remained on average after the last filter. The details of the last filter and the results by country will be presented in the following parts of this section.

Figure A3 4: Filtering Process for Tunisia's export products



218. **Most frequently occurring export products of Tunisia together with their share in Tunisia's exports can be found at 4-digit level in Table A3 5 and at 2-digit level at Table A3 6.** Please note that only the products appearing more than 15 times are selected. The commodities in the related tables are ranked according to their occurrence frequencies. Frequency means that a product occurs for one country after filter 3. There are 25 products which appear frequently at the 4-digit level, in most of the EU Member States and Turkey. Products that are related to agro-food, leather, textile and clothing, and construction materials sectors appear to constitute the majority.

Table A3 5: Most frequently occurring export products of Tunisia (SITC Rev2., 4-digit level)

Product description	Share in Tunisia's exports	Frequency (out of 28)
Other made-up articles of textile materials, nes	0.94 %	21
Minerals, crude, nes	0.04 %	20
Leather of other hides or skins	0.01 %	20
Monocarboxylic acids and their derivatives	0.00 %	18
Rolling mills, rolls therefor, and parts, nes of rolling mills	0.00 %	18
Optical instruments and apparatus	0.00 %	18
Vegetables (excluding leguminous), dried, evaporated, etc	0.06 %	17
Palm oil	0.00 %	17
Other mineral working machinery; and parts thereof, nes	0.02 %	17
Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberized	0.01 %	16
Tube and pipes fittings, of iron or steel	0.04 %	16
Other base metal manufactures, nes; and of cermets	0.00 %	16
Materials of rubber	0.09 %	16
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	0.03 %	16
Gas, liquid control instruments and apparatus, non-electrical	0.25 %	16
Disinfectants, etc, for sale by retail or as preparation	0.00 %	16
Building and monumental (dimension) stone, roughly squared, split	0.09 %	16
Television receivers, colour	2.17 %	15
Structures and parts of, of aluminium; plates, rods, and the like	0.05 %	15
Spices, except pepper and pimento	0.01 %	15
Refined sugar etc	0.00 %	15
Printed matter, nes	0.07 %	15
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	0.01 %	15
Iron or steel wire (excluding wire rod), not insulated	0.11 %	15
Glazes, driers, putty etc	0.03 %	15
Construction materials, of asbestos-cement or fibre-cements, etc	0.01 %	15
Centrifuges	0.04 %	15

219. The consolidation of the identified 4-digit products to 2-digit main sectors facilitates the identification of broader sectoral areas of opportunity. Table A3 2 lists these sectors below: Vegetables and fruit, coffee tea and spices, organic chemicals, professional and scientific instruments, non-metallic minerals (cement, glass etc.) stand out. Particularly, vegetables and fruits should be noted as it has a 2.35 percent share in Egypt's total exports and related to agro-food value chain, which appears to be one of the politically prioritised areas.

Table A3 6: Most frequently occurring export products of Tunisia (SITC Rev2., 2-digit level)

Product description	Share in Tunisia's exports	Frequency
Vegetables and fruit	2.35%	128
Coffee, tea, cocoa, spices, and manufactures thereof	2.13%	78
Organic chemicals	7.76%	69
Professional, scientific, controlling instruments, apparatus, nes	1.30%	54
Non-metallic mineral manufactures, nes	3.25%	48
Iron and steel	0.50%	44
Manufactures of metals, nes	0.03%	42
Machinery specialized for particular industries	1.97%	42
General industrial machinery and equipment, nes, and parts of, nes	0.40%	40

220. The last filter, which is applied among Tunisia and each and every EU Member State and Turkey, is carried out to identify the products whose shares are

declining in the EU Member States and Turkey's exports between 2000 and 2010. The results are presented in a separate graph for each EU Member State and Turkey in the end of this section. In order to give an idea about how results look like for each country, we present the results of one country pair, as an example below. Figure A3 5 below presents the results of the France-Tunisia analysis. Table A3 7 displays all the relevant data that is used in France-Tunisia figure

221. **84 products came out of the filter for France and Tunisia. This means there are 84 products, listed in Table A3 7 where Tunisia gains market share and world shares of these products are increasing, however at the same time France is losing market share in all of these products.** The horizontal axis refers to the share of product in Tunisia's total exports in 2010 and the vertical axis refers to the share of product in Tunisia's total exports in 2010 in Figure A3 5. The products on the upper right part of the graph are labeled as they appear to be the important export products for both countries with high shares in their total exports. For France and Tunisia, the outstanding ones are as follows:

- Medical instruments
- Other sheet and plates of iron or steel, worked
- Cocks valves and similar appliances for pipes, boiler shells, etc
- Precious jewelry, goldsmiths, or silversmith's wares
- Filtering and purifying machinery
- Construction and mining machinery, nes
- Parts, nes of machinery and equipment of headings 72341 to 72346
- Gas, liquid control instruments and apparatus, non-electrical

Figure A3 5: France– Tunisia, 84 products identified

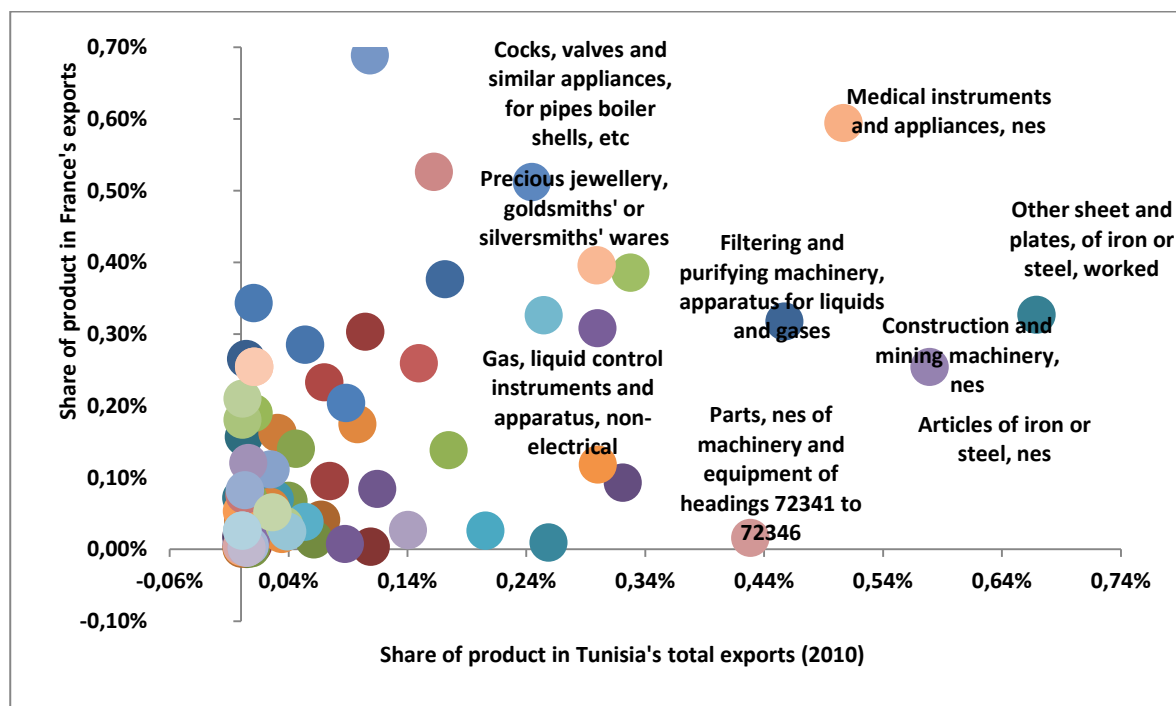


Table A3 7: List of identified commodities for France-Tunisia

Commodity Description	
Acyclic alcohols, and their derivatives	Macaroni, spaghetti and similar products
Agricultural and horticultural machinery for soil preparation, etc	Margarine, imitation lard and other prepared edible fats, nes
Angles, shapes, sections and sheet piling, of iron or steel	Materials of rubber
Articles of iron or steel, nes	Medical instruments and appliances, nes
Auxiliary plant for boilers of heading 7111; condensers	Minerals, crude, nes
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Mixtures of odoriferous substances, used in perfumery, food etc
Bricks, tiles, etc of pressed or moulded glass, used in building	Monocarboxylic acids and their derivatives
Building and monumental (dimension) stone, roughly squared, split	Motors and generators, direct current
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Centrifuges	Natural honey
Cereal grains, worked or prepared, not elsewhere specified	Office machines, nes
Cheese and curd	Optical instruments and apparatus
Chocolate and other preparations containing cocoa, nes	Other base metal manufactures, nes; and of cermets
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other citrus fruits, fresh or dried
Cocoa powder, unsweetened	Other fresh or chilled vegetables
Complete digital data processing machines	Other made-up articles of textile materials, nes
Construction and mining machinery, nes	Other mineral working machinery; and parts thereof, nes
Construction materials, of asbestos-cement or fibre-cements, etc	Other sheet and plates, of iron or steel, worked
Copper and copper alloys, worked	Palm oil
Cycles, not motorised	Parts, nes of machinery and equipment of headings 72341 to 72346
Cyclic hydrocarbons	Parts, nes of pumps and liquids elevators falling in heading 742
Diodes, transistors, photocells, etc	Parts, nes, of rotating electric plant
Disinfectants, etc, for sale by retail or as preparation	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Polyethylene
Electro-medical equipment	Precious jewellery, goldsmiths' or silversmiths' wares
Fatty acids, acid oils, and residues; degreas	Printed matter, nes
Filtering and purifying machinery, apparatus for liquids and gases	Refined sugar etc
Fruit prepared or preserved, nes	Refractory bricks and other refractory construction materials
Fruit, fruit-peel and parts of plants, preserved by sugar	Rolling mills, rolls therefor, and parts, nes of rolling mills
Gas, liquid and electricity supply or production meters; etc	Salts of metallic acids; compounds of precious metals
Gas, liquid control instruments and apparatus, non-electrical	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Glazes, driers, putty etc	Spices, except pepper and pimento
Grapes, fresh or dried	Structures and parts of, of aluminium; plates, rods, and the like
Harvesting and threshing machines; fodder presses, etc; parts nes	Sunflower seeds
Inorganic chemical products, nes	Tea
Iron or steel coils for re-rolling	Television receivers, colour
Iron or steel wire (excluding wire rod), not insulated	Tin and tin alloys, unwrought
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Trailers and transports containers
Knitted, not elastic nor rubberised, of fibres other than synthetic	Tube and pipes fittings, of iron or steel
Lead and lead alloys, worked	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Leather of other hides or skins	Vegetables (excluding leguminous), dried, evaporated, etc
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Wool; expanding or insulating mineral materials, nes

222. **After carrying out the same filters for each EU Member State and Turkey, the products which stand out due to their high shares in the export baskets of the countries are listed in Table A3 8.** These are the products that appear on the upper right hand side of the Figures that list the identified products for each country pair. This indicates that these products have high shares in the exports of both Tunisia and the country in question. The table below lists these products and presents related data on the export value of Tunisia, share in Tunisia's total exports and country of occurrence. Copper alloys worked, cheese and curd, fresh vegetables, polyethylene stand out as products that may display further trilateral investment opportunities in the future, based on our product assessment for Tunisia.

Table A3 8: Most frequently occurring high share export products of Tunisia (SITC Rev2., 4-digit level)

Product description	Tunisia's export value	Share in Tunisia's total exports	Frequency (out of 28)	Country of occurrence
Television receivers, colour	357.091.811	2,17 %	8	Be, Den, Ir, Lu, Por, Sln, Sw, UK
Other made-up articles of textile materials, nes	153.592.227	0,94 %	5	Cz, Es, Hu, Ne, Por
Other made-up articles of textile materials, nes	153.592.227	0,94 %	5	Cz, Es, Hu, Ne, Por
Other sheet and plates, of iron or steel, worked	109.880.146	0,67 %	11	Au, Be, Bu, Fi, Fr, Ge, Gr, Por, Sp, Sw, UK
Articles of iron steel, nes	95.133.750	0,58 %	6	Den, Fr, Ir, It, Lu, UK
Medical instruments and appliances, nes	83.237.721	0,51 %	9	Be, Den, Fr, It, Ma, Por, Sp, Sw, UK
Construction and mining machinery, nes	75.077.530	0,46 %	8	Fr, Ge, It, Sw, UK, Sln, Fi, Be
Parts, nes of machinery and equipment of headings 72341 to 72346	53.796.502	0,33 %	9	Den, Fi, Fr, Ge, Hu, It, Ma, Sln, Sp
Trailers and transports containers	52.738.259	0,32 %	5	Au, Cz, Ge, Hu, Sln
Precious jewellery, goldsmiths' or silversmiths' wares	49.123.296	0,30 %	6	Cy, Es, Fr, Ge, Gr, Ma
Gas, liquid control instruments and apparatus, non-electrical	41.805.912	0,25 %	6	Fr, Gr, Ir, It, Lu, Ne
Cocks, valves and similar appliances, for pipes boiler shells, etc	40.168.011	0,24 %	7	Fr, Gr, Ir, Lu, Ne, Sln, Sp

A3.3. Detailed Results for Egypt – tables and figures for country pairs

Figure A3 6: Austria – Egypt, 38 products identified

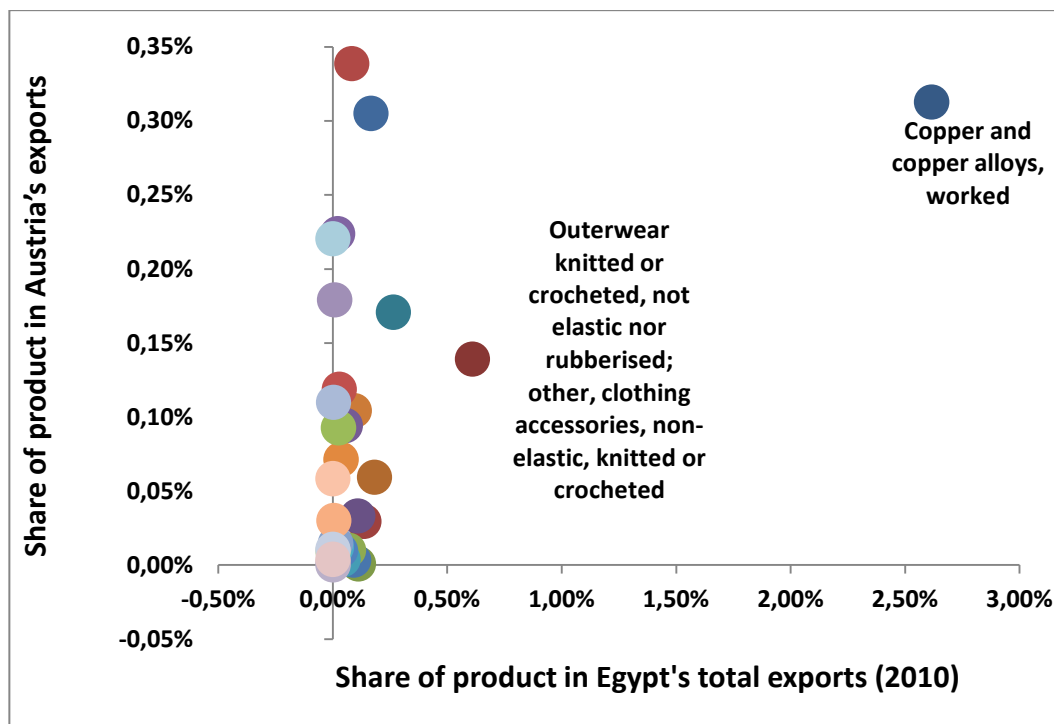
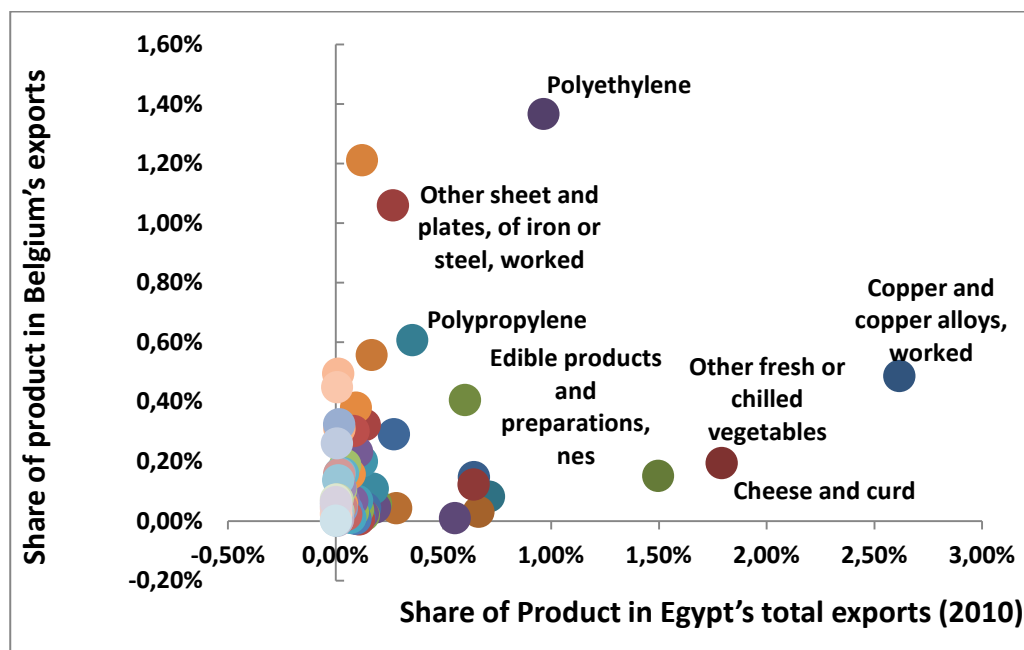
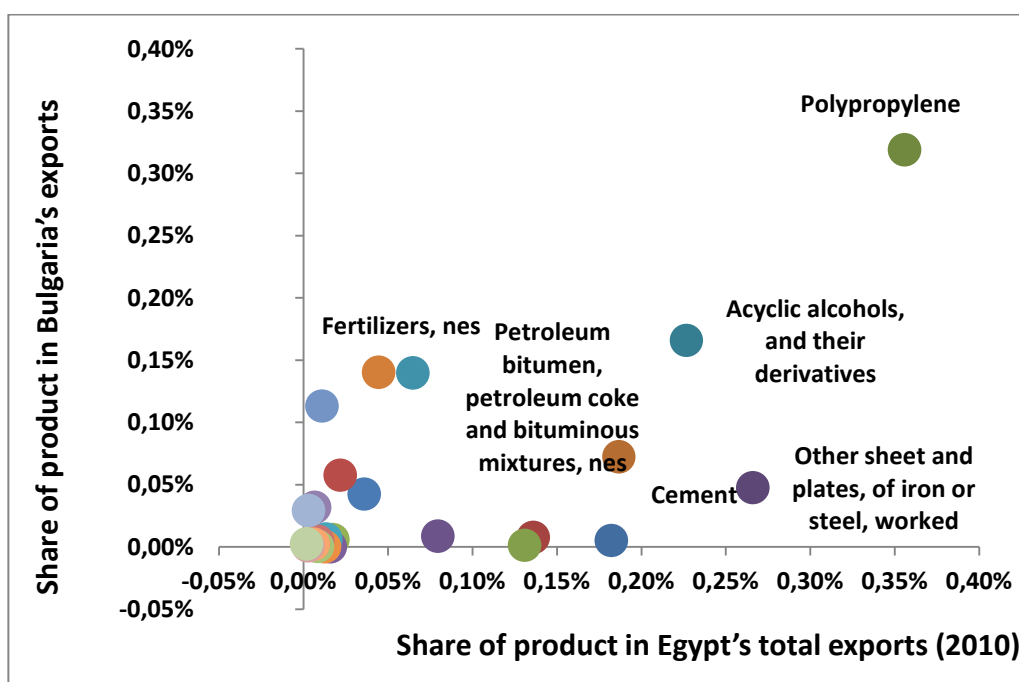


Table A3 9: List of identified commodities for Austria-Egypt

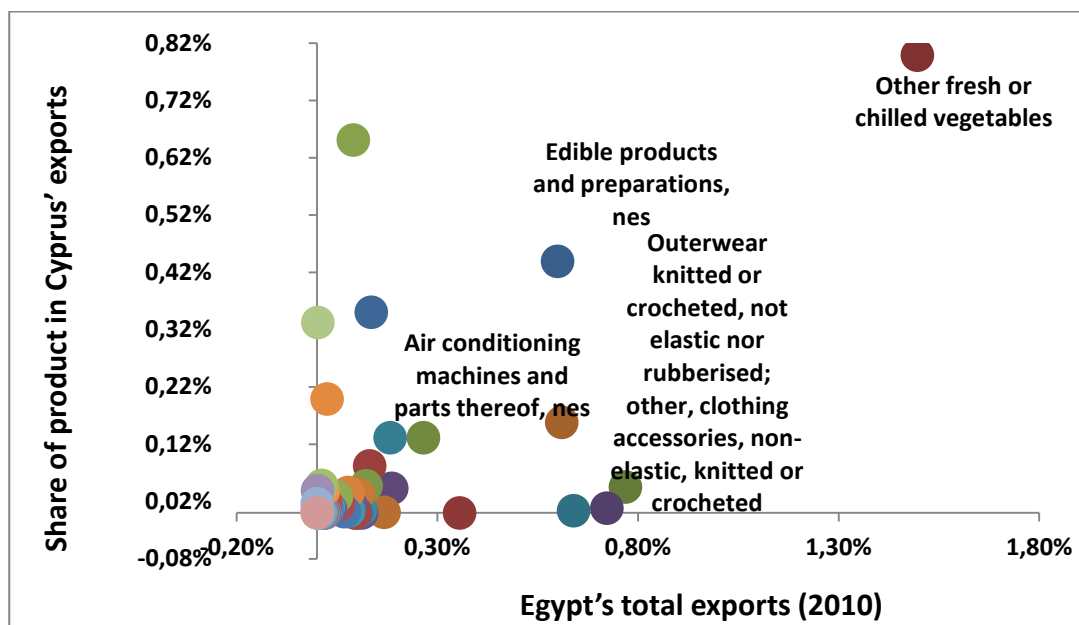
Commodity Description	
Air conditioning machines and parts thereof, nes	Orthopaedic appliances, hearing aids, artificial parts of the body
Articles of apparel, clothing accessories of plastic or rubber	Other condensation, polycondensation or polyaddition products
Base metal indoors sanitary ware, and parts thereof, nes	Other sheet and plates, of iron or steel, worked
Blooms, billets, slabs and sheet bars, of iron or steel	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Butter	Palm oil
Chocolate and other preparations containing cocoa, nes	Parts, nes of machinery and equipment of headings 72341 to 72346
Copper and copper alloys, worked	Polyamides
Construction and mining machinery, nes	Printed matter, nes
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Fruit prepared or preserved, nes	Ships, boats and other vessels
Gas, liquid and electricity supply or production meters; etc	Slag, scalings, dross and similar waste, nes
Hand tools, used in agriculture, horticulture or forestry	Soya bean oil
Lifting, handling, loading machinery, telphers and conveyors	Special products of textile materials
Milk and cream fresh, not concentrated or sweetened	Structures and parts of, of aluminium; plates, rods, and the like
Minerals, crude, nes	Structures and parts of, of iron, steel; plates, rods, and the like
Mixtures of odorous substances, used in perfumery, food etc	Tugs, special purpose vessels and floating structures
Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper	Waxes of animal or vegetable origin
Organic chemical products, nes	Wool; expanding or insulating mineral materials, nes

Figure A3 7: Belgium– Egypt, 38 products identified**Table A3 10: List of identified commodities for Belgium-Egypt**

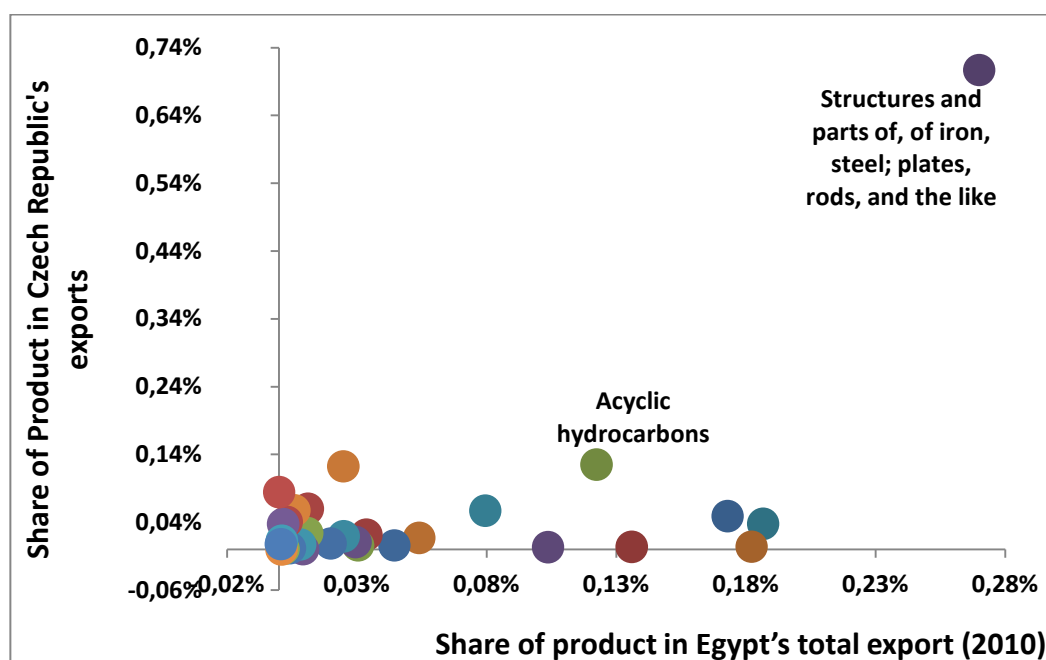
Commodity Description	
Acyclic hydrocarbons	Mixtures of odoriferous substances, used in perfumery, food etc
Animals oils, fats and greases, nes	Oilcake and other residues (except dregs)
Articles of iron or steel, nes	Other fresh or chilled vegetables
Base metal indoors sanitary ware, and parts thereof, nes	Other polymerisation and copolymerisation products
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other sheet and plates, of iron or steel, worked
Cement	Palm oil
Cheese and curd	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Chocolate and other preparations containing cocoa, nes	Polyamides
Coffee extracts, essences or concentrates	Polyethylene
Copper and copper alloys, worked	Polypropylene
Domestic refrigerators and freezers	Printed matter, nes
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Refined sugar etc
Edible products and preparations, nes	Soya bean oil
Food waste and prepared animal feed, nes	Structures and parts of, of iron, steel; plates, rods, and the like
Fruit prepared or preserved, nes	Sugars, beet and cane, raw, solid
Gas, liquid and electricity supply or production meters; etc	Sunflower seed oil
Macaroni, spaghetti and similar products	Tomatoes, fresh or chilled
Milk and cream fresh, not concentrated or sweetened	Wire rod of iron or steel
Minerals, crude, nes	Woods and resin-based chemical products

Figure A3 8: Bulgaria– Egypt, 27 products identified**Table A3 11: List of commodities for Bulgaria-Egypt**

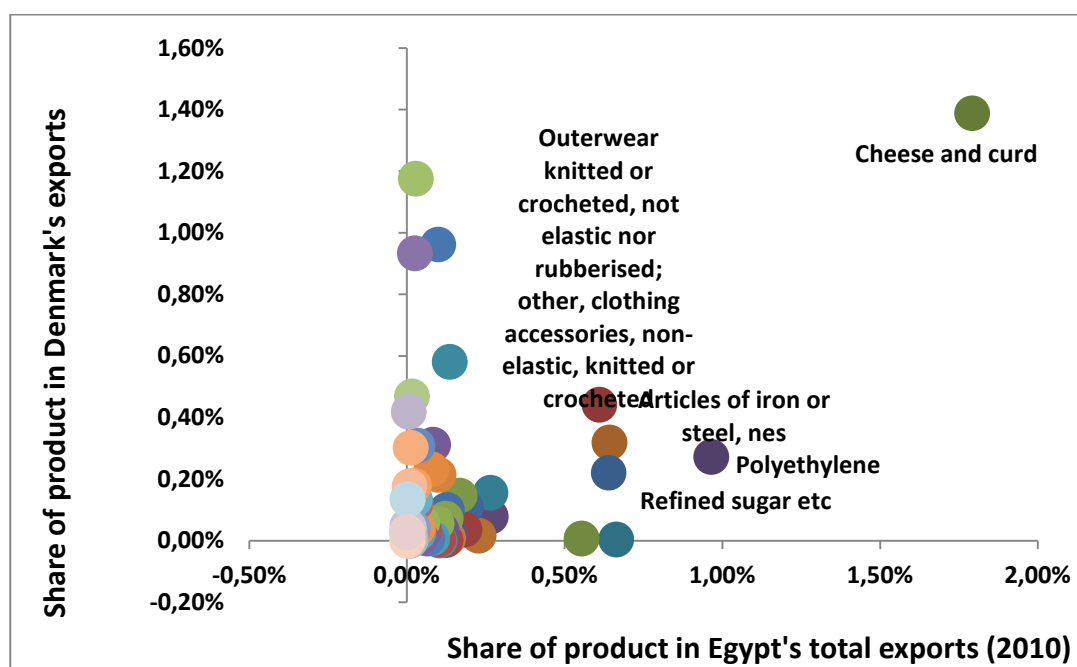
Commodity Description	
Acyclic alcohols, and their derivatives	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Air pumps, vacuum pumps and air or gas compressors	Nuts edible, fresh or dried
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Other condensation, polycondensation or polyaddition products
Blooms, billets, slabs and sheet bars, of iron or steel	Other nitrogen-function compounds
Briquettes, ovoids, from coal, lignite or peat	Other sheet and plates, of iron or steel, worked
Cement	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Coffee extracts, essences or concentrates	Polyethylene
Copper and copper alloys, refined or not, unwrought	Polypropylene
Fertilisers, nes	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fibre building board of wood or other vegetable material	Slag, scalings, dross and similar waste, nes
Internal combustion piston engines, nes	Tugs, special purpose vessels and floating structures
Macaroni, spaghetti and similar products	Wire, cables, cordage, ropes, plaited bans, sling and the like
Minerals, crude, nes	Woods and resin-based chemical products
Mixtures of odoriferous substances, used in perfumery, food etc	

Figure A3 9: Cyprus– Egypt, 38 products identified**Table A3 12: List of commodities for Cyprus-Egypt**

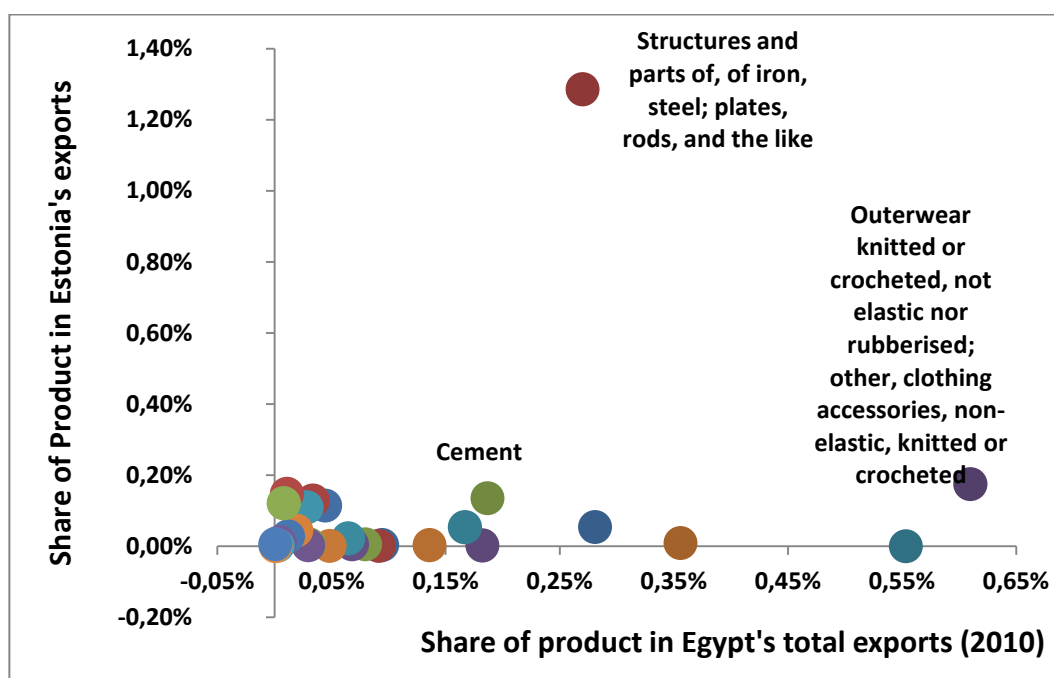
Commodity Description	
Air conditioning machines and parts thereof, nes	Minerals, crude, nes
Animals oils, fats and greases, nes	Miscellaneous articles of base metal
Base metal indoors sanitary ware, and parts thereof, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Butter	Other citrus fruits, fresh or dried
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other condensation, polycondensation or polyaddition products
Cement	Other fresh or chilled vegetables
Chocolate and other preparations containing cocoa, nes	Other polymerisation and copolymerisation products
Coffee extracts, essences or concentrates	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Copper and copper alloys, worked	Polyamides
Edible products and preparations, nes	Polypropylene
Food waste and prepared animal feed, nes	Printed matter, nes
Fruit prepared or preserved, nes	Refined sugar etc
Fruit, fresh or dried, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Gas, liquid and electricity supply or production meters; etc	Ships, boats and other vessels
Grapes, fresh or dried	Soya bean oil
Lifting, handling, loading machinery, telphers and conveyors	Starches, insulin and wheat gluten
Macaroni, spaghetti and similar products	Sunflower seed oil
Manufactures of mineral materials, nes (other than ceramic)	Tomatoes, fresh or chilled
Materials of rubber	Wire, cables, cordage, ropes, plaited bans, sling and the like

Figure A3 10: Czech Republic – Egypt, 32 products identified**Table A3 13: List of commodities for Czech Republic-Egypt**

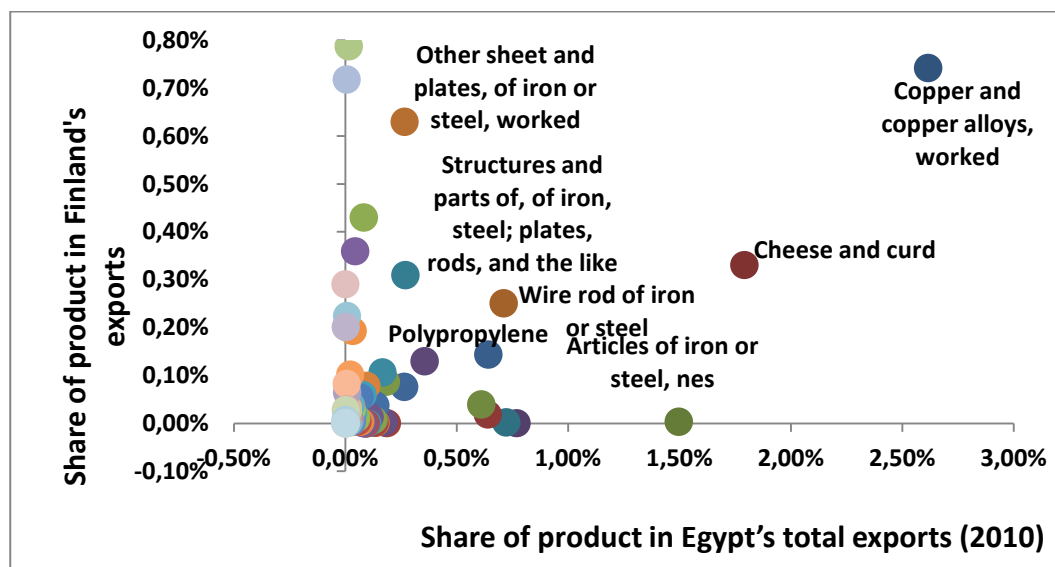
Commodity Description	
Acyclic hydrocarbons	Oilcake and other residues (except dregs)
Aminoplasts	Other cereal meals and flour
Apples, fresh	Other nitrogen-function compounds
Articles of apparel, clothing accessories of plastic or rubber	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Briquettes, ovoids, from coal, lignite or peat	Rape and colza seeds
Butter	Reclaimed rubber, waste, scrap of unhardened rubber
Cement	Rolling mills, rolls therefor, and parts, nes of rolling mills
Coffee extracts, essences or concentrates	Ships, boats and other vessels
Fatty acids, acid oils, and residues; degreas	Special purpose motor lorries and vans
Fertilisers, nes	Starches, insulin and wheat gluten
Fibre building board of wood or other vegetable material	Structures and parts of, of iron, steel; plates, rods, and the like
Fruit prepared or preserved, nes	Sugars, beet and cane, raw, solid
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Sunflower seed oil
Manufactures of mineral materials, nes (other than ceramic)	Tugs, special purpose vessels and floating structures
Minerals, crude, nes	Waxes of animal or vegetable origin
Mixtures of odoriferous substances, used in perfumery, food etc	Woods and resin-based chemical products

Figure A3 11: Denmark– Egypt, 68 products identified**Table A3 14: List of commodities for Denmark-Egypt**

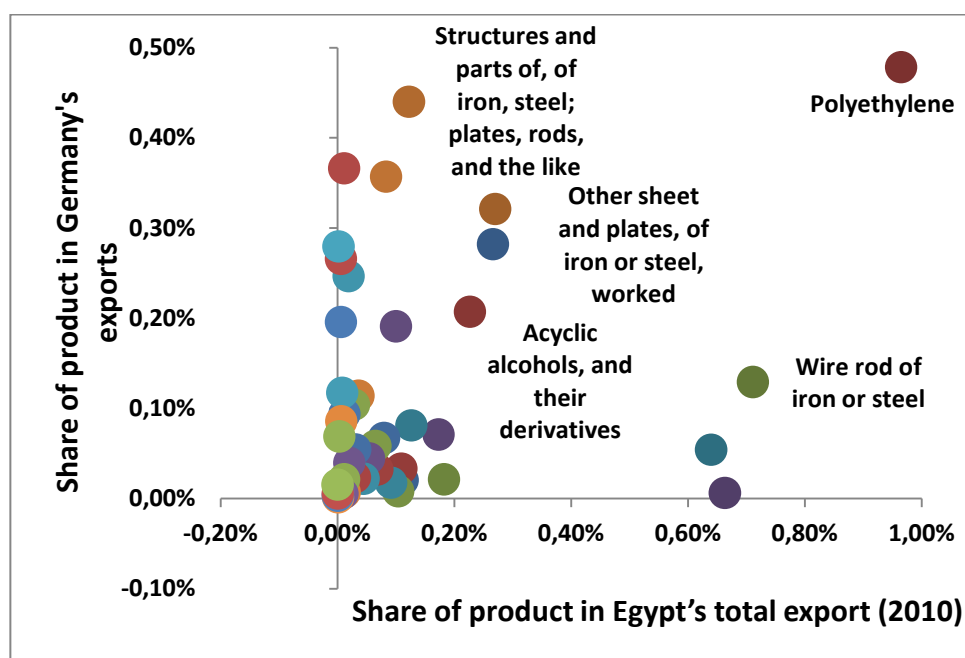
Commodity Description	
Acyclic alcohols, and their derivatives	Mixtures of odoriferous substances, used in perfumery, food etc
Acyclic hydrocarbons	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Air conditioning machines and parts thereof, nes	Nuts edible, fresh or dried
Animals oils, fats and greases, nes	Organic chemical products, nes
Articles of apparel, clothing accessories of plastic or rubber	Orthopaedic appliances, hearing aids, artificial parts of the body
Articles of iron or steel, nes	Other cereal meals and flour
Base metal indoors sanitary ware, and parts thereof, nes	Other condensation, polycondensation or polyaddition products
Blooms, billets, slabs and sheet bars, of iron or steel	Other nitrogen-function compounds
Briquettes, ovoids, from coal, lignite or peat	Other polymerisation and copolymerisation products
Butter	Other sheet and plates, of iron or steel, worked
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Cement	Parts, nes of machinery and equipment of headings 72341 to 72346
Cereal grains, worked or prepared, not elsewhere specified	Parts, nes of the pumps and compressor falling within heading 7431
Cheese and curd	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Chocolate and other preparations containing cocoa, nes	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Coffee extracts, essences or concentrates	Polyamides
Copper and copper alloys, refined or not, unwrought	Polyethylene
Copper and copper alloys, worked	Printed matter, nes
Domestic refrigerators and freezers	Railway track fixtures, and fittings, etc, parts nes of heading 791
Fertilisers, nes	Rape and colza seeds
Fibre building board of wood or other vegetable material	Refined sugar etc
Food waste and prepared animal feed, nes	Rice in the husk or husked, but not farther prepared
Fruit prepared or preserved, nes	Rolling mills, rolls therefor, and parts, nes of rolling mills
Internal combustion piston engines, nes	Ships, boats and other vessels
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Slag, scalings, dross and similar waste, nes
Lifting, handling, loading machinery, telfers and conveyors	Structures and parts of, of aluminium; plates, rods, and the like
Macaroni, spaghetti and similar products	Sugars, beet and cane, raw, solid
Malt extract; cereals preparations with less 50% of cocoa	Sunflower seed oil
Manufactures of mineral materials, nes (other than ceramic)	Tomatoes, fresh or chilled
Materials of rubber	Tugs, special purpose vessels and floating structures
Medical instruments and appliances, nes	Waxes of animal or vegetable origin
Milk and cream fresh, not concentrated or sweetened	Wire, cables, cordage, ropes, plaited bans, sling and the like
Minerals, crude, nes	Woods and resin-based chemical products
Miscellaneous articles of base metal	Wool; expanding or insulating mineral materials, nes

Figure A3 12: Estonia-Egypt, 31 products identified**Table A3 15: List of commodities for Estonia-Egypt**

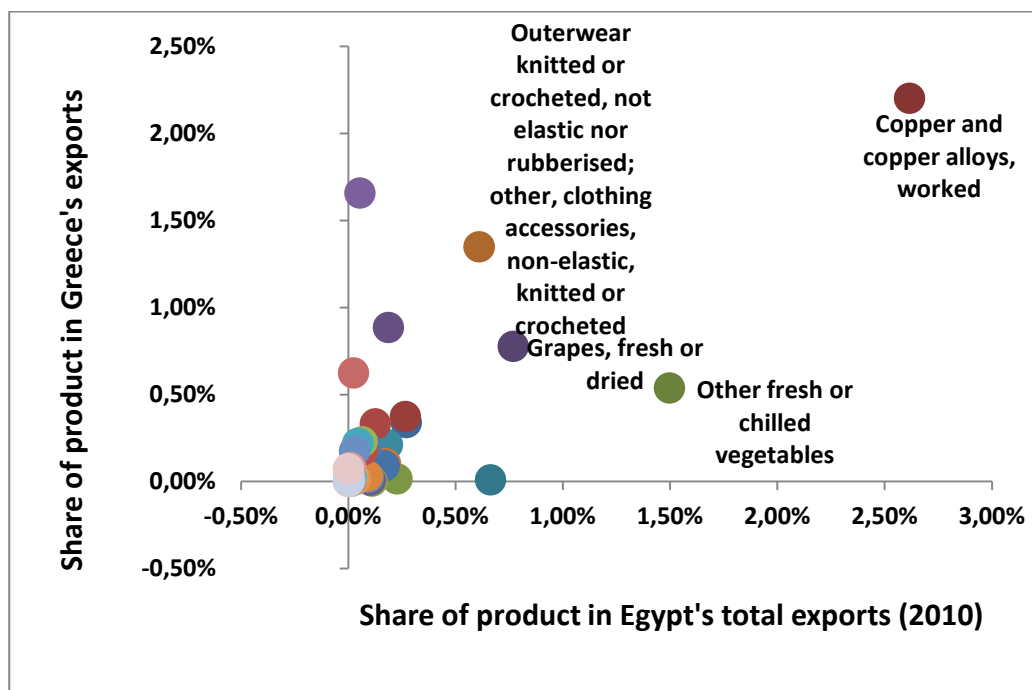
Commodity Description	
Aminoplasts	Mixtures of odoriferous substances, used in perfumery, food etc
Animals oils, fats and greases, nes	Orthopaedic appliances, hearing aids, artificial parts of the body
Articles of apparel, clothing accessories of plastic or rubber	Other fresh or chilled vegetables
Butter	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Cement	Palm oil
Chocolate and other preparations containing cocoa, nes	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Coffee extracts, essences or concentrates	Polyamides
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Polypropylene
Fatty acids, acid oils, and residues; degreas	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Structures and parts of, of aluminium; plates, rods, and the like
Fibre building board of wood or other vegetable material	Structures and parts of, of iron, steel; plates, rods, and the like
Gas, liquid and electricity supply or production meters; etc	Sugars, beet and cane, raw, solid
Grapes, fresh or dried	Waxes of animal or vegetable origin
Malt extract; cereals preparations with less 50% of cocoa	Wire rod of iron or steel
Materials of rubber	Wool; expanding or insulating mineral materials, nes
Minerals, crude, nes	

Figure A3 13: Finland – Egypt, 65 products identified**Table A3 16: List of commodities for Finland-Egypt**

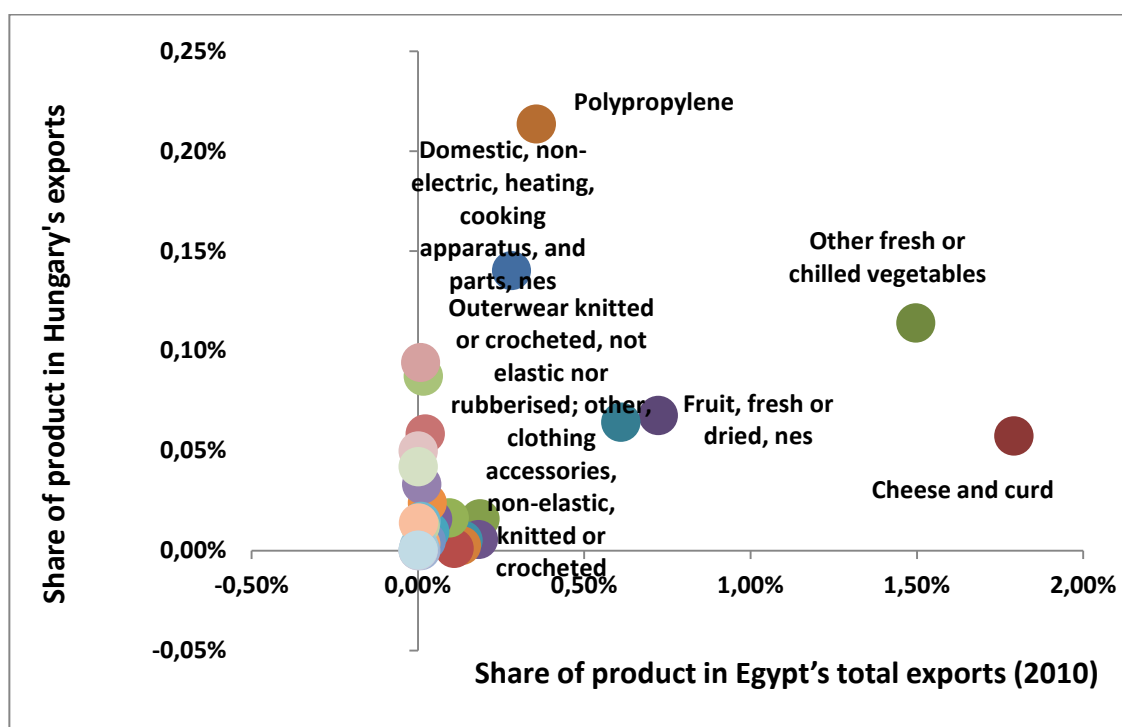
Commodity Description	
Air conditioning machines and parts thereof, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Aminoplasts	Oilcake and other residues (except dregs)
Animals oils, fats and greases, nes	Organic chemical products, nes
Apples, fresh	Orthopaedic appliances, hearing aids, artificial parts of the body
Articles of iron or steel, nes	Other citrus fruits, fresh or dried
Base metal indoors sanitary ware, and parts thereof, nes	Other condensation, polycodensation or polyaddition products
Bricks, tiles, etc of pressed or moulded glass, used in building	Other electric power machinery, parts, nes
Butter	Other fresh or chilled vegetables
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other nitrogen-function compounds
Cement	Other sheet and plates, of iron or steel, worked
Cereal grains, worked or prepared, not elsewhere specified	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Cheese and curd	Palm oil
Chocolate and other preparations containing cocoa, nes	Parts, nes of machinery and equipment of headings 72341 to 72346
Coffee extracts, essences or concentrates	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Construction and mining machinery, nes	Polyamides
Copper and copper alloys, worked	Polypropylene
Domestic refrigerators and freezers	Printed matter, nes
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Rape and colza seeds
Fertilisers, nes	Refined sugar etc
Fibre building board of wood or other vegetable material	Ships, boats and other vessels
Food waste and prepared animal feed, nes	Slag, scalings, dross and similar waste, nes
Fruit prepared or preserved, nes	Special purpose motor lorries and vans
Fruit, fresh or dried, nes	Starches, insulin and wheat gluten
Gas, liquid and electricity supply or production meters; etc	Structures and parts of, of aluminium; plates, rods, and the like
Gas, liquid control instruments and apparatus, non-electrical	Structures and parts of, of iron, steel; plates, rods, and the like
Grapes, fresh or dried	Tomatoes, fresh or chilled
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Tugs, special purpose vessels and floating structures
Lifting, handling, loading machinery, telphers and conveyors	Waxes of animal or vegetable origin
Macaroni, spaghetti and similar products	Wire rod of iron or steel
Malt extract; cereals preparations with less 50% of cocoa	Wire, cables, cordage, ropes, plaited bans, sling and the like
Manufactures of mineral materials, nes (other than ceramic)	Wool; expanding or insulating mineral materials, nes
Minerals, crude, nes	Miscellaneous articles of base metal
Mixtures of odoriferous substances, used in perfumery, food etc	

Figure A3 14: Germany– Egypt, 45 products identified**Table A3 17: List of commodities for Germany-Egypt**

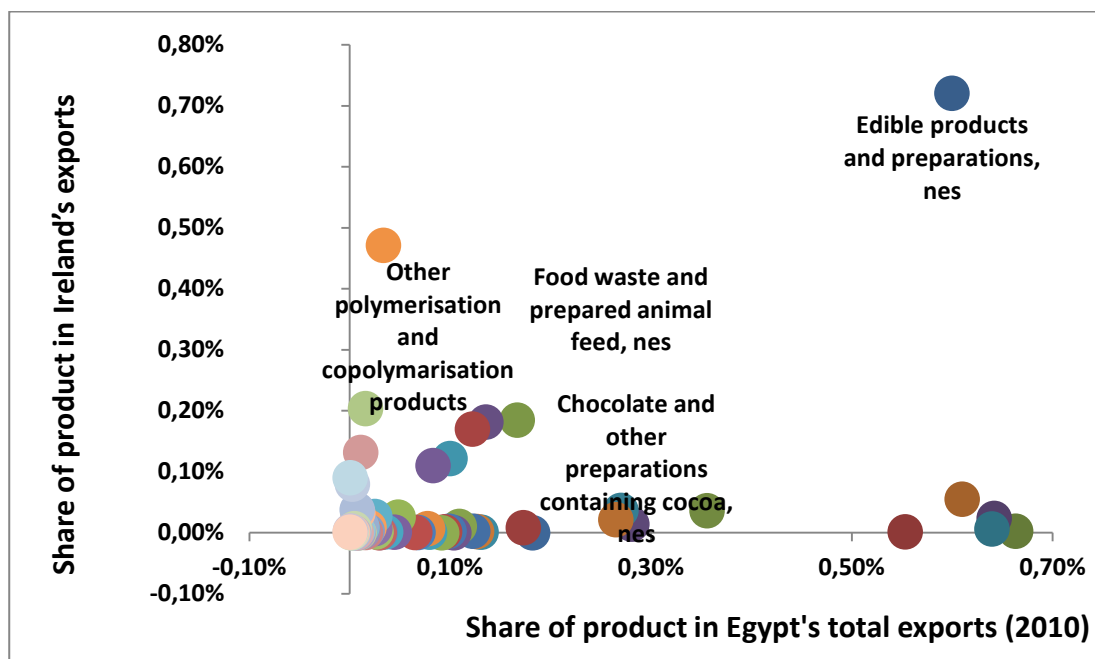
Commodity Description	
Acyclic alcohols, and their derivatives	Other polymerisation and copolymerisation products
Aminoplasts	Other sheet and plates, of iron or steel, worked
Base metal indoors sanitary ware, and parts thereof, nes	Palm oil
Blooms, billets, slabs and sheet bars, of iron or steel	Parts, nes of machinery and equipment of headings 72341 to 72346
Bricks, tiles, etc of pressed or moulded glass, used in building	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Briquettes, ovoids, from coal, lignite or peat	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Coffee extracts, essences or concentrates	Polyethylene
Construction and mining machinery, nes	Printed matter, nes
Copper and copper alloys, refined or not, unwrought	Rape and colza seeds
Domestic refrigerators and freezers	Refined sugar etc
Fatty acids, acid oils, and residues; degreas	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Slag, scalings, dross and similar waste, nes
Fruit prepared or preserved, nes	Soya bean oil
Gas, liquid and electricity supply or production meters; etc	Special purpose motor lorries and vans
Hand tools, used in agriculture, horticulture or forestry	Starches, insulin and wheat gluten
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Structures and parts of, of aluminium; plates, rods, and the like
Malt extract; cereals preparations with less 50% of cocoa	Structures and parts of, of iron, steel; plates, rods, and the like
Materials of rubber	Sunflower seed oil
Milk and cream fresh, not concentrated or sweetened	Tugs, special purpose vessels and floating structures
Minerals, crude, nes	Waxes of animal or vegetable origin
Miscellaneous articles of base metal	Wire rod of iron or steel
Oilcake and other residues (except dregs)	Woods and resin-based chemical products
Other nitrogen-function compounds	

Figure A3 15: Greece– Egypt, 44 products identified**Table A3 18: List of commodities for Greece-Egypt**

Commodity Description	
Acyclic alcohols, and their derivatives	Other fresh or chilled vegetables
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Other nitrogen-function compounds
Briquettes, ovoids, from coal, lignite or peat	Other sheet and plates, of iron or steel, worked
Cement	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Cereal grains, worked or prepared, not elsewhere specified	Parts, nes of the pumps and compressor falling within heading 7431
Chocolate and other preparations containing cocoa, nes	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Construction and mining machinery, nes	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Copper and copper alloys, worked	Polyamides
Domestic refrigerators and freezers	Printed matter, nes
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Railway track fixtures, and fittings, etc, parts nes of heading 791
Fertilisers, nes	Rice in the husk or husked, but not farther prepared
Fruit prepared or preserved, nes	Rolling mills, rolls therefor, and parts, nes of rolling mills
Gas, liquid and electricity supply or production meters; etc	Ships, boats and other vessels
Grapes, fresh or dried	Slag, scalings, dross and similar waste, nes
Internal combustion piston engines, nes	Soya bean oil
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Special purpose motor lorries and vans
Materials of rubber	Structures and parts of, of iron, steel; plates, rods, and the like
Minerals, crude, nes	Sunflower seed oil
Miscellaneous articles of base metal	Tugs, special purpose vessels and floating structures
Oilcake and other residues (except dregs)	Waxes of animal or vegetable origin
Other citrus fruits, fresh or dried	Wire, cables, cordage, ropes, plaited bans, sling and the like
Other electric power machinery, parts, nes	Woods and resin-based chemical products

Figure A3 16: Hungary – Egypt, 35 products identified**Table A3 19: List of commodities for Hungary-Egypt**

Commodity Description	
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Minerals, crude, nes
Articles of apparel, clothing accessories of plastic or rubber	Mixtures of odoriferous substances, used in perfumery, food etc
Base metal indoors sanitary ware, and parts thereof, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Blooms, billets, slabs and sheet bars, of iron or steel	Nuts edible, fresh or dried
Bricks, tiles, etc of pressed or moulded glass, used in building	Orthopaedic appliances, hearing aids, artificial parts of the body
Briquettes, ovoids, from coal, lignite or peat	Other cereal meals and flour
Cement	Other fresh or chilled vegetables
Cheese and curd	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Copper and copper alloys, worked	Parts, nes of machinery and equipment of headings 72341 to 72346
Domestic refrigerators and freezers	Polyamides
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Polypropylene
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Ships, boats and other vessels
Fruit, fresh or dried, nes	Special purpose motor lorries and vans
Hand tools, used in agriculture, horticulture or forestry	Structures and parts of, of aluminium; plates, rods, and the like
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Structures and parts of, of iron, steel; plates, rods, and the like
Lifting, handling, loading machinery, telphers and conveyors	Waxes of animal or vegetable origin
Macaroni, spaghetti and similar products	

Figure A3 17: Ireland – Egypt, 66 products identified**Table A3 20: List of commodities for Ireland-Egypt**

Commodity Description	
Acyclic hydrocarbons	Manufactures of mineral materials, nes (other than ceramic)
Air conditioning machines and parts thereof, nes	Materials of rubber
Air pumps, vacuum pumps and air or gas compressors	Medical instruments and appliances, nes
Aminoplasts	Milk and cream fresh, not concentrated or sweetened
Animals oils, fats and greases, nes	Minerals, crude, nes
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Oilcake and other residues (except dregs)
Articles of apparel, clothing accessories of plastic or rubber	Organic chemical products, nes
Articles of iron or steel, nes	Other cereal meals and flour
Base metal indoors sanitary ware, and parts thereof, nes	Other condensation, polycondensation or polyaddition products
Blooms, billets, slabs and sheet bars, of iron or steel	Other electric power machinery, parts, nes
Briquettes, ovoids, from coal, lignite or peat	Other fresh or chilled vegetables
Butter	Other polymerisation and copolymerisation products
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Chocolate and other preparations containing cocoa, nes	Palm oil
Coffee extracts, essences or concentrates	Parts, nes of the pumps and compressor falling within heading 7431
Copper and copper alloys, refined or not, unwrought	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Copper and copper alloys, worked	Polyamides
Domestic refrigerators and freezers	Polypropylene
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Printed matter, nes
Edible products and preparations, nes	Pulpwood (including chips and wood waste)
Fatty acids, acid oils, and residues; degreas	Reclaimed rubber, waste, scrap of unhardened rubber
Fertilisers, nes	Refined sugar etc
Fibre building board of wood or other vegetable material	Rolling mills, rolls therefor, and parts, nes of rolling mills
Food waste and prepared animal feed, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Gas, liquid and electricity supply or production meters; etc	Ships, boats and other vessels
Gas, liquid control instruments and apparatus, non-electrical	Structures and parts of, of aluminium; plates, rods, and the like
Hand tools, used in agriculture, horticulture or forestry	Structures and parts of, of iron, steel; plates, rods, and the like
Internal combustion piston engines, nes	Sugars, beet and cane, raw, solid
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Sunflower seed oil
Lifting, handling, loading machinery, telfers and conveyors	Tomatoes, fresh or chilled
Macaroni, spaghetti and similar products	Tugs, special purpose vessels and floating structures
Malt extract; cereals preparations with less 50% of cocoa	Wire, cables, cordage, ropes, plaited bans, sling and the like

Figure A3 18: Italy– Egypt, 38 products identified

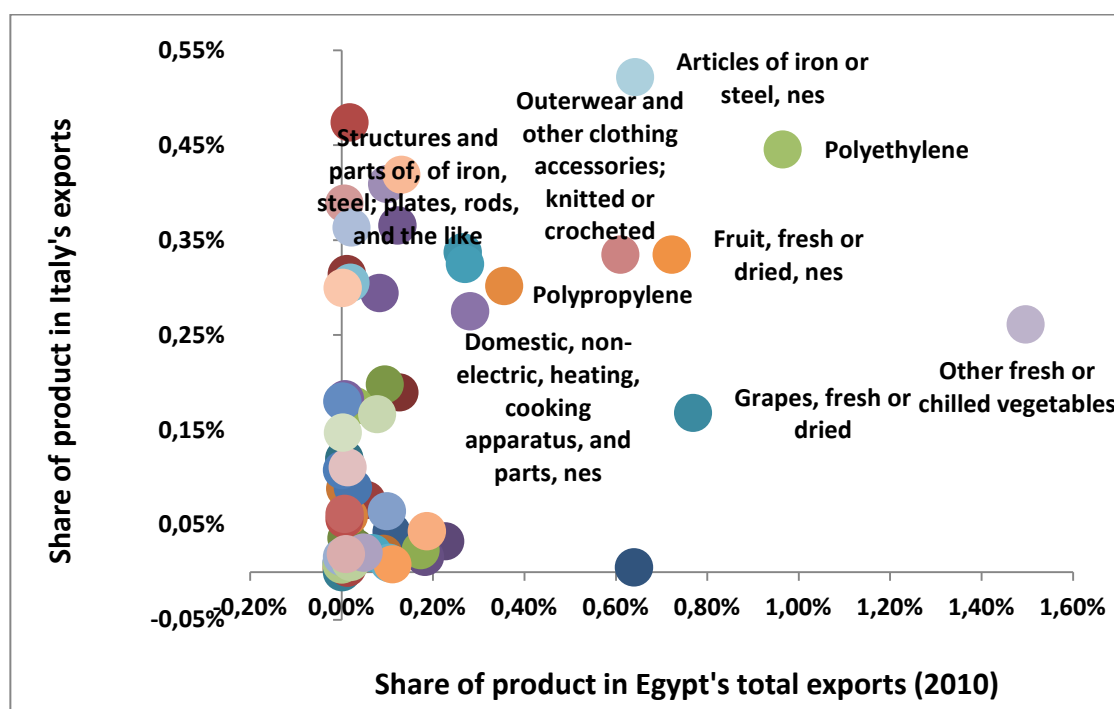
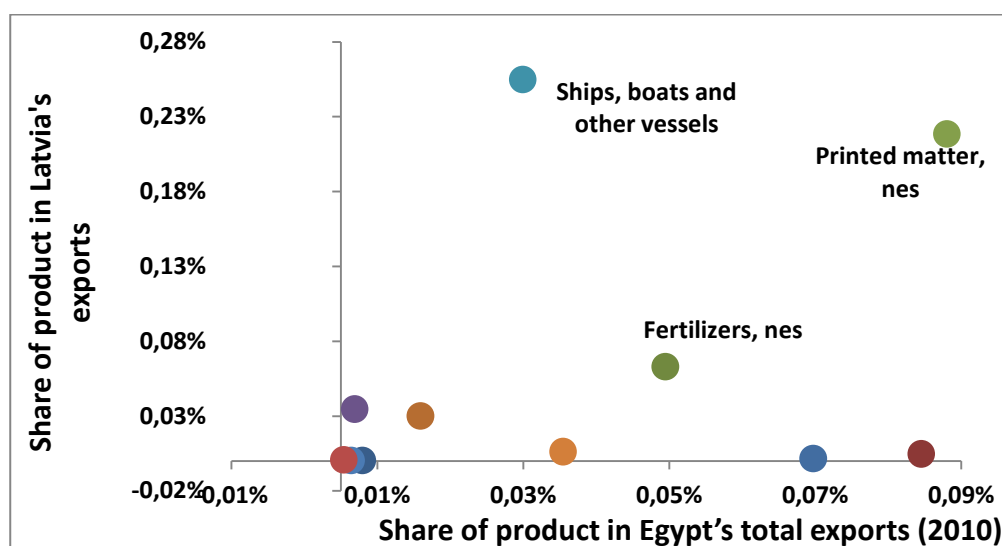
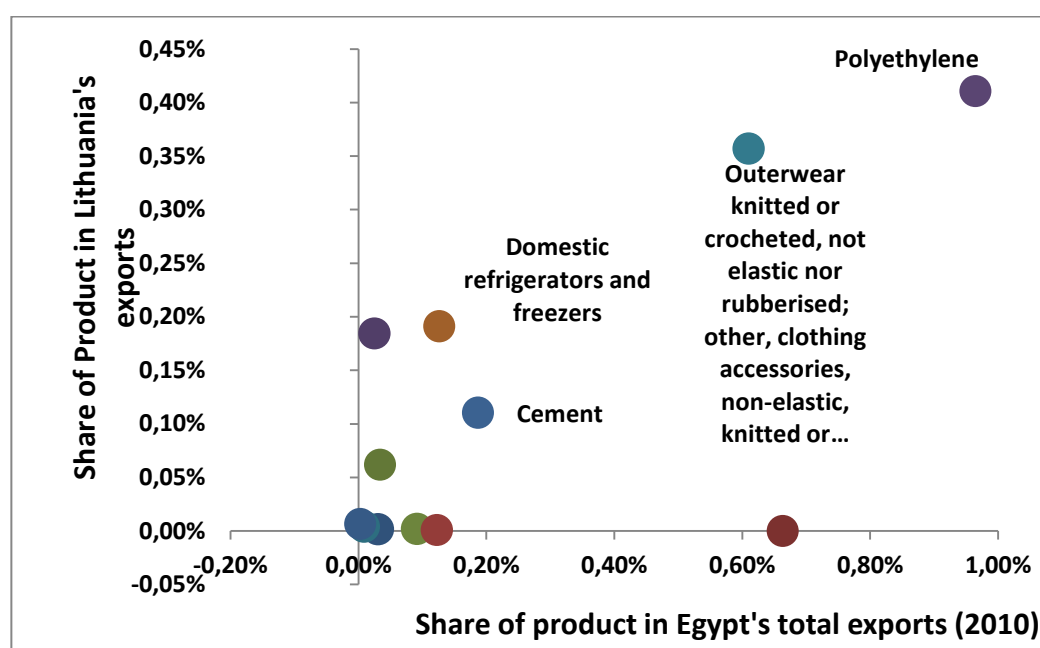


Table A3 21: List of commodities for Italy-Egypt

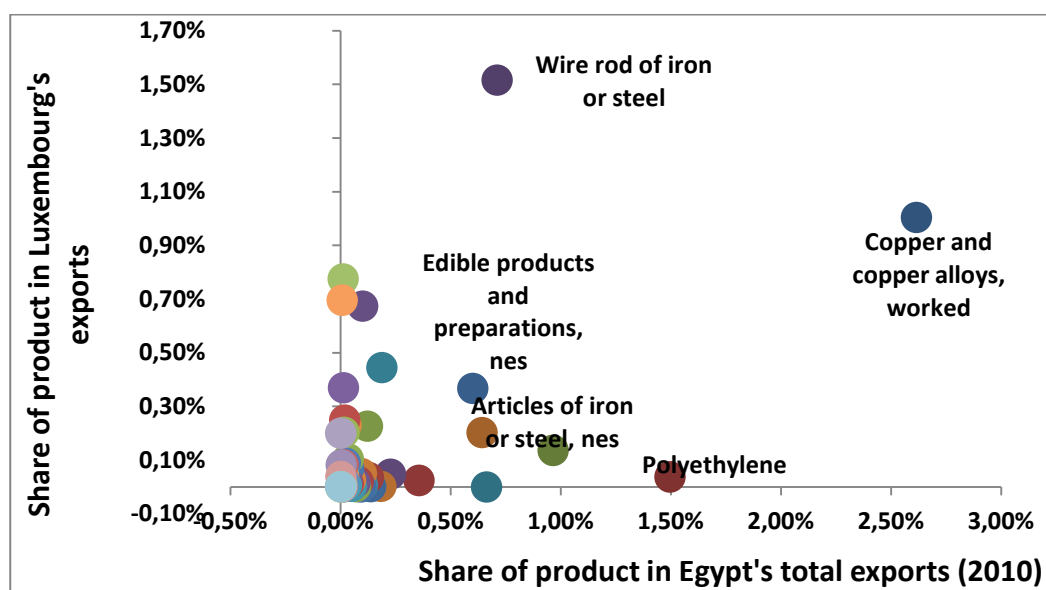
Commodity Description	
Acyclic alcohols, and their derivatives	Miscellaneous articles of base metal
Air conditioning machines and parts thereof, nes	Nuts edible, fresh or dried
Air pumps, vacuum pumps and air or gas compressors	Oilcake and other residues (except dregs)
Aminoplasts	Other condensation, polycondensation or polyaddition products
Base metal indoors sanitary ware, and parts thereof, nes	Other nitrogen-function compounds
Construction and mining machinery, nes	Other polymerisation and copolymerisation products
Copper and copper alloys, refined or not, unwrought	Palm oil
Domestic refrigerators and freezers	Polyamides
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Polypropylene
Fatty acids, acid oils, and residues; degreas	Printed matter, nes
Fibre building board of wood or other vegetable material	Refined sugar etc
Fruit prepared or preserved, nes	Ships, boats and other vessels
Fruit, fresh or dried, nes	Slag, scalings, dross and similar waste, nes
Gas, liquid and electricity supply or production meters; etc	Special products of textile materials
Gas, liquid control instruments and apparatus, non-electrical	Special purpose motor lorries and vans
Grapes, fresh or dried	Structures and parts of, of aluminium; plates, rods, and the like
Hand tools, used in agriculture, horticulture or forestry	Structures and parts of, of iron, steel; plates, rods, and the like
Manufactures of mineral materials, nes (other than ceramic)	Waxes of animal or vegetable origin
Minerals, crude, nes	Wool; expanding or insulating mineral materials, nes

Figure A3 19: Latvia – Egypt, 14 products identified**Table A3 22: List of commodities for Latvia-Egypt**

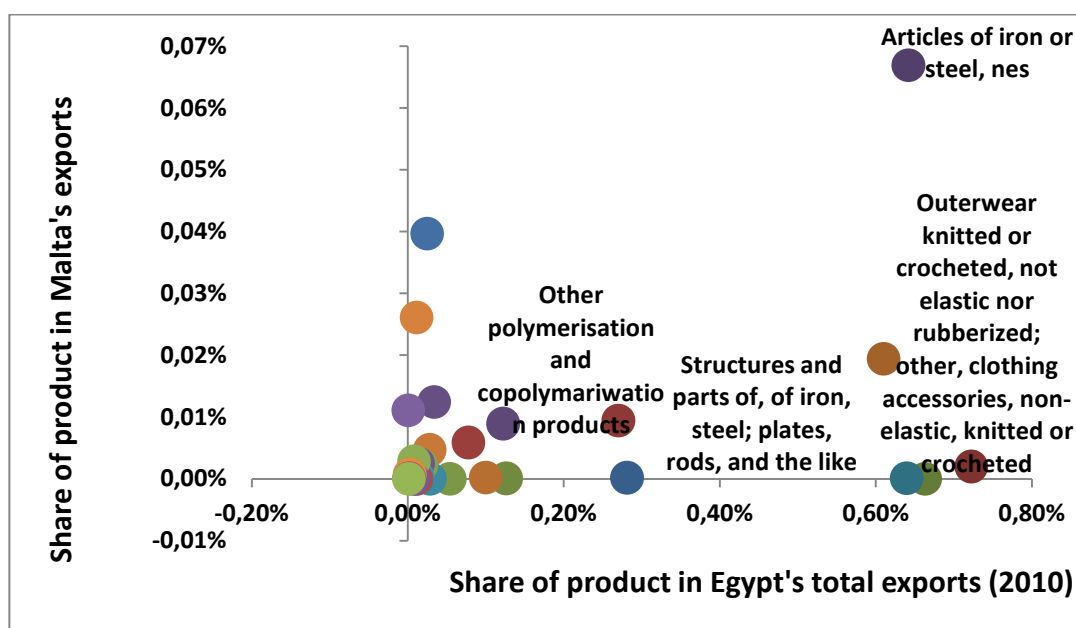
Commodity Description	
Aminoplasts	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Bricks, tiles, etc of pressed or moulded glass, used in building	Polyamides
Coffee extracts, essences or concentrates	Printed matter, nes
Fertilisers, nes	Refined sugar etc
Fibre building board of wood or other vegetable material	Rolling mills, rolls therefor, and parts, nes of rolling mills
Organic chemical products, nes	Ships, boats and other vessels
Palm oil	Steel and iron forging and stampings, in the rough state

Figure A3 20: Lithuania– Egypt, 14 products identified**Table A3 23: List of commodities for Lithuania-Egypt**

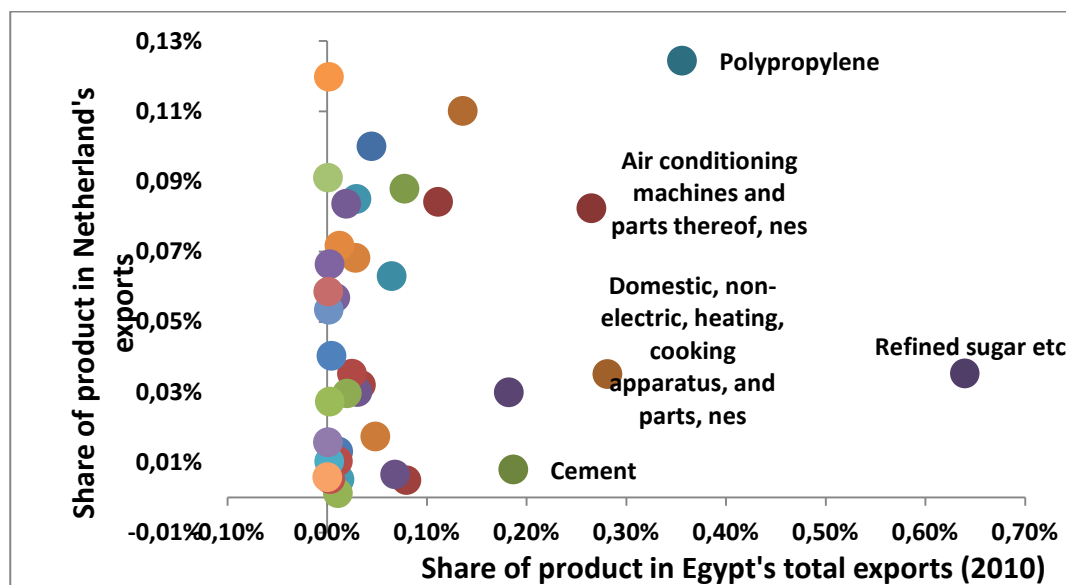
Commodity Description	
Acyclic hydrocarbons	Internal combustion piston engines, nes
Aminoplasts	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Palm oil
Butter	Polyethylene
Cement	Ships, boats and other vessels
Domestic refrigerators and freezers	Tugs, special purpose vessels and floating structures
Fertilisers, nes	Woods and resin-based chemical products

Figure A3 21: Luxembourg– Egypt, 53 products identified**Table A3 24: List of commodities for Luxembourg-Egypt**

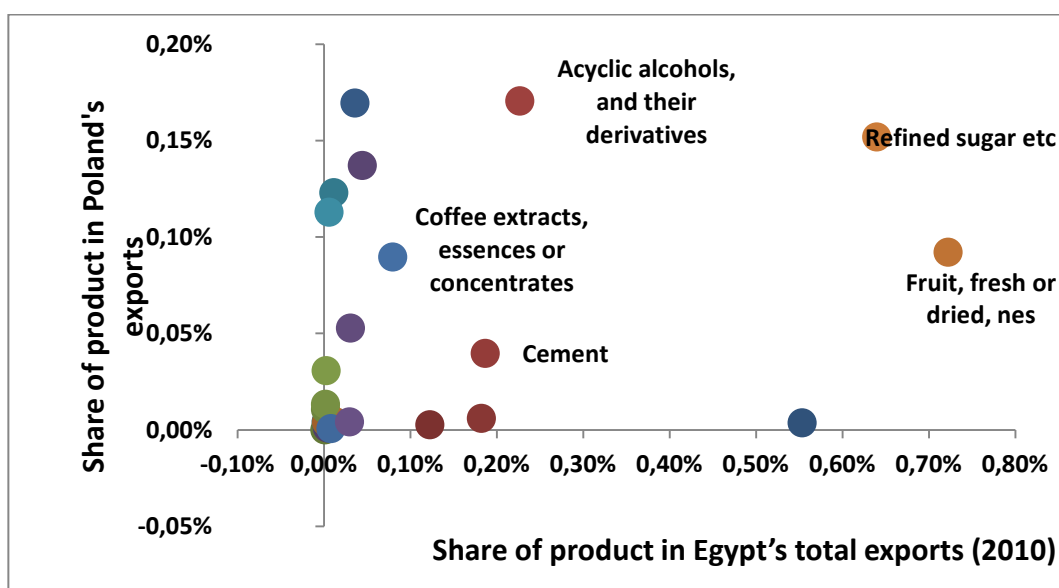
Commodity Description	
Acyclic alcohols, and their derivatives	Minerals, crude, nes
Animals oils, fats and greases, nes	Miscellaneous articles of base metal
Apples, fresh	Mixtures of odoriferous substances, used in perfumery, food etc
Articles of iron or steel, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Blooms, billets, slabs and sheet bars, of iron or steel	Other cereal meals and flour
Bricks, tiles, etc of pressed or moulded glass, used in building	Other electric power machinery, parts, nes
Briquettes, ovoids, from coal, lignite or peat	Other fresh or chilled vegetables
Butter	Other nitrogen-function compounds
Cement	Other polymerisation and copolymerisation products
Cereal grains, worked or prepared, not elsewhere specified	Other sheet and plates, of iron or steel, worked
Coffee extracts, essences or concentrates	Palm oil
Construction and mining machinery, nes	Parts, nes of the pumps and compressor falling within heading 7431
Copper and copper alloys, refined or not, unwrought	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Copper and copper alloys, worked	Polyamides
Domestic refrigerators and freezers	Polyethylene
Edible products and preparations, nes	Polypropylene
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Fibre building board of wood or other vegetable material	Ships, boats and other vessels
Gas, liquid and electricity supply or production meters; etc	Slag, scalings, dross and similar waste, nes
Gas, liquid control instruments and apparatus, non-electrical	Steel and iron forging and stampings, in the rough state
Hand tools, used in agriculture, horticulture or forestry	Tomatoes, fresh or chilled
Lifting, handling, loading machinery, telphers and conveyors	Wire rod of iron or steel
Malt extract; cereals preparations with less 50% of cocoa	Wire, cables, cordage, ropes, plaited bans, sling and the like
Manufactures of mineral materials, nes (other than ceramic)	Woods and resin-based chemical products
Materials of rubber	Wool; expanding or insulating mineral materials, nes
Milk and cream fresh, not concentrated or sweetened	

Figure A3 22: Malta – Egypt, 34 products identified**Table A3 25: List of commodities for Malta-Egypt**

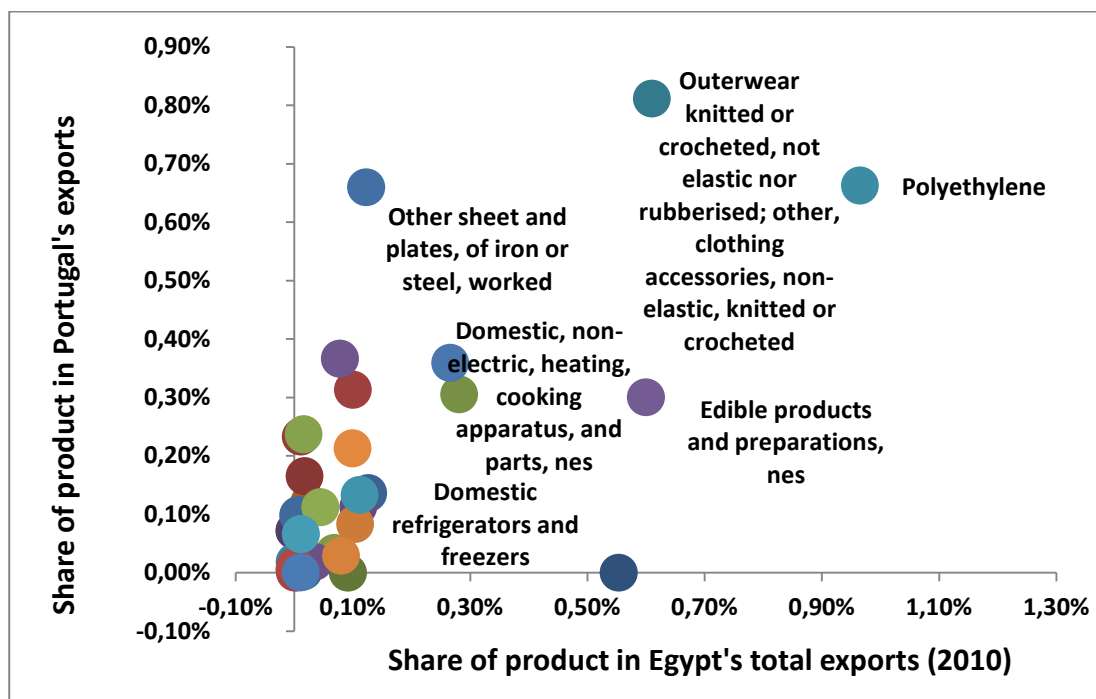
Commodity Description	
Air pumps, vacuum pumps and air or gas compressors	Miscellaneous articles of base metal
Articles of apparel, clothing accessories of plastic or rubber	Nuts edible, fresh or dried
Articles of iron or steel, nes	Organic chemical products, nes
Base metal indoors sanitary ware, and parts thereof, nes	Orthopaedic appliances, hearing aids, artificial parts of the body
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other polymerisation and copolymerisation products
Cereal grains, worked or prepared, not elsewhere specified	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Cheese and curd	Parts, nes of machinery and equipment of headings 72341 to 72346
Construction and mining machinery, nes	Parts, nes of the pumps and compressor falling within heading 7431
Domestic refrigerators and freezers	Refined sugar etc
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Rice in the husk or husked, but not farther prepared
Fruit prepared or preserved, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Fruit, fresh or dried, nes	Steel and iron forging and stampings, in the rough state
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Structures and parts of, of aluminium; plates, rods, and the like
Manufactures of mineral materials, nes (other than ceramic)	Structures and parts of, of iron, steel; plates, rods, and the like
Materials of rubber	Tugs, special purpose vessels and floating structures
Medical instruments and appliances, nes	Wire, cables, cordage, ropes, plaited bans, sling and the like
Milk and cream fresh, not concentrated or sweetened	Woods and resin-based chemical products

Figure A3 23: Netherland–Egypt, 54 products identified**Table A3 26: List of commodities for Netherland-Egypt**

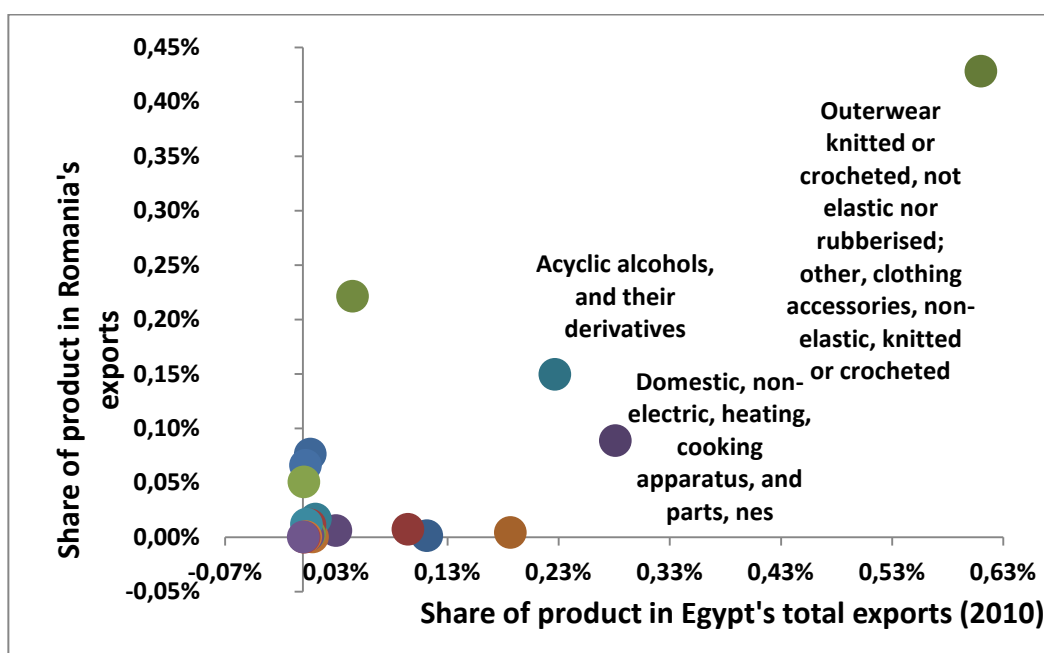
Commodity Description	
Air conditioning machines and parts thereof, nes	Minerals, crude, nes
Aminoplasts	Miscellaneous articles of base metal
Animals oils, fats and greases, nes	Mixtures of odoriferous substances, used in perfumery, food etc
Apples, fresh	Other electric power machinery, parts, nes
Articles of apparel, clothing accessories of plastic or rubber	Other fresh or chilled vegetables
Butter	Other nitrogen-function compounds
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Palm oil
Cement	Parts, nes of the pumps and compressor falling within heading 7431
Cereal grains, worked or prepared, not elsewhere specified	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Cheese and curd	Polyamides
Chocolate and other preparations containing cocoa, nes	Polypropylene
Coffee extracts, essences or concentrates	Printed matter, nes
Copper and copper alloys, worked	Railway track fixtures, and fittings, etc, parts nes of heading 791
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Refined sugar etc
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Rice in the husk or husked, but not farther prepared
Fatty acids, acid oils, and residues; degreas	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Fibre building board of wood or other vegetable material	Ships, boats and other vessels
Food waste and prepared animal feed, nes	Slag, scalings, dross and similar waste, nes
Gas, liquid and electricity supply or production meters; etc	Soya bean oil
Gas, liquid control instruments and apparatus, non-electrical	Special purpose motor lorries and vans
Hand tools, used in agriculture, horticulture or forestry	Starches, insulin and wheat gluten
Internal combustion piston engines, nes	Structures and parts of, of aluminium; plates, rods, and the like
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Structures and parts of, of iron, steel; plates, rods, and the like
Manufactures of mineral materials, nes (other than ceramic)	Tomatoes, fresh or chilled
Materials of rubber	Tugs, special purpose vessels and floating structures
Milk and cream fresh, not concentrated or sweetened	Wool; expanding or insulating mineral materials, nes

Figure A3 24: Poland – Egypt, 25 products identified**Table A3 27: List of commodities for Poland-Egypt**

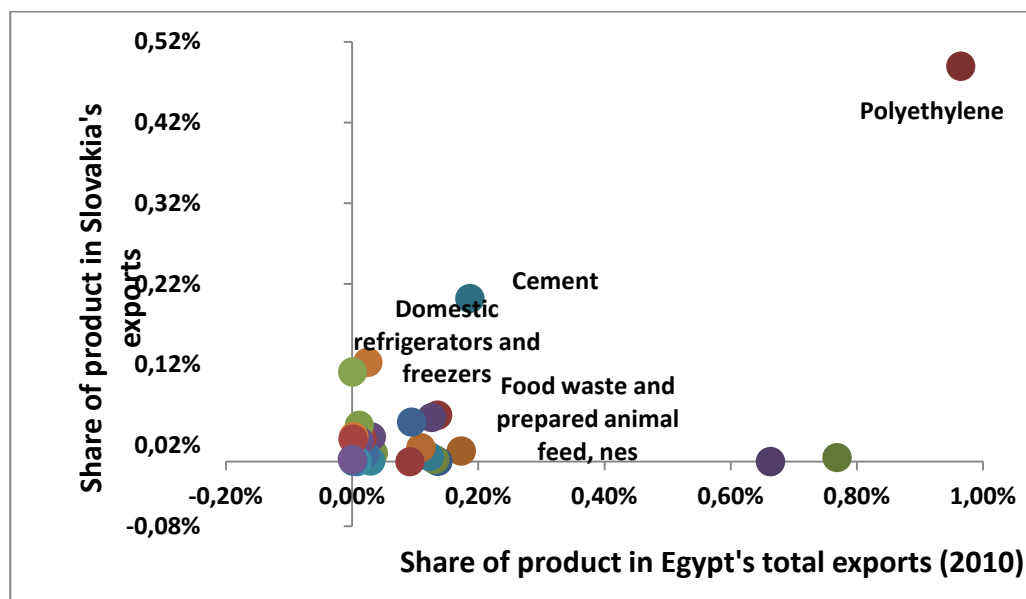
Commodity Description	
Acyclic alcohols, and their derivatives	Other nitrogen-function compounds
Acyclic hydrocarbons	Parts, nes of the pumps and compressor falling within heading 7431
Aminoplasts	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Blooms, billets, slabs and sheet bars, of iron or steel	Reclaimed rubber, waste, scrap of unhardened rubber
Briquettes, ovoids, from coal, lignite or peat	Refined sugar etc
Cement	Rolling mills, rolls therefor, and parts, nes of rolling mills
Coffee extracts, essences or concentrates	Ships, boats and other vessels
Construction and mining machinery, nes	Slag, scalings, dross and similar waste, nes
Fatty acids, acid oils, and residues; degreas	Special purpose motor lorries and vans
Fertilisers, nes	Steel and iron forging and stampings, in the rough state
Fruit, fresh or dried, nes	Sugars, beet and cane, raw, solid
Internal combustion piston engines, nes	Waxes of animal or vegetable origin
Minerals, crude, nes	

Figure A3 25: Portugal– Egypt, 37 products identified**Table A3 28: List of commodities for Portugal-Egypt**

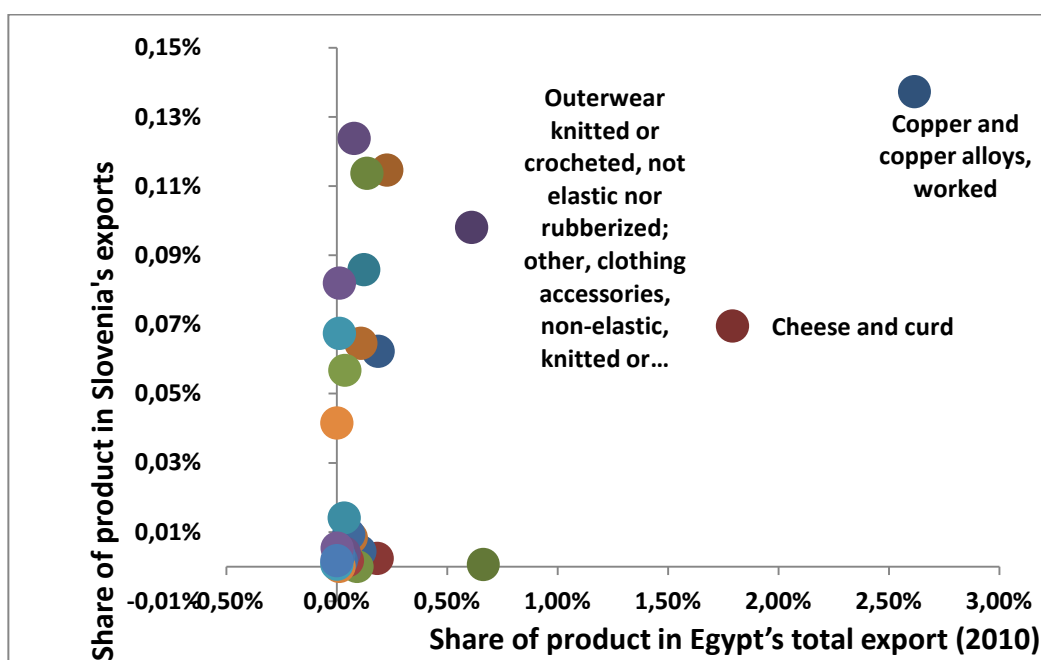
Commodity Description	
Acyclic hydrocarbons	Milk and cream fresh, not concentrated or sweetened
Air pumps, vacuum pumps and air or gas compressors	Nuts edible, fresh or dried
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Other condensation, polycodensation or polyaddition products
Articles of apparel, clothing accessories of plastic or rubber	Other electric power machinery, parts, nes
Base metal indoors sanitary ware, and parts thereof, nes	Other nitrogen-function compounds
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other sheet and plates, of iron or steel, worked
Cereal grains, worked or prepared, not elsewhere specified	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Coffee extracts, essences or concentrates	Palm oil
Domestic refrigerators and freezers	Polyethylene
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Railway track fixtures, and fittings, etc, parts nes of heading 791
Edible products and preparations, nes	Rice in the husk or husked, but not farther prepared
Fertilisers, nes	Ships, boats and other vessels
Fibre building board of wood or other vegetable material	Soya bean oil
Gas, liquid and electricity supply or production meters; etc	Steel and iron forging and stampings, in the rough state
Gas, liquid control instruments and apparatus, non-electrical	Sugars, beet and cane, raw, solid
Hand tools, used in agriculture, horticulture or forestry	Sunflower seed oil
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Tugs, special purpose vessels and floating structures
Lifting, handling, loading machinery, telphers and conveyors	Waxes of animal or vegetable origin
Medical instruments and appliances, nes	

Figure A3 26: Romania– Egypt, 22 products identified**Table A3 29: List of commodities for Romania-Egypt**

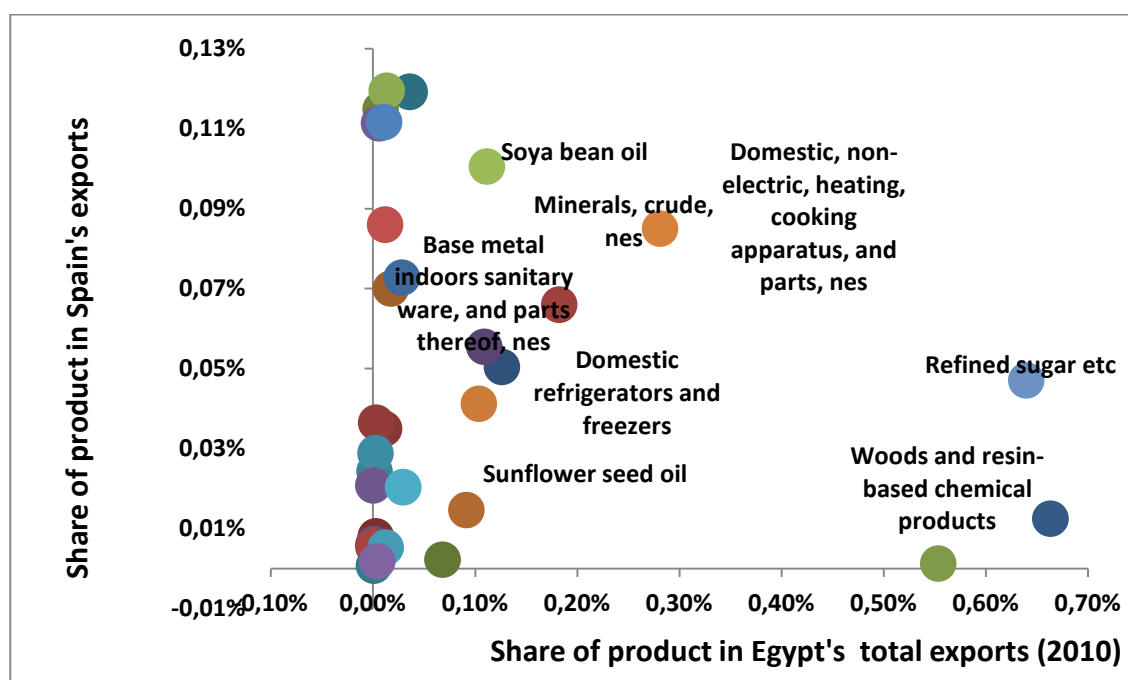
Commodity Description	
Acyclic alcohols, and their derivatives	Internal combustion piston engines, nes
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus
Cement	Nuts edible, fresh or dried
Copper and copper alloys, refined or not, unwrought	Other nitrogen-function compounds
Copper and copper alloys, worked	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Polyamides
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Railway track fixtures, and fittings, etc, parts nes of heading 791
Fatty acids, acid oils, and residues; degreas	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Soya bean oil
Fruit, fresh or dried, nes	Waxes of animal or vegetable origin
Hand tools, used in agriculture, horticulture or forestry	Wool; expanding or insulating mineral materials, nes

Figure A3 27: Slovakia– Egypt, 28 products identified**Table A3 30: List of commodities for Slovakia-Egypt**

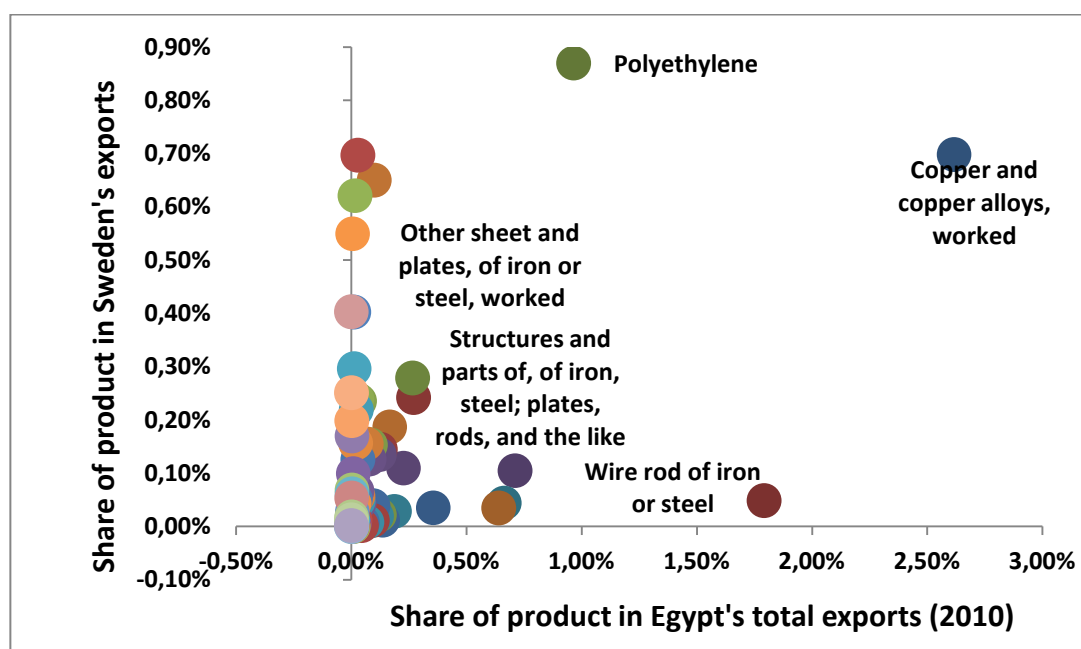
Commodity Description	
Acyclic hydrocarbons	Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus
Aminoplasts	Macaroni, spaghetti and similar products
Base metal indoors sanitary ware, and parts thereof, nes	Mixtures of odoriferous substances, used in perfumery, food etc
Briquettes, ovoids, from coal, lignite or peat	Oilcake and other residues (except dregs)
Butter	Other condensation, polycodensation or polyaddition products
Cement	Other fresh or chilled vegetables
Construction and mining machinery, nes	Palm oil
Domestic refrigerators and freeers	Polyamides
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Polyethylene
Fatty acids, acid oils, and residues; degreas	Ships, boats and other vessels
Food waste and prepared animal feed, nes	Special purpose motor lorries and vans
Grapes, fresh or dried	Starches, insulin and wheat gluten
Hand tools, used in agriculture, horticulture or forestry	Tugs, special purpose vessels and floating structures
Internal combustion piston engines, nes	Woods and resin-based chemical products

Figure A3 28: Slovenia – Egypt, 37 products identified**Table A3 31: List of commodities for Slovenia-Egypt**

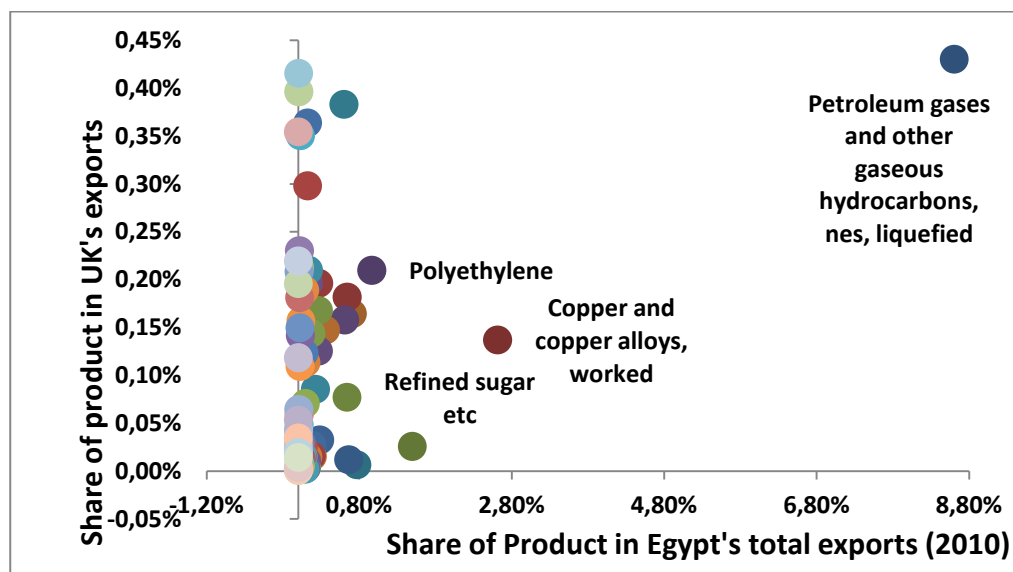
Commodity Description	
Acyclic alcohols, and their derivatives	Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus
Air pumps, vacuum pumps and air or gas compressors	Malt extract; cereals preparations with less 50% of cocoa
Aminoplasts	Materials of rubber
Animals oils, fats and greases, nes	Minerals, crude, nes
Articles of apparel, clothing accessories of plastic or rubber	Other cereal meals and flour
Base metal indoors sanitary ware, and parts thereof, nes	Other polymerisation and copolymerisation products
Blooms, billets, slabs and sheet bars, of iron or steel	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Bricks, tiles, etc of pressed or moulded glass, used in building	Palm oil
Butter	Parts, nes of machinery and equipment of headings 72341 to 72346
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Cement	Polyamides
Cereal grains, worked or prepared, not elsewhere specified	Rice in the husk or husked, but not farther prepared
Cheese and curd	Special products of textile materials
Copper and copper alloys, worked	Starches, insulin and wheat gluten
Domestic refrigerators and freezers	Structures and parts of, of iron, steel; plates, rods, and the like
Food waste and prepared animal feed, nes	Sunflower seed oil
Fruit prepared or preserved, nes	Woods and resin-based chemical products
Gas, liquid and electricity supply or production meters; etc	Wool; expanding or insulating mineral materials, nes
Hand tools, used in agriculture, horticulture or forestry	

Figure A3 29: Spain– Egypt, 51 products identified**Table A3 32: List of commodities for Spain-Egypt**

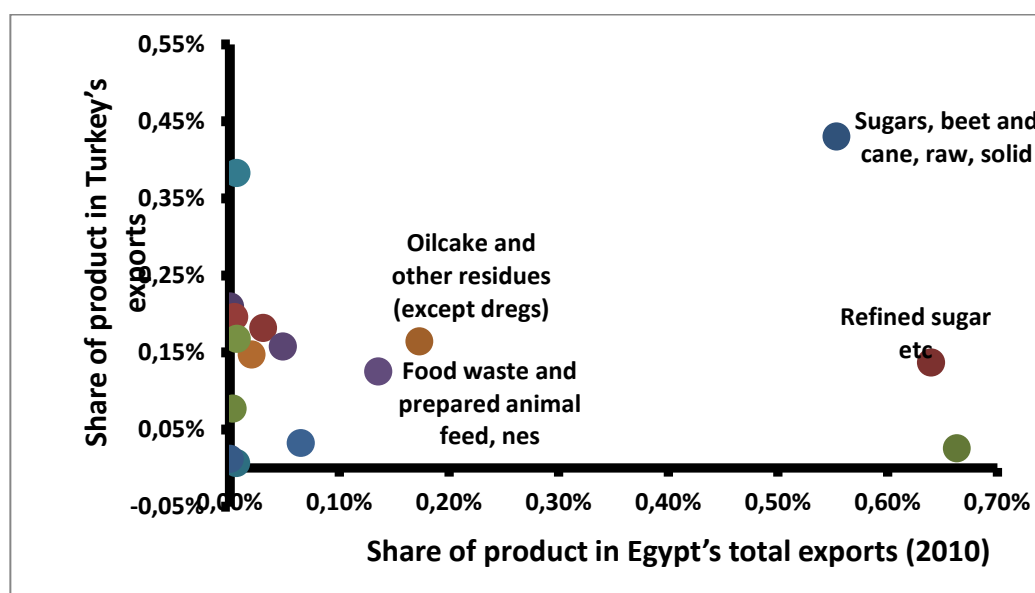
Commodity Description	
Air conditioning machines and parts thereof, nes	Other condensation, polycodensation or polyaddition products
Air pumps, vacuum pumps and air or gas compressors	Other fresh or chilled vegetables
Base metal indoors sanitary ware, and parts thereof, nes	Other nitrogen-function compounds
Blooms, billets, slabs and sheet bars, of iron or steel	Other sheet and plates, of iron or steel, worked
Bricks, tiles, etc of pressed or moulded glass, used in building	Palm oil
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Parts, nes of machinery and equipment of headings 72341 to 72346
Domestic refrigerators and freezers	Parts, nes of the pumps and compressor falling within heading 7431
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Polyethylene
Fatty acids, acid oils, and residues; degreas	Polypropylene
Fibre building board of wood or other vegetable material	Printed matter, nes
Fruit prepared or preserved, nes	Reclaimed rubber, waste, scrap of unhardened rubber
Fruit, fresh or dried, nes	Refined sugar etc
Gas, liquid and electricity supply or production meters; etc	Rice in the husk or husked, but not farther prepared
Gas, liquid control instruments and apparatus, non-electrical	Rolling mills, rolls therefor, and parts, nes of rolling mills
Hand tools, used in agriculture, horticulture or forestry	Ships, boats and other vessels
Internal combustion piston engines, nes	Slag, scalings, dross and similar waste, nes
Malt extract; cereals preparations with less 50% of cocoa	Soya bean oil
Materials of rubber	Special products of textile materials
Medical instruments and appliances, nes	Sugars, beet and cane, raw, solid
Milk and cream fresh, not concentrated or sweetened	Sunflower seed oil
Minerals, crude, nes	Tomatoes, fresh or chilled
Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper	Tugs, special purpose vessels and floating structures
Nuts edible, fresh or dried	Waxes of animal or vegetable origin
Organic chemical products, nes	Wire, cables, cordage, ropes, plaited bans, sling and the like
Orthopaedic appliances, hearing aids, artificial parts of the body	Woods and resin-based chemical products
Other citrus fruits, fresh or dried	

Figure A3 30: Sweden– Egypt, 64 products identified**Table A3 33: List of commodities for Sweden-Egypt**

Commodity Description	
Acyclic alcohols, and their derivatives	Organic chemical products, nes
Acyclic hydrocarbons	Orthopaedic appliances, hearing aids, artificial parts of the body
Air pumps, vacuum pumps and air or gas compressors	Other cereal meals and flour
Aminoplasts	Other condensation, polycondensation or polyaddition products
Animals oils, fats and greases, nes	Other electric power machinery, parts, nes
Apples, fresh	Other nitrogen-function compounds
Base metal indoors sanitary ware, and parts thereof, nes	Other polymerisation and copolymerisation products
Blooms, billets, slabs and sheet bars, of iron or steel	Other sheet and plates, of iron or steel, worked
Bricks, tiles, etc of pressed or moulded glass, used in building	Palm oil
Briquettes, ovoids, from coal, lignite or peat	Parts, nes of machinery and equipment of headings 72341 to 72346
Butter	Parts, nes of the pumps and compressor falling within heading 7431
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Cement	Polyamides
Cheese and curd	Polyethylene
Chocolate and other preparations containing cocoa, nes	Polypropylene
Construction and mining machinery, nes	Printed matter, nes
Copper and copper alloys, worked	Railway track fixtures, and fittings, etc, parts nes of heading 791
Domestic refrigerators and freezers	Reclaimed rubber, waste, scrap of unhardened rubber
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Refined sugar etc
Fatty acids, acid oils, and residues; degreas	Rolling mills, rolls therefor, and parts, nes of rolling mills
Fertilisers, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Gas, liquid and electricity supply or production meters; etc	Ships, boats and other vessels
Hand tools, used in agriculture, horticulture or forestry	Slag, scalings, dross and similar waste, nes
Internal combustion piston engines, nes	Special products of textile materials
Lifting, handling, loading machinery, telphers and conveyors	Special purpose motor lorries and vans
Malt extract; cereals preparations with less 50% of cocoa	Structures and parts of, of aluminium; plates, rods, and the like
Manufactures of mineral materials, nes (other than ceramic)	Structures and parts of, of iron, steel; plates, rods, and the like
Materials of rubber	Tugs, special purpose vessels and floating structures
Medical instruments and appliances, nes	Waxes of animal or vegetable origin
Miscellaneous articles of base metal	Wire rod of iron or steel
Mixtures of odoriferous substances, used in perfumery, food etc	Woods and resin-based chemical products
Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper	Wool; expanding or insulating mineral materials, nes

Figure A3 31: United Kingdom – Egypt, 81 products identified**Table A3 34: List of commodities for United Kingdom-Egypt**

Commodity Description	
Acyclic alcohols, and their derivatives	Miscellaneous articles of base metal
Acyclic hydrocarbons	Mixtures of odoriferous substances, used in perfumery, food etc
Air conditioning machines and parts thereof, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Air pumps, vacuum pumps and air or gas compressors	Oilcake and other residues (except dregs)
Aminoplasts	Organic chemical products, nes
Anti-knock preparation, anti-corrosive; viscosity improvers; etc	Orthopaedic appliances, hearing aids, artificial parts of the body
Apples, fresh	Other cereal meals and flour
Articles of apparel, clothing accessories of plastic or rubber	Other citrus fruits, fresh or dried
Articles of iron or steel, nes	Other electric power machinery, parts, nes
Base metal indoors sanitary ware, and parts thereof, nes	Other fresh or chilled vegetables
Bricks, tiles, etc of pressed or moulded glass, used in building	Other polymerisation and copolymerisation products
Butter	Other sheet and plates, of iron or steel, worked
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Outerwear knitted or crocheted, not elastic nor rubberised; other, clothing accessories, non-elastic, knitted or crocheted
Cement	Palm oil
Cereal grains, worked or prepared, not elsewhere specified	Parts, nes of machinery and equipment of headings 72341 to 72346
Chocolate and other preparations containing cocoa, nes	Parts, nes of the pumps and compressor falling within heading 7431
Construction and mining machinery, nes	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Copper and copper alloys, refined or not, unwrought	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Copper and copper alloys, worked	Polyamides
Domestic refrigerators and freezers	Polyethylene
Domestic, non-electric, heating, cooking apparatus, and parts, nes	Polypropylene
Edible products and preparations, nes	Printed matter, nes
Engines and motors, nes (wind, hot air engines, water wheel, etc)	Railway track fixtures, and fittings, etc, parts nes of heading 791
Fatty acids, acid oils, and residues; degrass	Reclaimed rubber, waste, scrap of unhardened rubber
Fertilisers, nes	Refined sugar etc
Fibre building board of wood or other vegetable material	Rolling mills, rolls therefor, and parts, nes of rolling mills
Food waste and prepared animal feed, nes	Shaft, crank, bearing housing, pulley and pulley blocks, etc
Fruit prepared or preserved, nes	Slag, scalings, dross and similar waste, nes
Gas, liquid and electricity supply or production meters; etc	Soya bean oil
Gas, liquid control instruments and apparatus, non-electrical	Special products of textile materials
Grapes, fresh or dried	Steel and iron forging and stampings, in the rough state
Hand tools, used in agriculture, horticulture or forestry	Structures and parts of, of aluminium; plates, rods, and the like
Internal combustion piston engines, nes	Structures and parts of, of iron, steel; plates, rods, and the like
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Sunflower seed oil
Lifting, handling, loading machinery, telfers and conveyors	Tomatoes, fresh or chilled
Malt extract; cereals preparations with less 50% of cocoa	Tugs, special purpose vessels and floating structures
Manufactures of mineral materials, nes (other than ceramic)	Waxes of animal or vegetable origin
Materials of rubber	Wire rod of iron or steel
Medical instruments and appliances, nes	Wire, cables, cordage, ropes, plaited bans, sling and the like
Milk and cream fresh, not concentrated or sweetened	Woods and resin-based chemical products
Minerals, crude, nes	

Figure A3 32: Turkey– Egypt, 16 products identified**Table A3 35: List of commodities for Turkey-Egypt**

Commodity Description	
Aminoplasts	Petroleum bitumen, petroleum coke and bituminous mixtures, nes
Animals oils, fats and greases, nes	Rape and colza seeds
Copper and copper alloys, refined or not, unwrought	Reclaimed rubber, waste, scrap of unhardened rubber
Food waste and prepared animal feed, nes	Refined sugar etc
Internal combustion piston engines, nes	Special products of textile materials
Nuts edible, fresh or dried	Starches, insulin and wheat gluten
Oilcake and other residues (except dregs)	Sugars, beet and cane, raw, solid
Other nitrogen-function compounds	Woods and resin-based chemical products

A3.4. Detailed Results for Tunisia – tables and figures for county pairs

Figure A3 33: Austria– Tunisia, 17 products identified

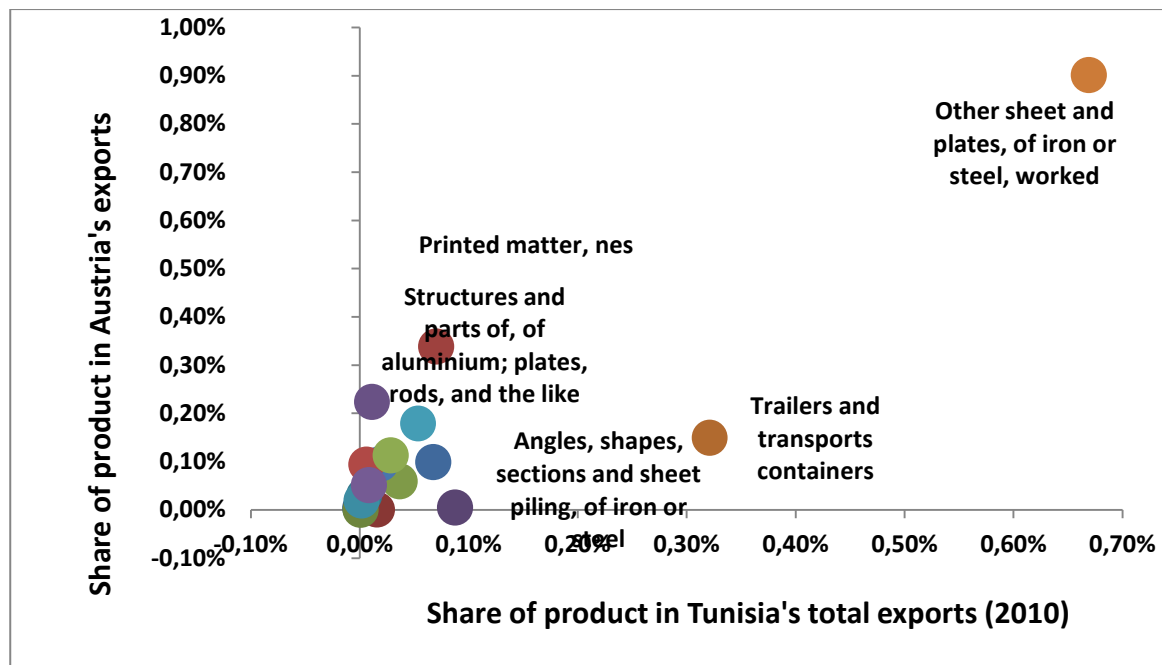
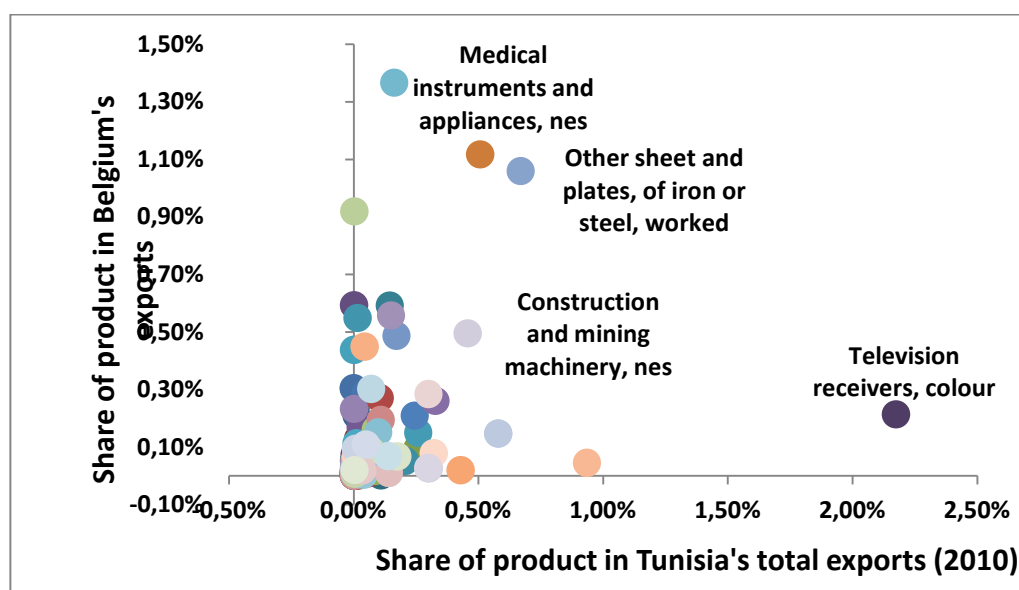


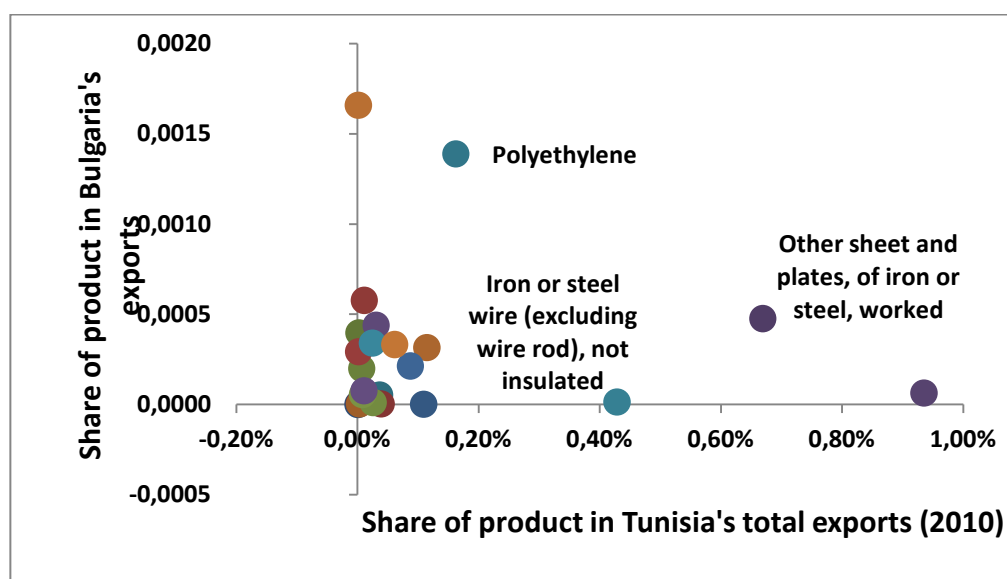
Table A3 36: List of commodities for Austria-Tunisia

Commodity Description	
Angles, shapes, sections and sheet piling, of iron or steel	Organic chemicals, nes
Building and monumental (dimension) stone, roughly squared, split	Other sheet and plates, of iron or steel, worked
Construction materials, of asbestos-cement or fibre-cements, etc	Printed matter, nes
Fruit prepared or preserved, nes	Special products of textile materials
Glazes, driers, putty etc	Structures and parts of, of aluminium; plates, rods, and the like
Lead and lead alloys, worked	Trailers and transports containers
Minerals, crude, nes	Warships
Monocarboxylic acids and their derivatives	Wool; expanding or insulating mineral materials, nes
Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper	

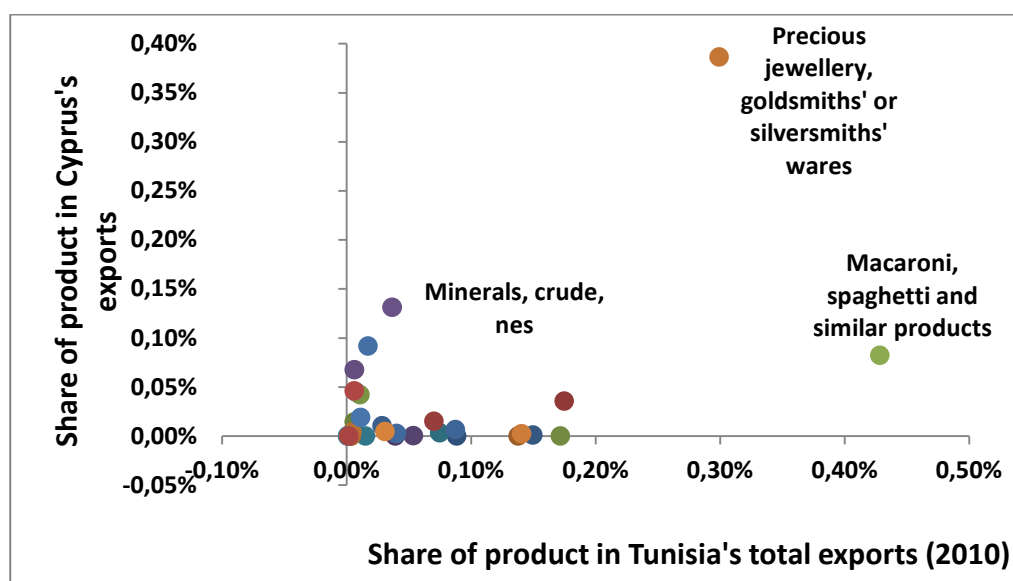
Figure A3 34: Belgium– Tunisia, 100 products identified**Table A3 37: List of commodities for Belgium-Tunisia**

Commodity Description	
Acyclic alcohols, and their derivatives	Mixtures of odoriferous substances, used in perfumery, food etc
Agricultural and horticultural machinery for soil preparation, etc	Monocarboxylic acids and their derivatives
Angles, shapes, sections and sheet piling, of iron or steel	Motors and generators, direct current
Articles of iron or steel, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Auxiliary plant for boilers of heading 7111; condensers	Natural honey
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Office machines, nes
Bricks, tiles, etc of pressed or moulded glass, used in building	Oilcake and other residues (except dregs)
Building and monumental (dimension) stone, roughly squared, split	Optical instruments and apparatus
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Organic chemicals, nes
Centrifuges	Orthopaedic appliances, hearing aids, artificial parts of the body
Cereal grains, worked or prepared, not elsewhere specified	Other artificial plastic materials, nes
Cheese and curd	Other base metal manufactures, nes; and of cermets
Chocolate and other preparations containing cocoa, nes	Other fermented beverages, nes (cider, perry, mead, etc)
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other fresh or chilled vegetables
Cocoa powder, unsweetened	Other made-up articles of textile materials, nes
Complete digital data processing machines	Other mineral working machinery; and parts thereof, nes
Construction and mining machinery, nes	Other sheet and plates, of iron or steel, worked
Construction materials, of asbestos-cement or fibre-cements, etc	Palm oil
Copper and copper alloys, refined or not, unwrought	Parts, nes of machinery and equipment of headings 72341 to 72346
Copper and copper alloys, worked	Parts, nes of pumps and liquids elevators falling in heading 742
Cycles, not motorised	Parts, nes of the machines falling within headings 7435 and 7436
Cyclic hydrocarbons	Parts, nes of the pumps and compressor falling within heading 7431
Diodes, transistors, photocells, etc	Parts, nes, of rotating electric plant
Disinfectants, etc, for sale by retail or as preparation	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Polyethylene
Electro-medical equipment	Potatoes, fresh or chilled, excluding sweet potatoes

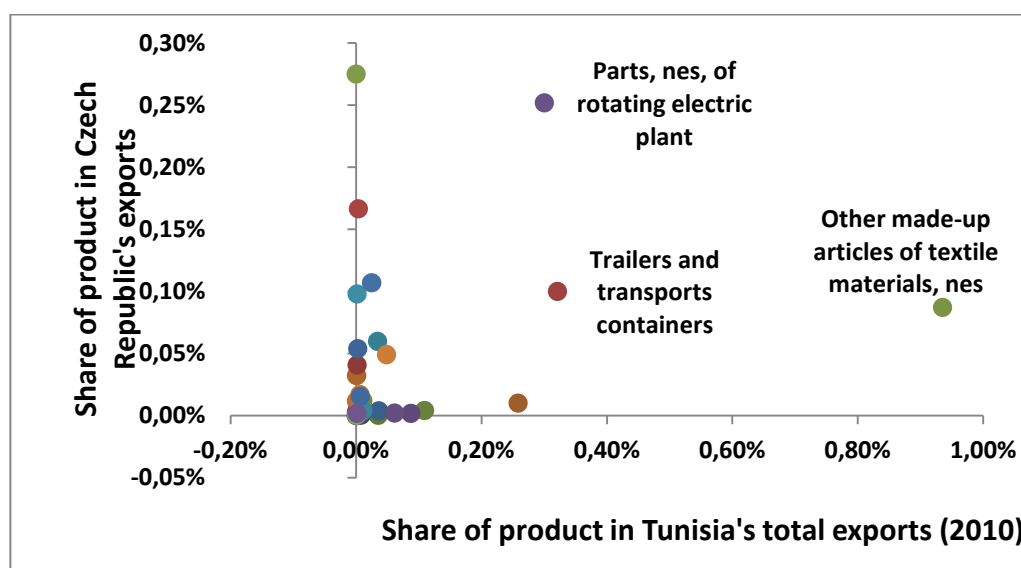
Fatty acids, acid oils, and residues; degreas	Precious jewellery, goldsmiths' or silversmiths' wares
Filtering and purifying machinery, apparatus for liquids and gases	Printed matter, nes
Fruit prepared or preserved, nes	Radio-active chemical elements, isotopes etc
Fruit, fruit-peel and parts of plants, preserved by sugar	Reclaimed rubber, waste, scrap of unhardened rubber
Furskins, raw	Refractory bricks and other refractory construction materials
Gas, liquid and electricity supply or production meters; etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Gas, liquid control instruments and apparatus, non-electrical	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Glazes, driers, putty etc	Seeds, fruits and spores, nes, for planting
Harvesting and threshing machines; fodder presses, etc; parts nes	Special transactions, commodity not classified according to class
Hydrogenated animal or vegetable oils and fats	Spices, except pepper and pimento
Inorganic chemical products, nes	Structures and parts of, of aluminium; plates, rods, and the like
Internal combustion piston engines, marine propulsion	Sunflower seeds
Iron or steel coils for re-rolling	Tea
Iron or steel wire (excluding wire rod), not insulated	Television receivers, colour
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Tin and tin alloys, unwrought
Knitted, not elastic nor rubberised, of fibres other than synthetic	Tomatoes, fresh or chilled
Lead and lead alloys, worked	Trailers and transports containers
Leather of other hides or skins	Tube and pipes fittings, of iron or steel
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Macaroni, spaghetti and similar products	Vegetables (excluding leguminous), dried, evaporated, etc
Margarine, imitation lard and other prepared edible fats, nes	Vegetables, frozen or in temporary preservative
Materials of rubber	Warships
Medical instruments and appliances, nes	Waste paper and paperboard, etc
Minerals, crude, nes	Wool; expanding or insulating mineral materials, nes

Figure A3 35: Bulgaria– Tunisia, 25 products identified**Table A3 38: List of commodities for Bulgaria-Tunisia**

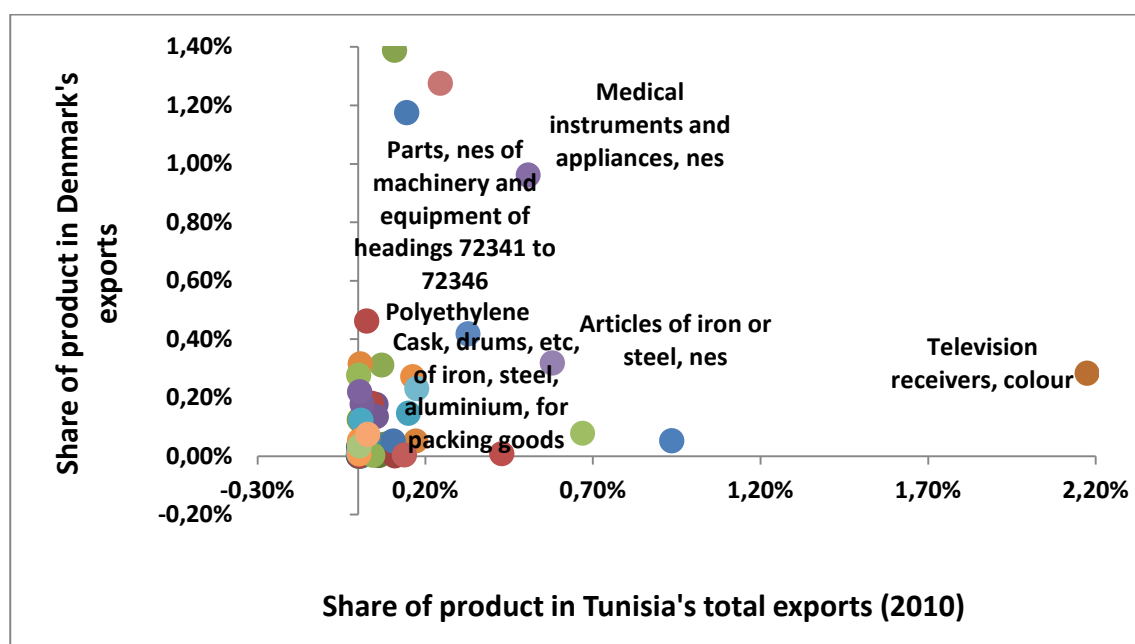
Commodity Description	
Acyclic alcohols, and their derivatives	Mixtures of odoriferous substances, used in perfumery, food etc
Auxiliary plant for boilers of heading 7111; condensers	Motors and generators, direct current
Building and monumental (dimension) stone, roughly squared, split	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Centrifuges	Other made-up articles of textile materials, nes
Copper and copper alloys, refined or not, unwrought	Other sheet and plates, of iron or steel, worked
Internal combustion piston engines, marine propulsion	Polyethylene
Iron or steel coils for re-rolling	Potatoes, fresh or chilled, excluding sweet potatoes
Iron or steel wire (excluding wire rod), not insulated	Rolling mills, rolls therefor, and parts, nes of rolling mills
Lead and lead alloys, worked	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Leather of other hides or skins	Tea
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Macaroni, spaghetti and similar products	Vegetables (excluding leguminous), dried, evaporated, etc
Minerals, crude, nes	

Figure A3 36: Cyprus– Tunisia, 39 products identified**Table A3 39: List of commodities for Cyprus-Tunisia**

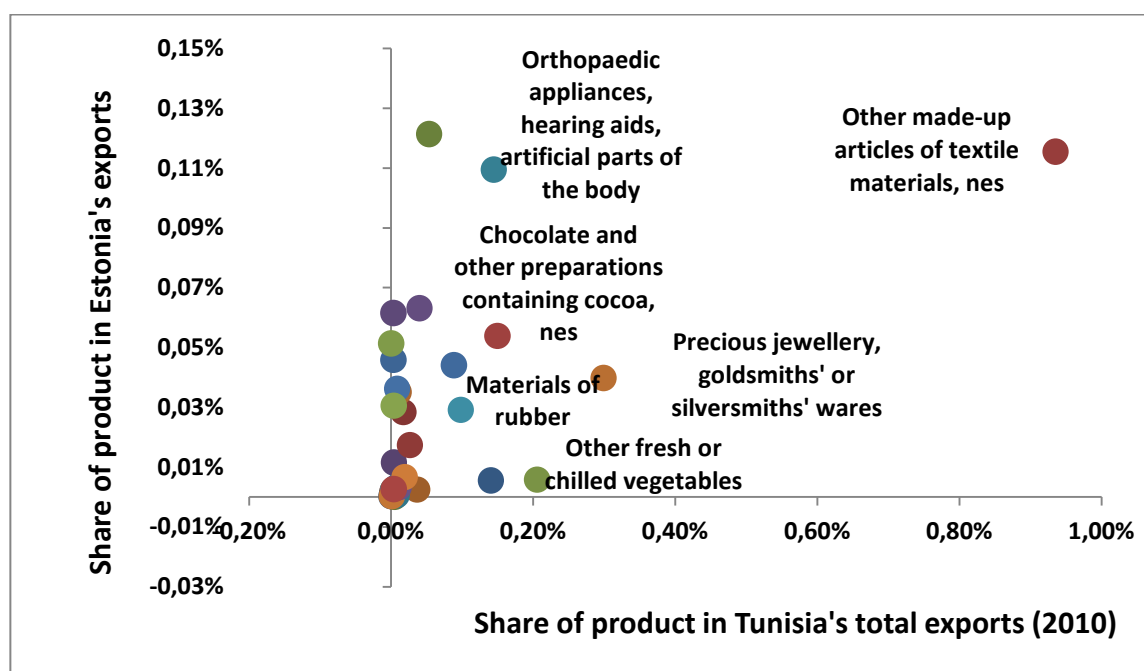
Commodity Description	
Agricultural and horticultural machinery for soil preparation, etc	Nails, screws, nuts, bolts, rivets, etc., of iron, steel or copper
Building and monumental (dimension) stone, roughly squared, split	Office machines, nes
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other citrus fruits, fresh or dried
Centrifuges	Other fermented beverages, nes (cider, perry, mead, etc)
Chocolate and other preparations containing cocoa, nes	Other fresh or chilled vegetables
Complete digital data processing machines	Other made-up articles of textile materials, nes
Copper and copper alloys, refined or not, unwrought	Parts, nes of pumps and liquids elevators falling in heading 742
Copper and copper alloys, worked	Parts, nes of the machines falling within headings 7435 and 7436
Disinfectants, etc, for sale by retail or as preparation	Potatoes, fresh or chilled, excluding sweet potatoes
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Precious jewellery, goldsmiths' or silversmiths' wares
Fruit prepared or preserved, nes	Printed matter, nes
Gas, liquid and electricity supply or production meters; etc	Radio-active chemical elements, isotopes etc
Glazes, driers, putty etc	Refined sugar etc
Grapes, fresh or dried	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Inorganic chemical products, nes	Structures and parts of, of aluminium; plates, rods, and the like
Knitted, not elastic nor rubberised, of fibres other than synthetic	Sunflower seeds
Macaroni, spaghetti and similar products	Television receivers, colour
Materials of rubber	Tomatoes, fresh or chilled
Minerals, crude, nes	Tube and pipes fittings, of iron or steel
Monocarboxylic acids and their derivatives	

Figure A3 37: Czech Republic– Tunisia, 34 products identified**Table A3 40: List of commodities for Czech Republic-Tunisia**

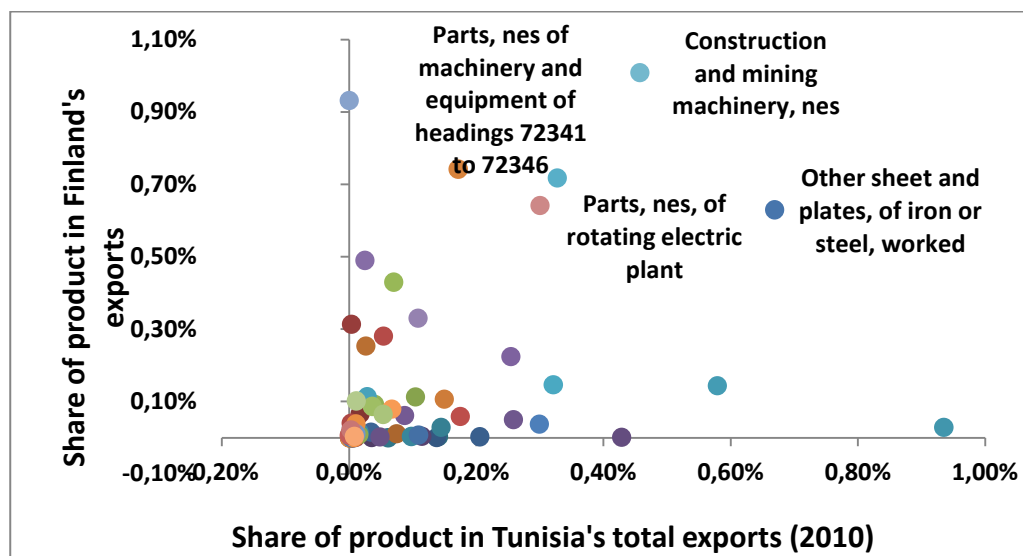
Commodity Description	
Auxiliary plant for boilers of heading 7111; condensers	Oilcake and other residues (except dregs)
Building and monumental (dimension) stone, roughly squared, split	Optical instruments and apparatus
Fatty acids, acid oils, and residues; degreas	Other artificial plastic materials, nes
Fruit prepared or preserved, nes	Other base metal manufactures, nes; and of cermets
Fruit, fruit-peel and parts of plants, preserved by sugar	Other fermented beverages, nes (cider, perry, mead, etc)
Furskins, raw	Other made-up articles of textile materials, nes
Hydrogenated animal or vegetable oils and fats	Other mineral working machinery; and parts thereof, nes
Internal combustion piston engines, marine propulsion	Parts, nes, of rotating electric plant
Iron or steel coils for re-rolling	Radio-active chemical elements, isotopes etc
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Reclaimed rubber, waste, scrap of unhardened rubber
Leather of other hides or skins	Rolling mills, rolls therefor, and parts, nes of rolling mills
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Seeds, fruits and spores, nes, for planting
Margarine, imitation lard and other prepared edible fats, nes	Spices, except pepper and pimento
Minerals, crude, nes	Sunflower seeds
Mixtures of odoriferous substances, used in perfumery, food etc	Trailers and transports containers
Monocarboxylic acids and their derivatives	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Natural honey	Vegetables (excluding leguminous), dried, evaporated, etc

Figure A3 38: Denmark– Tunisia, 66 products identified**Table A3 41: List of commodities for Denmark-Tunisia**

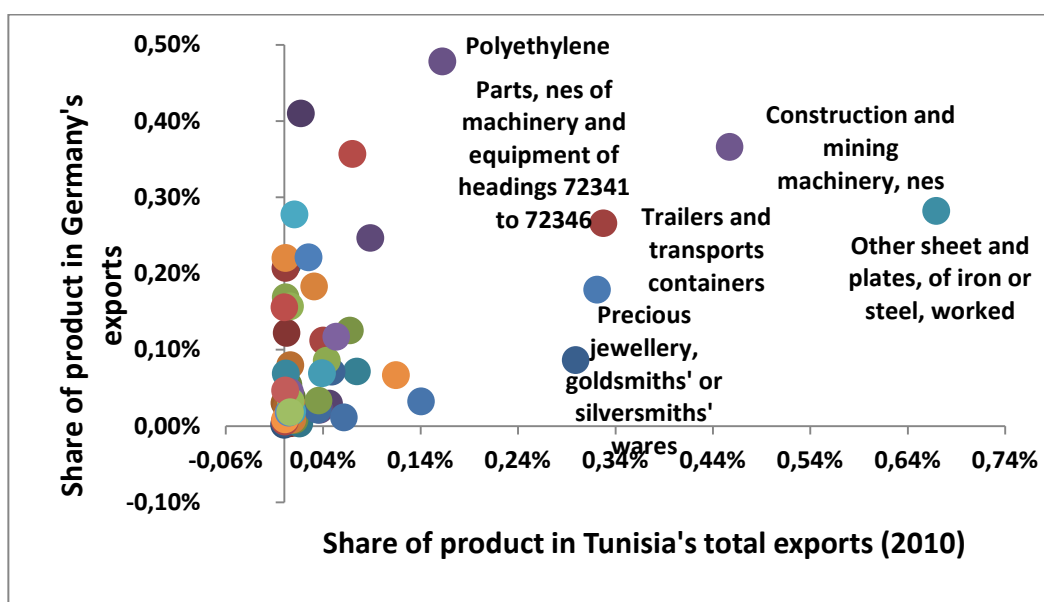
Commodity Description	
Acyclic alcohols, and their derivatives	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Agricultural and horticultural machinery for soil preparation, etc	Natural honey
Articles of iron or steel, nes	Office machines, nes
Auxiliary plant for boilers of heading 7111; condensers	Optical instruments and apparatus
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Orthopaedic appliances, hearing aids, artificial parts of the body
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other made-up articles of textile materials, nes
Centrifuges	Other mineral working machinery; and parts thereof, nes
Cereal grains, worked or prepared, not elsewhere specified	Other sheet and plates, of iron or steel, worked
Cheese and curd	Parts, nes of machinery and equipment of headings 72341 to 72346
Chocolate and other preparations containing cocoa, nes	Parts, nes of pumps and liquids elevators falling in heading 742
Cocks, valves and similar appliances, for pipes boiler shells, etc	Parts, nes of the machines falling within headings 7435 and 7436
Cocoa powder, unsweetened	Parts, nes of the pumps and compressor falling within heading 7431
Copper and copper alloys, refined or not, unwrought	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Copper and copper alloys, worked	Polyethylene
Diodes, transistors, photocells, etc	Printed matter, nes
Disinfectants, etc, for sale by retail or as preparation	Radio-active chemical elements, isotopes etc
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Refined sugar etc
Fruit prepared or preserved, nes	Refractory bricks and other refractory construction materials
Glazes, driers, putty etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Harvesting and threshing machines; fodder presses, etc; parts nes	Salts of metallic acids; compounds of precious metals
Hydrogenated animal or vegetable oils and fats	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Internal combustion piston engines, marine propulsion	Special transactions, commodity not classified according to class
Iron or steel coils for re-rolling	Spices, except pepper and pimento
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Structures and parts of, of aluminium; plates, rods, and the like
Knitted, not elastic nor rubberised, of fibres other than synthetic	Tea
Lead and lead alloys, worked	Television receivers, colour
Leather of other hides or skins	Tomatoes, fresh or chilled
Macaroni, spaghetti and similar products	Tube and pipes fittings, of iron or steel
Materials of rubber	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Medical instruments and appliances, nes	Vegetables (excluding leguminous), dried, evaporated, etc
Minerals, crude, nes	Warships
Mixtures of odoriferous substances, used in perfumery, food etc	Waste paper and paperboard, etc
Monocarboxylic acids and their derivatives	Wool; expanding or insulating mineral materials, nes

Figure A3 39: Estonia– Tunisia, 33 products identified**Table A3 42: List of commodities for Estonia-Tunisia**

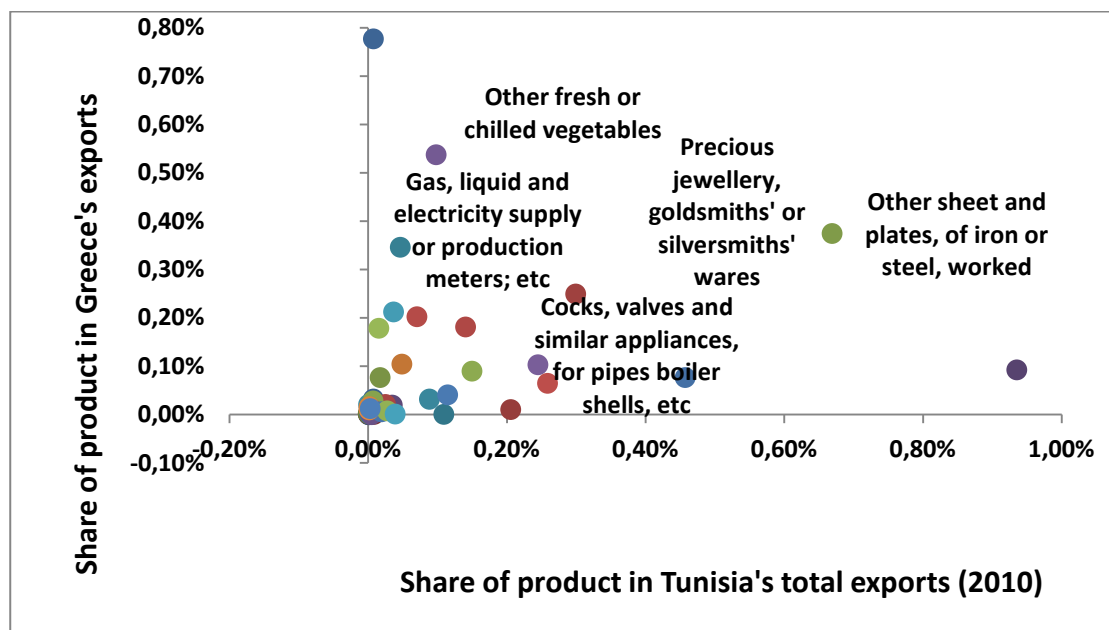
Commodity Description	
Agricultural and horticultural machinery for soil preparation, etc	Natural honey
Chocolate and other preparations containing cocoa, nes	Office machines, nes
Cocoa powder, unsweetened	Optical instruments and apparatus
Complete digital data processing machines	Organic chemicals, nes
Cycles, not motorised	Orthopaedic appliances, hearing aids, artificial parts of the body
Cyclic hydrocarbons	Other fresh or chilled vegetables
Electro-medical equipment	Other made-up articles of textile materials, nes
Fatty acids, acid oils, and residues; degreas	Palm oil
Furskins, raw	Precious jewellery, goldsmiths' or silversmiths' wares
Gas, liquid and electricity supply or production meters; etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Grapes, fresh or dried	Spices, except pepper and pimento
Internal combustion piston engines, marine propulsion	Structures and parts of, of aluminium; plates, rods, and the like
Iron or steel coils for re-rolling	Tea
Leather of other hides or skins	Tin and tin alloys, unwrought
Materials of rubber	Tube and pipes fittings, of iron or steel
Minerals, crude, nes	Wool; expanding or insulating mineral materials, nes
Mixtures of odoriferous substances, used in perfumery, food etc	

Figure A3 40: Finland – Tunisia, 69 products identified**Table A3 43: List of commodities for Finland-Tunisia**

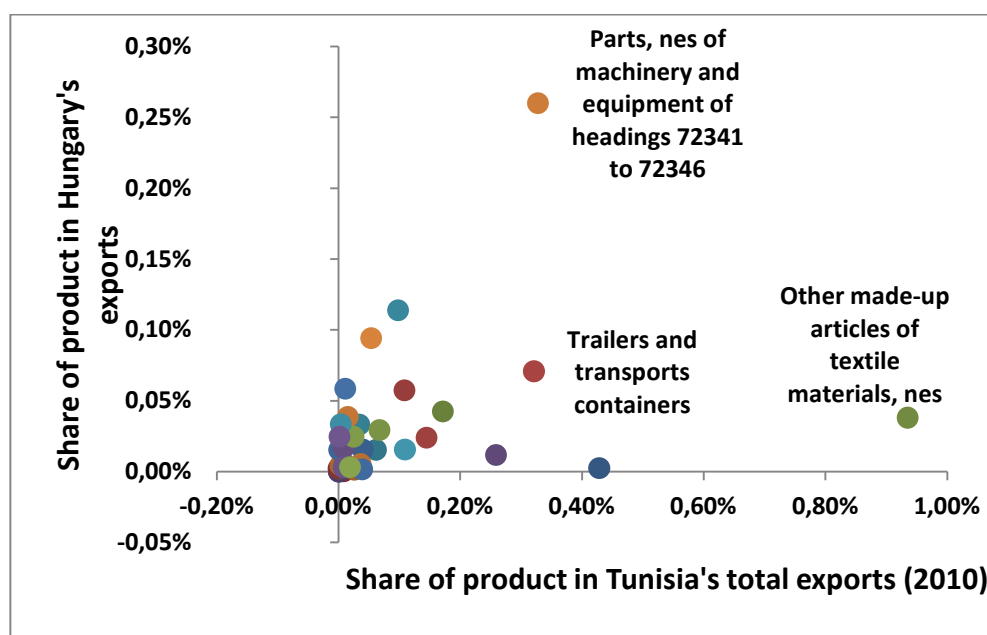
Commodity Description	
Agricultural and horticultural machinery for soil preparation, etc	Margarine, imitation lard and other prepared edible fats, nes
Angles, shapes, sections and sheet piling, of iron or steel	Minerals, crude, nes
Articles of iron or steel, nes	Mixtures of odoriferous substances, used in perfumery, food etc
Auxiliary plant for boilers of heading 7111; condensers	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Natural honey
Bricks, tiles, etc of pressed or moulded glass, used in building	Office machines, nes
Building and monumental (dimension) stone, roughly squared, split	Oilcake and other residues (except dregs)
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Optical instruments and apparatus
Cereal grains, worked or prepared, not elsewhere specified	Orthopaedic appliances, hearing aids, artificial parts of the body
Cheese and curd	Other artificial plastic materials, nes
Chocolate and other preparations containing cocoa, nes	Other base metal manufactures, nes; and of cermets
Cocoa powder, unsweetened	Other citrus fruits, fresh or dried
Complete digital data processing machines	Other fresh or chilled vegetables
Construction and mining machinery, nes	Other made-up articles of textile materials, nes
Copper and copper alloys, worked	Other mineral working machinery; and parts thereof, nes
Cycles, not motorised	Other sheet and plates, of iron or steel, worked
Diodes, transistors, photocells, etc	Palm oil
Disinfectants, etc, for sale by retail or as preparation	Parts, nes of machinery and equipment of headings 72341 to 72346
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Parts, nes, of rotating electric plant
Electro-medical equipment	Precious jewellery, goldsmiths' or silversmiths' wares
Fruit prepared or preserved, nes	Printed matter, nes
Furskins, raw	Radio-active chemical elements, isotopes etc
Gas, liquid and electricity supply or production meters; etc	Refined sugar etc
Gas, liquid control instruments and apparatus, non-electrical	Structures and parts of, of aluminium; plates, rods, and the like
Glazes, driers, putty etc	Tea
Grapes, fresh or dried	Tomatoes, fresh or chilled
Hydrogenated animal or vegetable oils and fats	Trailers and transports containers
Internal combustion piston engines, marine propulsion	Tube and pipes fittings, of iron or steel
Iron or steel wire (excluding wire rod), not insulated	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Vegetables (excluding leguminous), dried, evaporated, etc
Knitted, not elastic nor rubberised, of fibres other than synthetic	Vegetables, frozen or in temporary preservative
Lead and lead alloys, worked	Warships
Leather of other hides or skins	Waste paper and paperboard, etc
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Wool; expanding or insulating mineral materials, nes
Macaroni, spaghetti and similar products	

Figure A3 41: Germany– Tunisia, 57 products identified**Table A3 44: List of commodities for Germany-Tunisia**

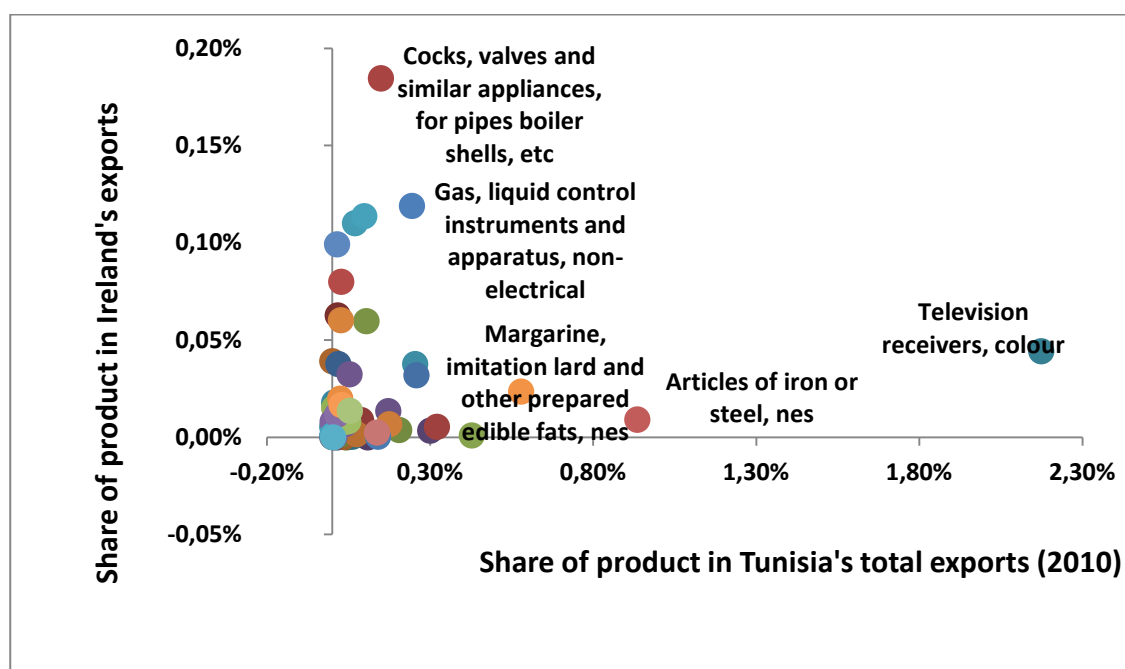
Commodity Description	
Acyclic alcohols, and their derivatives	Office machines, nes
Angles, shapes, sections and sheet piling, of iron or steel	Oilcake and other residues (except dregs)
Bricks, tiles, etc of pressed or moulded glass, used in building	Optical instruments and apparatus
Centrifuges	Other artificial plastic materials, nes
Complete digital data processing machines	Other made-up articles of textile materials, nes
Construction and mining machinery, nes	Other mineral working machinery; and parts thereof, nes
Construction materials, of asbestos-cement or fibre-cements, etc	Other sheet and plates, of iron or steel, worked
Copper and copper alloys, refined or not, unwrought	Palm oil
Cyclic hydrocarbons	Parts, nes of machinery and equipment of headings 72341 to 72346
Disinfectants, etc, for sale by retail or as preparation	Parts, nes of pumps and liquids elevators falling in heading 742
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Fatty acids, acid oils, and residues; degreas	Polyethylene
Fruit prepared or preserved, nes	Precious jewellery, goldsmiths' or silversmiths' wares
Furskins, raw	Printed matter, nes
Gas, liquid and electricity supply or production meters; etc	Refined sugar etc
Harvesting and threshing machines; fodder presses, etc; parts nes	Refractory bricks and other refractory construction materials
Hydrogenated animal or vegetable oils and fats	Rolling mills, rolls therefor, and parts, nes of rolling mills
Inorganic chemical products, nes	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Iron or steel coils for re-rolling	Seeds, fruits and spores, nes, for planting
Iron or steel wire (excluding wire rod), not insulated	Special transactions, commodity not classified according to class
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Spices, except pepper and pimento
Knitted, not elastic nor rubberised, of fibres other than synthetic	Structures and parts of, of aluminium; plates, rods, and the like
Lead and lead alloys, worked	Television receivers, colour
Leather of other hides or skins	Trailers and transports containers
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Tube and pipes fittings, of iron or steel
Materials of rubber	Vegetables (excluding leguminous), dried, evaporated, etc
Minerals, crude, nes	Warships
Monocarboxylic acids and their derivatives	Waste paper and paperboard, etc
Natural honey	

Figure A3 42: Greece– Tunisia, 51 products identified**Table A3 45: List of commodities for Greece-Tunisia**

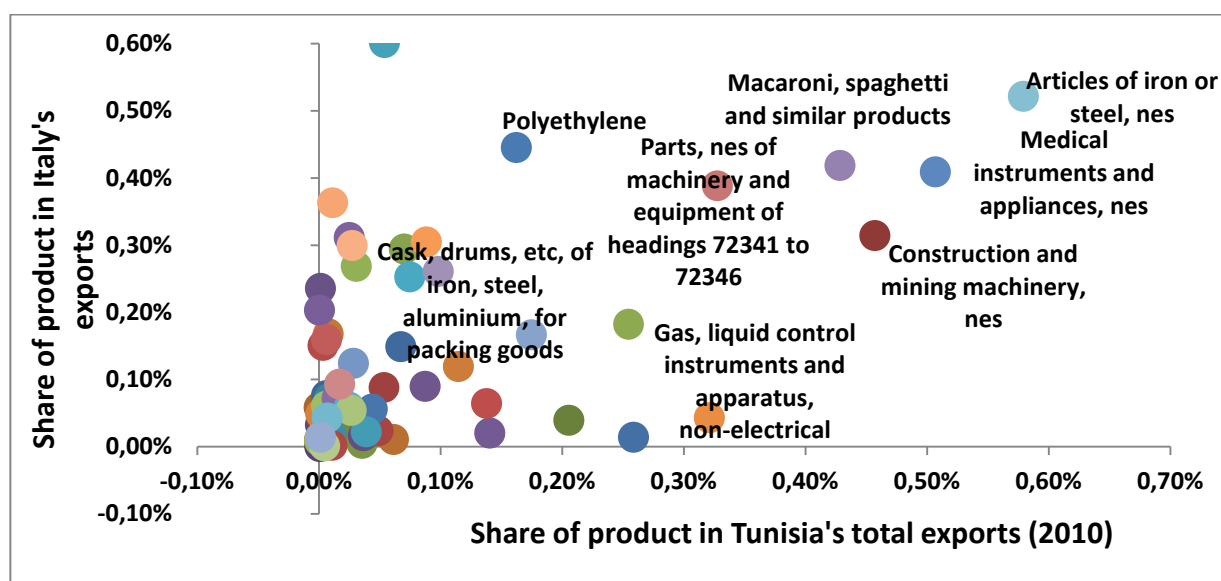
Commodity Description	
Acyclic alcohols, and their derivatives	Minerals, crude, nes
Auxiliary plant for boilers of heading 7111; condensers	Monocarboxylic acids and their derivatives
Centrifuges	Motors and generators, direct current
Cereal grains, worked or prepared, not elsewhere specified	Oilcake and other residues (except dregs)
Chocolate and other preparations containing cocoa, nes	Organic chemicals, nes
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other artificial plastic materials, nes
Cocoa powder, unsweetened	Other citrus fruits, fresh or dried
Complete digital data processing machines	Other fresh or chilled vegetables
Construction and mining machinery, nes	Other made-up articles of textile materials, nes
Copper and copper alloys, worked	Other sheet and plates, of iron or steel, worked
Cycles, not motorised	Parts, nes of pumps and liquids elevators falling in heading 742
Cyclic hydrocarbons	Parts, nes of the pumps and compressor falling within heading 7431
Disinfectants, etc, for sale by retail or as preparation	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Precious jewellery, goldsmiths' or silversmiths' wares
Fruit prepared or preserved, nes	Printed matter, nes
Fruit, fruit-peel and parts of plants, preserved by sugar	Radio-active chemical elements, isotopes etc
Gas, liquid and electricity supply or production meters; etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Grapes, fresh or dried	Salts of metallic acids; compounds of precious metals
Inorganic chemical products, nes	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Internal combustion piston engines, marine propulsion	Seeds, fruits and spores, nes, for planting
Iron or steel coils for re-rolling	Special transactions, commodity not classified according to class
Iron or steel wire (excluding wire rod), not insulated	Spices, except pepper and pimento
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Tin and tin alloys, unwrought
Leather of other hides or skins	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Margarine, imitation lard and other prepared edible fats, nes	Vegetables, frozen or in temporary preservative
Materials of rubber	

Figure A3 43: Hungary– Tunisia, 36 products identified**Table A3 46: List of commodities for Hungary-Tunisia**

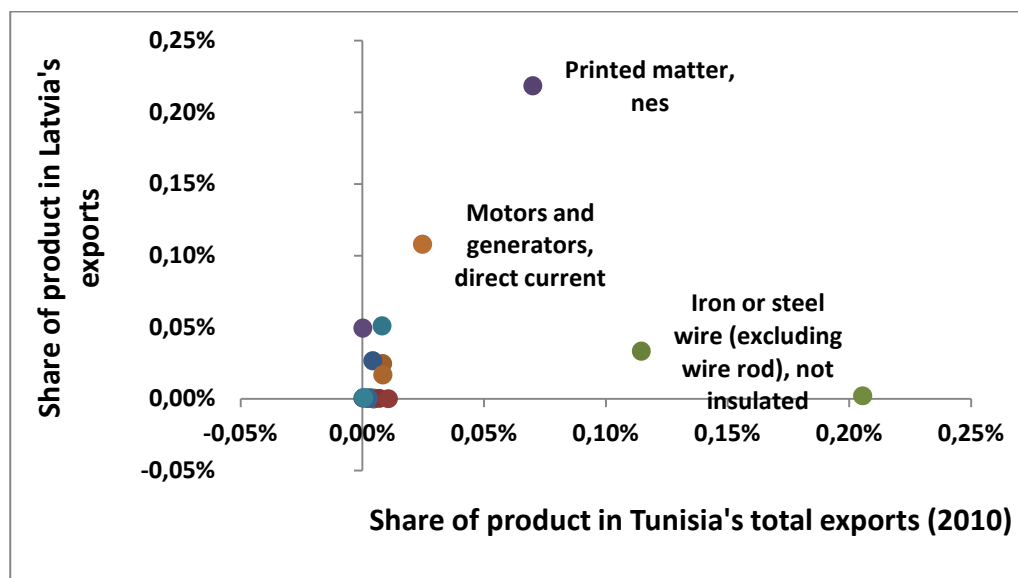
Commodity Description	
Angles, shapes, sections and sheet piling, of iron or steel	Optical instruments and apparatus
Auxiliary plant for boilers of heading 7111; condensers	Organic chemicals, nes
Bricks, tiles, etc of pressed or moulded glass, used in building	Orthopaedic appliances, hearing aids, artificial parts of the body
Centrifuges	Other artificial plastic materials, nes
Cheese and curd	Other base metal manufactures, nes; and of cermets
Construction materials, of asbestos-cement or fibre-cements, etc	Other fresh or chilled vegetables
Copper and copper alloys, worked	Other made-up articles of textile materials, nes
Disinfectants, etc, for sale by retail or as preparation	Other mineral working machinery; and parts thereof, nes
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Parts, nes of machinery and equipment of headings 72341 to 72346
Lead and lead alloys, worked	Potatoes, fresh or chilled, excluding sweet potatoes
Leather of other hides or skins	Rolling mills, rolls therefor, and parts, nes of rolling mills
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Spices, except pepper and pimento
Macaroni, spaghetti and similar products	Structures and parts of, of aluminium; plates, rods, and the like
Margarine, imitation lard and other prepared edible fats, nes	Trailers and transports containers
Minerals, crude, nes	Tube and pipes fittings, of iron or steel
Mixtures of odoriferous substances, used in perfumery, food etc	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Monocarboxylic acids and their derivatives	Vegetables (excluding leguminous), dried, evaporated, etc
Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper	Vegetables, frozen or in temporary preservative

Figure A3 44: Ireland– Tunisia, 63 products identified**Table A3 47: List of commodities for Ireland-Tunisia**

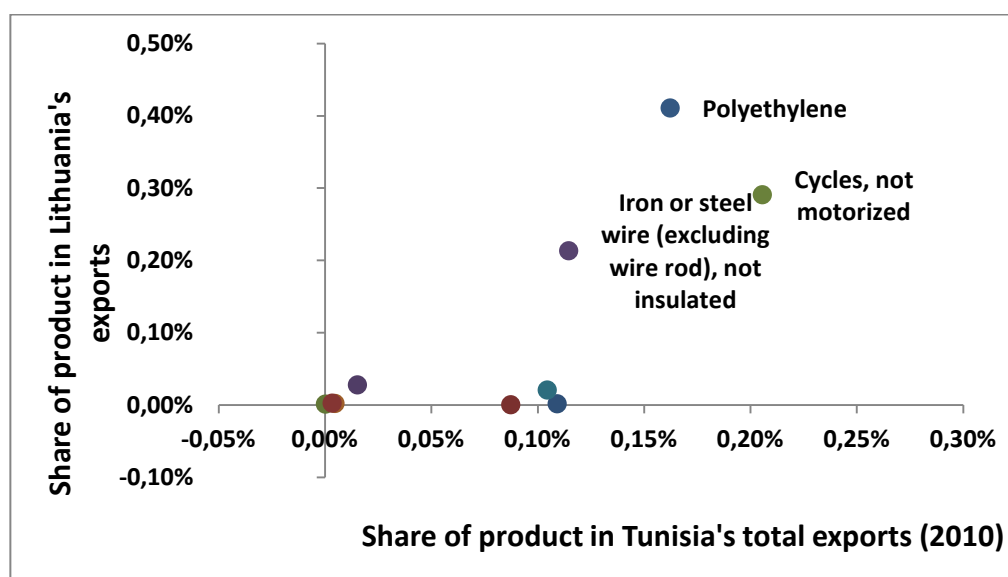
Commodity Description	
Angles, shapes, sections and sheet piling, of iron or steel	Office machines, nes
Articles of iron or steel, nes	Oilcake and other residues (except dregs)
Auxiliary plant for boilers of heading 7111; condensers	Organic chemicals, nes
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Other artificial plastic materials, nes
Cask, drums, etc., of iron, steel, aluminium, for packing goods	Other fresh or chilled vegetables
Chocolate and other preparations containing cocoa, nes	Other made-up articles of textile materials, nes
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other mineral working machinery; and parts thereof, nes
Cocoa powder, unsweetened	Palm oil
Complete digital data processing machines	Parts, nes of pumps and liquids elevators falling in heading 742
Copper and copper alloys, refined or not, unwrought	Parts, nes of the machines falling within headings 7435 and 7436
Copper and copper alloys, worked	Parts, nes of the pumps and compressor falling within heading 7431
Cycles, not motorised	Parts, nes, of rotating electric plant
Cyclic hydrocarbons	Printed matter, nes
Diodes, transistors, photocells, etc	Radio-active chemical elements, isotopes etc
Disinfectants, etc., for sale by retail or as preparation	Reclaimed rubber, waste, scrap of unhardened rubber
Electro-medical equipment	Refined sugar etc
Fatty acids, acid oils, and residues; degreas	Refractory bricks and other refractory construction materials
Gas, liquid and electricity supply or production meters; etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Gas, liquid control instruments and apparatus, non-electrical	Salts of metallic acids; compounds of precious metals
Glazes, driers, putty etc	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Inorganic chemical products, nes	Seeds, fruits and spores, nes, for planting
Internal combustion piston engines, marine propulsion	Special transactions, commodity not classified according to class
Iron or steel coils for re-rolling	Structures and parts of, of aluminium; plates, rods, and the like
Iron, steel, aluminium reservoirs, tanks, etc., capacity 300 lt plus	Television receivers, colour
Knitted, not elastic nor rubberised, of fibres other than synthetic	Tomatoes, fresh or chilled
Macaroni, spaghetti and similar products	Trailers and transports containers
Margarine, imitation lard and other prepared edible fats, nes	Tube and pipes fittings, of iron or steel
Materials of rubber	Vegetables (excluding leguminous), dried, evaporated, etc
Medical instruments and appliances, nes	Vegetables, frozen or in temporary preservative
Minerals, crude, nes	Warships
Motors and generators, direct current	Wool; expanding or insulating mineral materials, nes
Natural honey	

Figure A3 45: Italy– Tunisia, 73 products identified**Table A3 48: List of commodities for Italy-Tunisia**

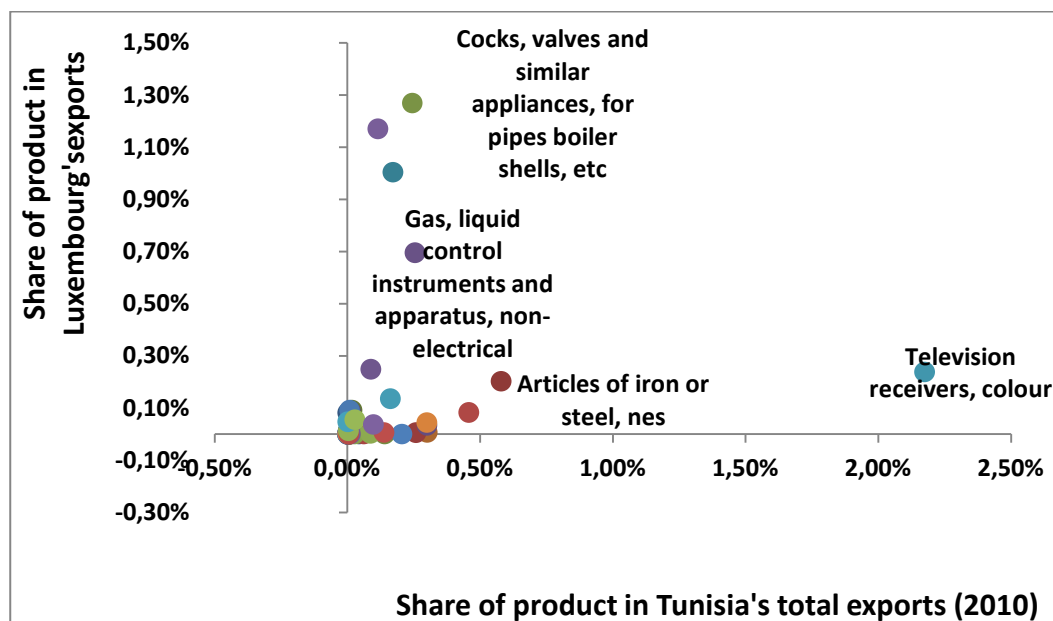
Commodity Description	
Acyclic alcohols, and their derivatives	Minerals, crude, nes
Agricultural and horticultural machinery for soil preparation, etc	Monocarboxylic acids and their derivatives
Angles, shapes, sections and sheet piling, of iron or steel	Motors and generators, direct current
Articles of iron or steel, nes	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Office machines, nes
Bricks, tiles, etc of pressed or moulded glass, used in building	Oilcake and other residues (except dregs)
Building and monumental (dimension) stone, roughly squared, split	Optical instruments and apparatus
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other base metal manufactures, nes; and of cermets
Centrifuges	Other fresh or chilled vegetables
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other made-up articles of textile materials, nes
Cocoa powder, unsweetened	Other mineral working machinery; and parts thereof, nes
Complete digital data processing machines	Palm oil
Construction and mining machinery, nes	Parts, nes of machinery and equipment of headings 72341 to 72346
Construction materials, of asbestos-cement or fibre-cements, etc	Parts, nes of pumps and liquids elevators falling in heading 742
Copper and copper alloys, refined or not, unwrought	Parts, nes of the machines falling within headings 7435 and 7436
Cycles, not motorised	Parts, nes of the pumps and compressor falling within heading 7431
Cyclic hydrocarbons	Polyethylene
Disinfectants, etc, for sale by retail or as preparation	Potatoes, fresh or chilled, excluding sweet potatoes
Electro-medical equipment	Precious jewellery, goldsmiths' or silversmiths' wares
Fatty acids, acid oils, and residues; degreas	Printed matter, nes
Fruit prepared or preserved, nes	Radio-active chemical elements, isotopes etc
Fruit, fruit-peel and parts of plants, preserved by sugar	Refined sugar etc
Gas, liquid and electricity supply or production meters; etc	Refractory bricks and other refractory construction materials
Gas, liquid control instruments and apparatus, non-electrical	Salts of metallic acids; compounds of precious metals
Glazes, driers, putty etc	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Grapes, fresh or dried	Seeds, fruits and spores, nes, for planting
Harvesting and threshing machines; fodder presses, etc; parts nes	Special products of textile materials
Hydrogenated animal or vegetable oils and fats	Special transactions, commodity not classified according to class
Iron or steel wire (excluding wire rod), not insulated	Structures and parts of, of aluminium; plates, rods, and the like
Knitted, not elastic nor rubberized, of fibres other than synthetic	Television receivers, colour
Lead and lead alloys, worked	Tin and tin alloys, unwrought
Leather of other hides or skins	Tomatoes, fresh or chilled
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Trailers and transports containers
Macaroni, spaghetti and similar products	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Margarine, imitation lard and other prepared edible fats, nes	Vegetables (excluding leguminous), dried, evaporated, etc
Materials of rubber	Wool; expanding or insulating mineral materials, nes
Medical instruments and appliances, nes	

Figure A3 46: Latvia– Tunisia, 18 products identified**Table A3 49: List of commodities for Latvia-Tunisia**

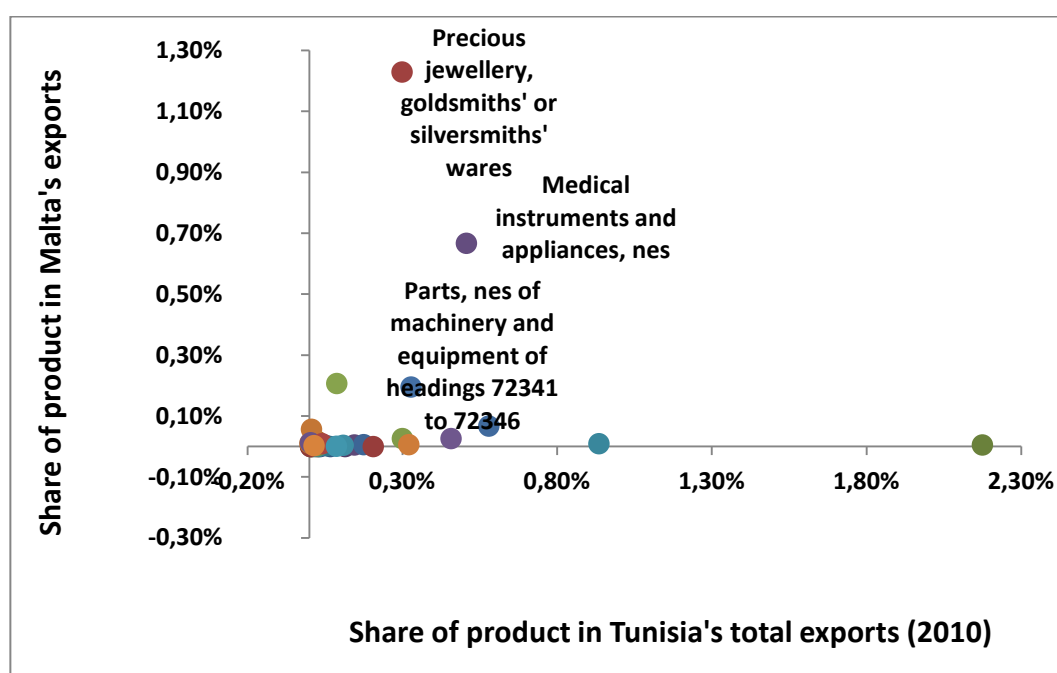
Commodity Description	
Bricks, tiles, etc of pressed or moulded glass, used in building	Other artificial plastic materials, nes
Construction materials, of asbestos-cement or fibre-cements, etc	Other base metal manufactures, nes; and of cermets
Cycles, not motorised	Palm oil
Cyclic hydrocarbons	Printed matter, nes
Inorganic chemical products, nes	Refined sugar etc
Iron or steel wire (excluding wire rod), not insulated	Rolling mills, rolls therefor, and parts, nes of rolling mills
Leather of other hides or skins	Tin and tin alloys, unwrought
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Motors and generators, direct current	Waste paper and paperboard, etc

Figure A3 47: Lithuania– Tunisia, 10 products identified**Table A3 50: List of commodities for Lithuania-Tunisia**

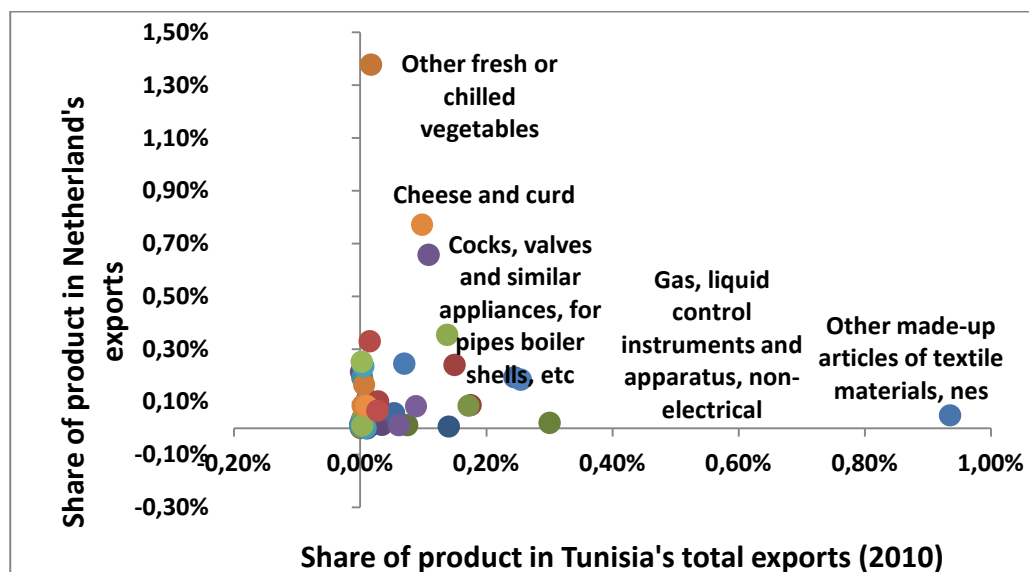
Commodity Description	
Auxiliary plant for boilers of heading 7111; condensers	Iron or steel wire (excluding wire rod), not insulated
Building and monumental (dimension) stone, roughly squared, split	Other base metal manufactures, nes; and of cermets
Cycles, not motorised	Palm oil
Cyclic hydrocarbons	Polyethylene
Diodes, transistors, photocells, etc	Vegetables, frozen or in temporary preservative

Figure A3 48: Luxembourg– Tunisia, 52 products identified**Table A3 51: List of commodities for Luxembourg-Tunisia**

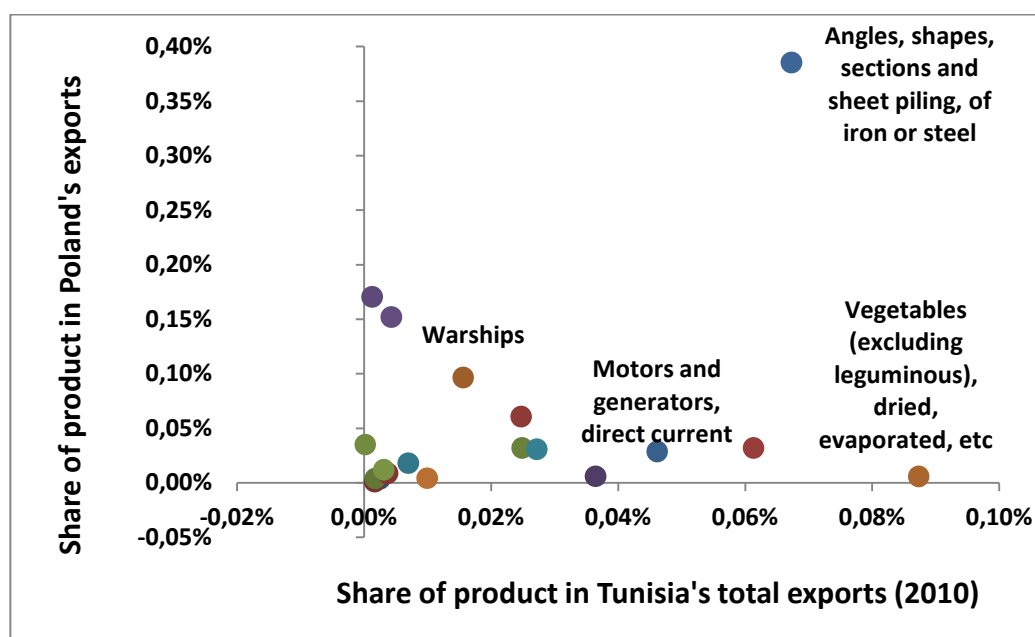
Commodity Description	
Acyclic alcohols, and their derivatives	Monocarboxylic acids and their derivatives
Angles, shapes, sections and sheet piling, of iron or steel	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Articles of iron or steel, nes	Optical instruments and apparatus
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Other base metal manufactures, nes; and of cermets
Bricks, tiles, etc of pressed or moulded glass, used in building	Other fermented beverages, nes (cider, perry, mead, etc)
Building and monumental (dimension) stone, roughly squared, split	Other fresh or chilled vegetables
Cereal grains, worked or prepared, not elsewhere specified	Other sheet and plates, of iron or steel, worked
Cocks, valves and similar appliances, for pipes boiler shells, etc	Palm oil
Complete digital data processing machines	Parts, nes of the machines falling within headings 7435 and 7436
Construction and mining machinery, nes	Parts, nes of the pumps and compressor falling within heading 7431
Copper and copper alloys, refined or not, unwrought	Parts, nes, of rotating electric plant
Copper and copper alloys, worked	Polyethylene
Cycles, not motorized	Potatoes, fresh or chilled, excluding sweet potatoes
Disinfectants, etc, for sale by retail or as preparation	Precious jewellery, goldsmiths' or silversmiths' wares
Electro-medical equipment	Rolling mills, rolls therefor, and parts, nes of rolling mills
Filtering and purifying machinery, apparatus for liquids and gases	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Gas, liquid and electricity supply or production meters; etc	Special transactions, commodity not classified according to class
Gas, liquid control instruments and apparatus, non-electrical	Sunflower seeds
Glazes, driers, putty etc	Tea
Inorganic chemical products, nes	Television receivers, colour
Iron or steel wire (excluding wire rod), not insulated	Tin and tin alloys, unwrought
Lead and lead alloys, worked	Tomatoes, fresh or chilled
Margarine, imitation lard and other prepared edible fats, nes	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Materials of rubber	Vegetables (excluding leguminous), dried, evaporated, etc
Minerals, crude, nes	Waste paper and paperboard, etc
Mixtures of odoriferous substances, used in perfumery, food etc	Wool; expanding or insulating mineral materials, nes

Figure A3 49: Malta– Tunisia, 36 products identified**Table A3 52: List of commodities for Malta-Tunisia**

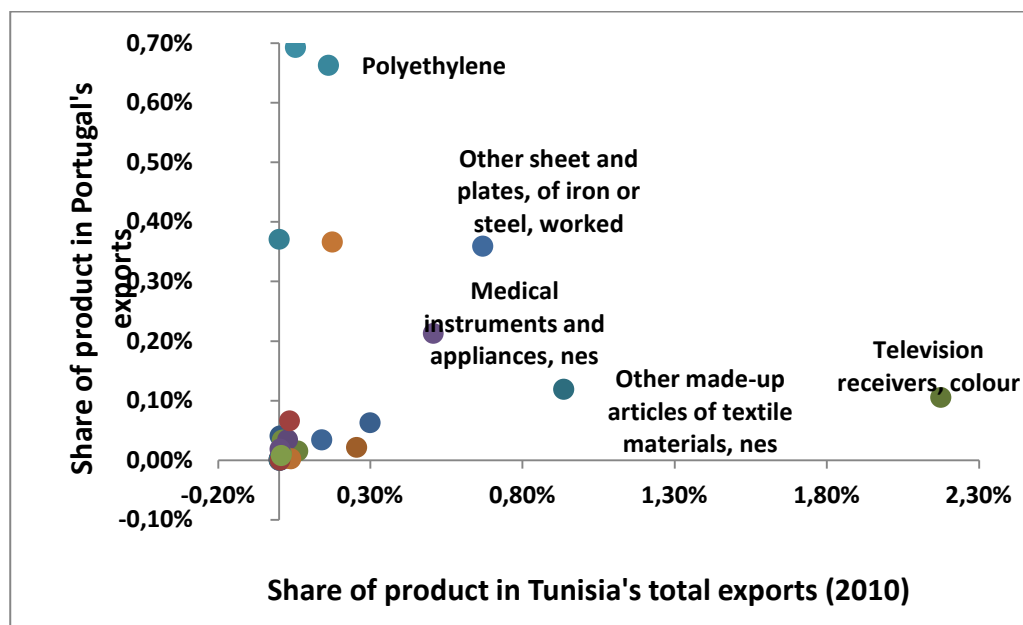
Commodity Description	
Agricultural and horticultural machinery for soil preparation, etc	Medical instruments and appliances, nes
Angles, shapes, sections and sheet piling, of iron or steel	Motors and generators, direct current
Articles of iron or steel, nes	Orthopaedic appliances, hearing aids, artificial parts of the body
Building and monumental (dimension) stone, roughly squared, split	Other made-up articles of textile materials, nes
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other mineral working machinery; and parts thereof, nes
Cereal grains, worked or prepared, not elsewhere specified	Parts, nes of machinery and equipment of headings 72341 to 72346
Cheese and curd	Parts, nes of pumps and liquids elevators falling in heading 742
Complete digital data processing machines	Parts, nes of the machines falling within headings 7435 and 7436
Construction and mining machinery, nes	Parts, nes of the pumps and compressor falling within heading 7431
Cycles, not motorised	Potatoes, fresh or chilled, excluding sweet potatoes
Disinfectants, etc, for sale by retail or as preparation	Precious jewellery, goldsmiths' or silversmiths' wares
Electro-medical equipment	Refined sugar etc
Filtering and purifying machinery, apparatus for liquids and gases	Spices, except pepper and pimento
Fruit prepared or preserved, nes	Structures and parts of, of aluminium; plates, rods, and the like
Glazes, driers, putty etc	Television receivers, colour
Iron or steel wire (excluding wire rod), not insulated	Trailers and transports containers
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Tube and pipes fittings, of iron or steel
Materials of rubber	Vegetables, frozen or in temporary preservative

Figure A3 50: Netherland– Tunisia, 51 products identified**Table A3 53: List of commodities for Netherland-Tunisia**

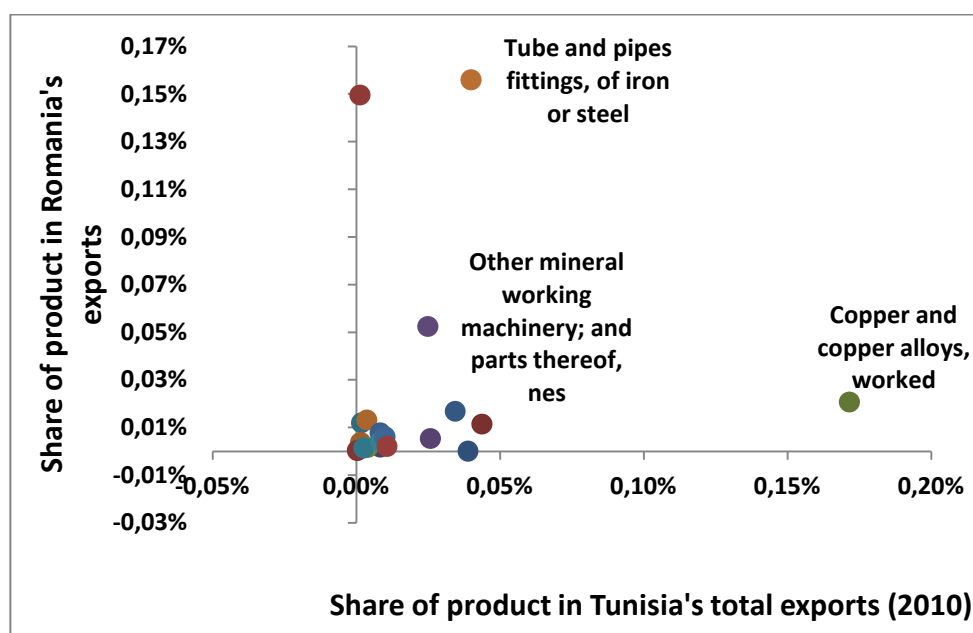
Commodity Description	
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Monocarboxylic acids and their derivatives
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Motors and generators, direct current
Cereal grains, worked or prepared, not elsewhere specified	Natural honey
Cheese and curd	Optical instruments and apparatus
Chocolate and other preparations containing cocoa, nes	Organic chemicals, nes
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other artificial plastic materials, nes
Cocoa powder, unsweetened	Other base metal manufactures, nes; and of cermets
Complete digital data processing machines	Other fresh or chilled vegetables
Construction materials, of asbestos-cement or fibre-cements, etc	Other made-up articles of textile materials, nes
Copper and copper alloys, worked	Palm oil
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Parts, nes of the pumps and compressor falling within heading 7431
Fatty acids, acid oils, and residues; degreas	Parts, nes, of rotating electric plant
Furskins, raw	Printed matter, nes
Gas, liquid and electricity supply or production meters; etc	Refined sugar etc
Gas, liquid control instruments and apparatus, non-electrical	Refractory bricks and other refractory construction materials
Glazes, driers, putty etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Hydrogenated animal or vegetable oils and fats	Salts of metallic acids; compounds of precious metals
Internal combustion piston engines, marine propulsion	Special transactions, commodity not classified according to class
Iron or steel coils for re-rolling	Structures and parts of, of aluminium; plates, rods, and the like
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Tea
Knitted, not elastic nor rubberised, of fibres other than synthetic	Tomatoes, fresh or chilled
Leather of other hides or skins	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Vegetables (excluding leguminous), dried, evaporated, etc
Materials of rubber	Vegetables, frozen or in temporary preservative
Minerals, crude, nes	Wool; expanding or insulating mineral materials, nes
Mixtures of odoriferous substances, used in perfumery, food etc	

Figure A3 51: Poland– Tunisia, 22 products identified**Table A3 54: List of commodities for Poland-Tunisia**

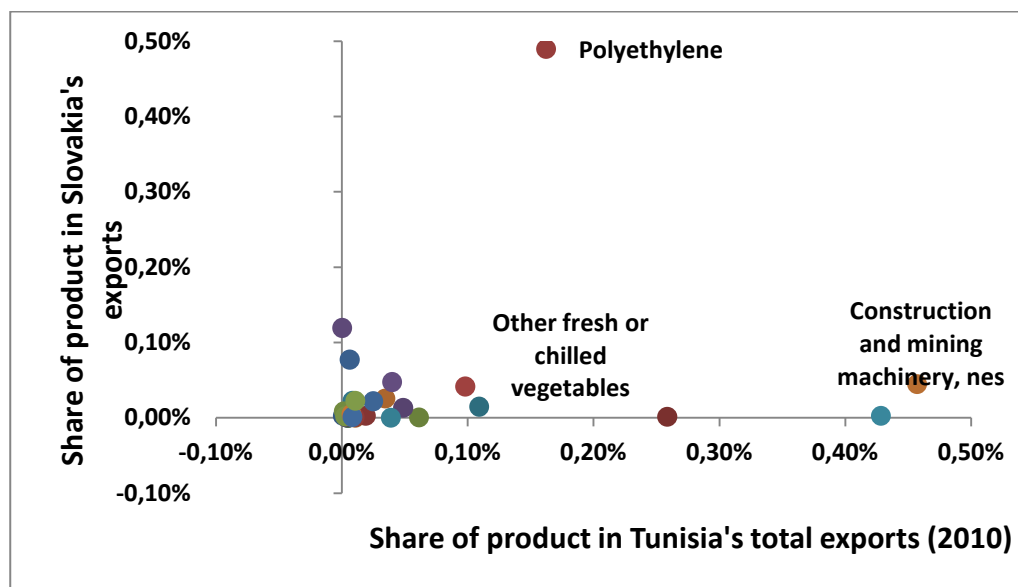
Commodity Description	
Acyclic alcohols, and their derivatives	Other artificial plastic materials, nes
Angles, shapes, sections and sheet piling, of iron or steel	Other made-up articles of textile materials, nes
Building and monumental (dimension) stone, roughly squared, split	Other mineral working machinery; and parts thereof, nes
Cocoa powder, unsweetened	Parts, nes of the pumps and compressor falling within heading 7431
Construction and mining machinery, nes	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Fatty acids, acid oils, and residues; degreas	Precious jewellery, goldsmiths' or silversmiths' wares
Inorganic chemical products, nes	Reclaimed rubber, waste, scrap of unhardened rubber
Leather of other hides or skins	Refined sugar etc
Minerals, crude, nes	Rolling mills, rolls therefor, and parts, nes of rolling mills
Motors and generators, direct current	Vegetables (excluding leguminous), dried, evaporated, etc
Optical instruments and apparatus	Warships

Figure A3 52: Portugal– Tunisia, 29 products identified**Table A3 55: List of commodities for Portugal-Tunisia**

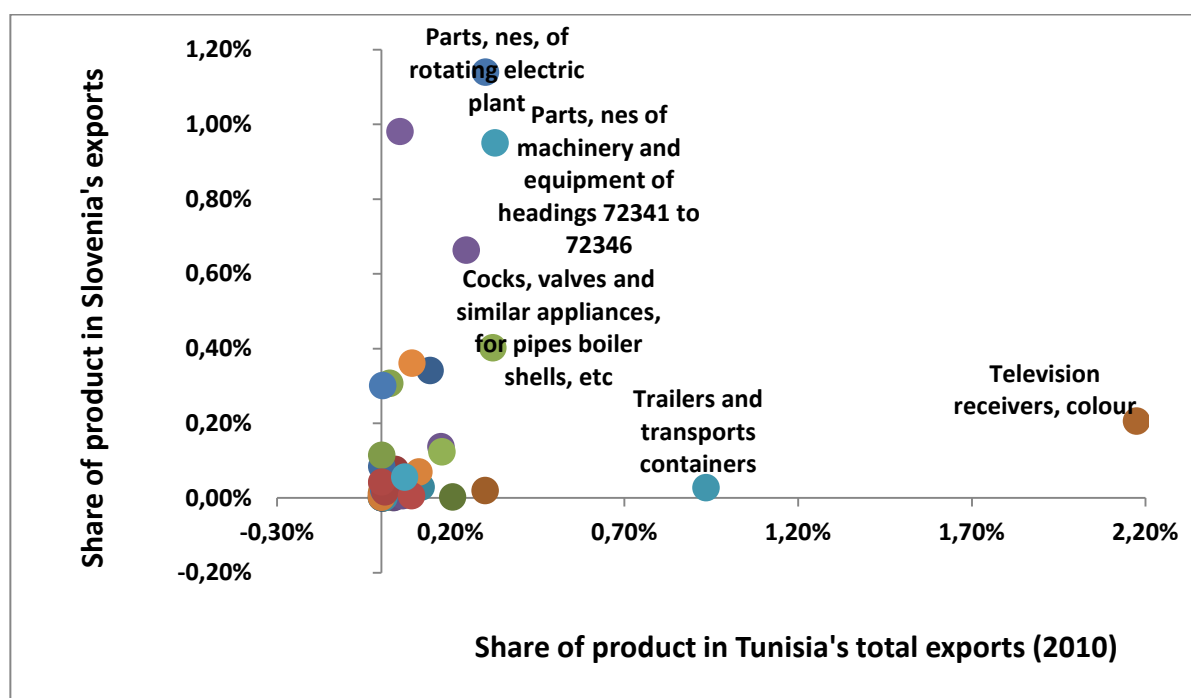
Commodity Description	
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Medical instruments and appliances, nes
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Monocarboxylic acids and their derivatives
Centrifuges	Office machines, nes
Cereal grains, worked or prepared, not elsewhere specified	Optical instruments and apparatus
Cocoa powder, unsweetened	Other base metal manufactures, nes; and of cermets
Construction materials, of asbestos-cement or fibre-cements, etc	Other made-up articles of textile materials, nes
Cyclic hydrocarbons	Other sheet and plates, of iron or steel, worked
Furskins, raw	Palm oil
Gas, liquid and electricity supply or production meters; etc	Polyethylene
Gas, liquid control instruments and apparatus, non-electrical	Precious jewellery, goldsmiths' or silversmiths' wares
Glazes, driers, putty etc	Salts of metallic acids; compounds of precious metals
Hydrogenated animal or vegetable oils and fats	Television receivers, colour
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Lead and lead alloys, worked	Vegetables (excluding leguminous), dried, evaporated, etc
Leather of other hides or skins	

Figure A3 53: Romania– Tunisia, 20 products identified**Table A3 56: List of commodities for Romania-Tunisia**

Commodity Description	
Acyclic alcohols, and their derivatives	Optical instruments and apparatus
Centrifuges	Other mineral working machinery; and parts thereof, nes
Construction materials, of asbestos-cement or fibre-cements, etc	Potatoes, fresh or chilled, excluding sweet potatoes
Copper and copper alloys, refined or not, unwrought	Rolling mills, rolls therefor, and parts, nes of rolling mills
Copper and copper alloys, worked	Salts of metallic acids; compounds of precious metals
Fatty acids, acid oils, and residues; degreas	Spices, except pepper and pimento
Iron or steel coils for re-rolling	Tea
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Tube and pipes fittings, of iron or steel
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Monocarboxylic acids and their derivatives	Wool; expanding or insulating mineral materials, nes

Figure A3 54: Slovakia– Tunisia, 27 products identified**Table A3 57: List of commodities for Slovakia-Tunisia**

Commodity Description	
Auxiliary plant for boilers of heading 7111; condensers	Natural honey
Centrifuges	Oilcake and other residues (except dregs)
Cocoa powder, unsweetened	Organic chemicals, nes
Construction and mining machinery, nes	Other fresh or chilled vegetables
Construction materials, of asbestos-cement or fibre-cements, etc	Other mineral working machinery; and parts thereof, nes
Cyclic hydrocarbons	Palm oil
Fatty acids, acid oils, and residues; degreas	Polyethylene
Grapes, fresh or dried	Refractory bricks and other refractory construction materials
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Spices, except pepper and pimento
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Tea
Macaroni, spaghetti and similar products	Tin and tin alloys, unwrought
Margarine, imitation lard and other prepared edible fats, nes	Tube and pipes fittings, of iron or steel
Mixtures of odoriferous substances, used in perfumery, food etc	Vegetables (excluding leguminous), dried, evaporated, etc
Monocarboxylic acids and their derivatives	

Figure A3 55: Slovenia– Tunisia, 47 products identified**Table A3 58: List of commodities for Slovenia-Tunisia**

Commodity Description	
Acyclic alcohols, and their derivatives	Materials of rubber
Angles, shapes, sections and sheet piling, of iron or steel	Minerals, crude, nes
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Motors and generators, direct current
Bricks, tiles, etc of pressed or moulded glass, used in building	Natural honey
Building and monumental (dimension) stone, roughly squared, split	Optical instruments and apparatus
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other artificial plastic materials, nes
Cereal grains, worked or prepared, not elsewhere specified	Other base metal manufactures, nes; and of cermets
Cheese and curd	Other made-up articles of textile materials, nes
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other mineral working machinery; and parts thereof, nes
Cocoa powder, unsweetened	Palm oil
Construction materials, of asbestos-cement or fibre-cements, etc	Parts, nes of machinery and equipment of headings 72341 to 72346
Copper and copper alloys, worked	Parts, nes, of rotating electric plant
Cycles, not motorised	Potatoes, fresh or chilled, excluding sweet potatoes
Disinfectants, etc, for sale by retail or as preparation	Precious jewellery, goldsmiths' or silversmiths' wares
Fruit prepared or preserved, nes	Seeds, fruits and spores, nes, for planting
Gas, liquid and electricity supply or production meters; etc	Special products of textile materials
Harvesting and threshing machines; fodder presses, etc; parts nes	Spices, except pepper and pimento
Hydrogenated animal or vegetable oils and fats	Television receivers, colour
Inorganic chemical products, nes	Trailers and transports containers
Iron or steel coils for re-rolling	Tube and pipes fittings, of iron or steel
Iron or steel wire (excluding wire rod), not insulated	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Vegetables (excluding leguminous), dried, evaporated, etc
Leather of other hides or skins	Wool; expanding or insulating mineral materials, nes
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	

Figure A3 56: Spain– Tunisia, 55 products identified

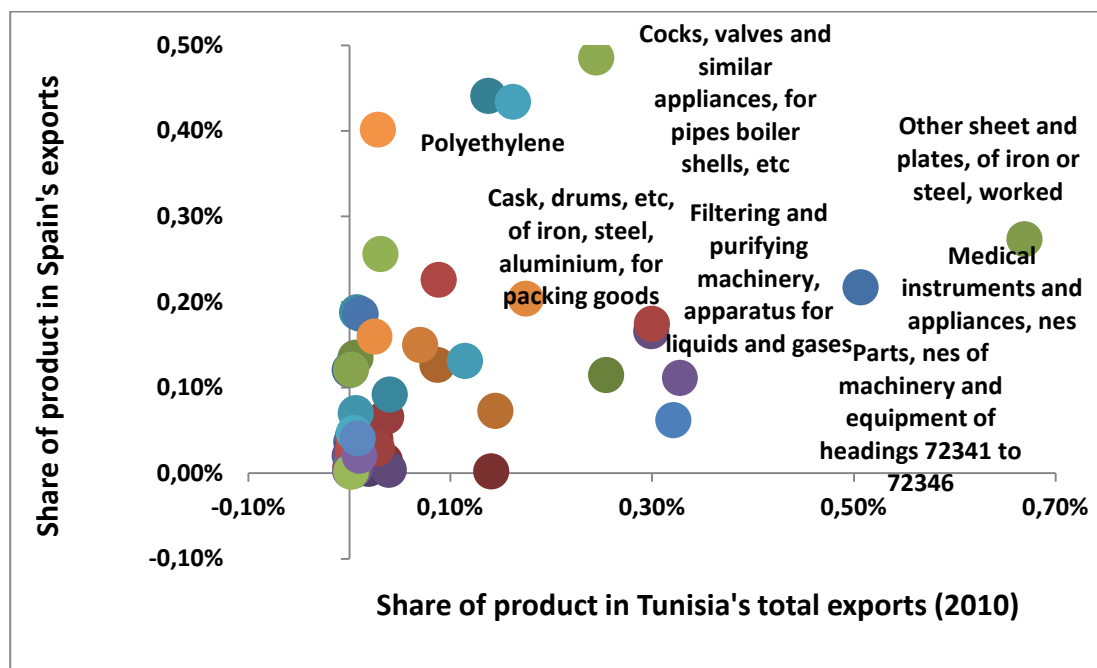
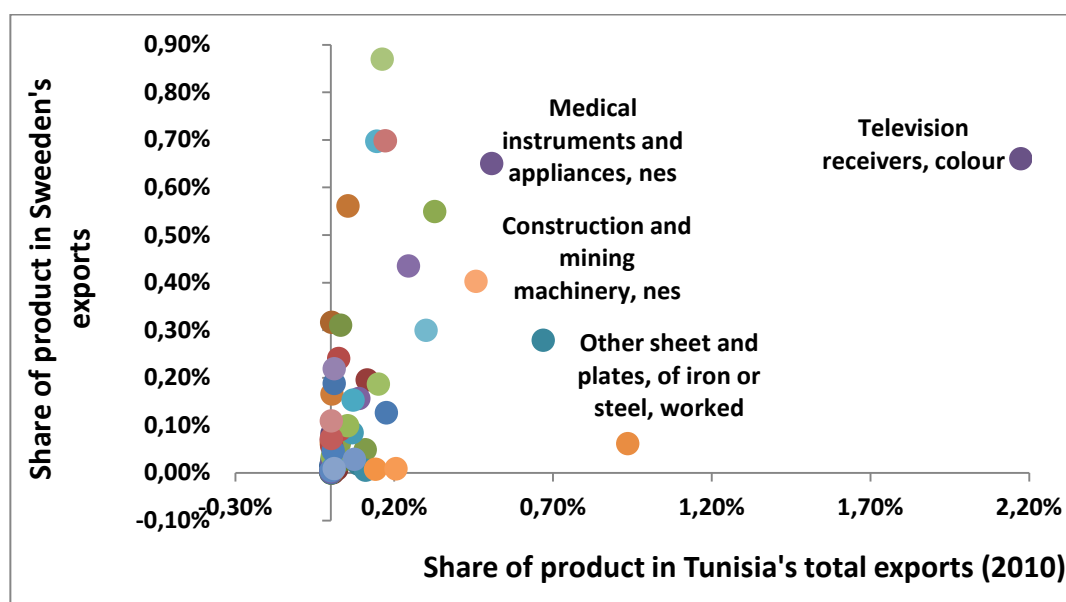
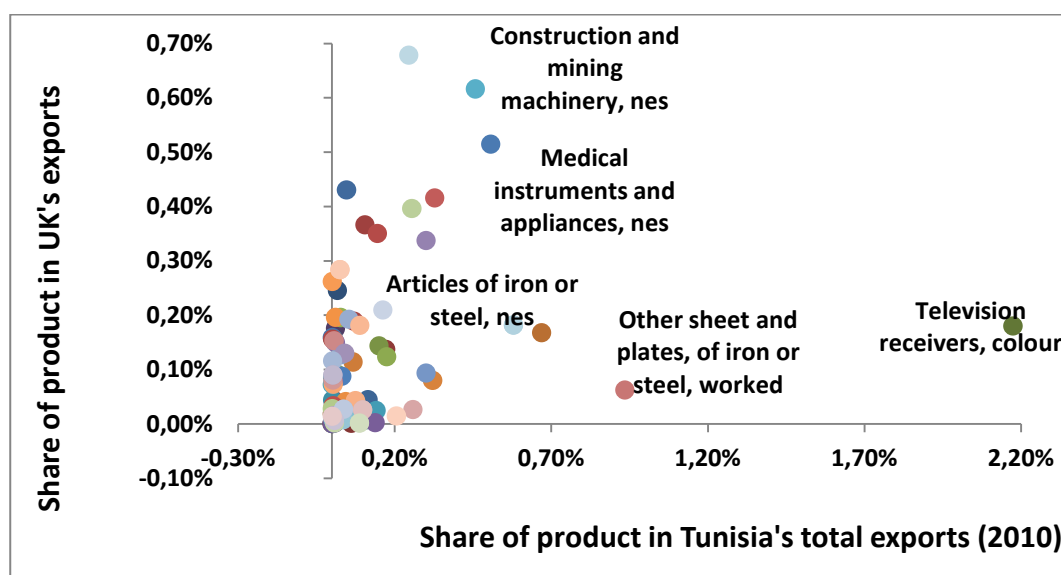


Table A3 59: List of commodities for Spain-Tunisia

Commodity Description	
Agricultural and horticultural machinery for soil preparation, etc	Other base metal manufactures, nes; and of cermets
Bricks, tiles, etc of pressed or moulded glass, used in building	Other citrus fruits, fresh or dried
Building and monumental (dimension) stone, roughly squared, split	Other fermented beverages, nes (cider, perry, mead, etc)
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Other fresh or chilled vegetables
Centrifuges	Other mineral working machinery; and parts thereof, nes
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other sheet and plates, of iron or steel, worked
Construction materials, of asbestos-cement or fibre-cements, etc	Palm oil
Fatty acids, acid oils, and residues; degreas	Parts, nes of machinery and equipment of headings 72341 to 72346
Filtering and purifying machinery, apparatus for liquids and gases	Parts, nes of the pumps and compressor falling within heading 7431
Fruit prepared or preserved, nes	Polyethylene
Fruit, fruit-peel and parts of plants, preserved by sugar	Potatoes, fresh or chilled, excluding sweet potatoes
Gas, liquid and electricity supply or production meters; etc	Precious jewellery, goldsmiths' or silversmiths' wares
Gas, liquid control instruments and apparatus, non-electrical	Printed matter, nes
Glazes, driers, putty etc	Radio-active chemical elements, isotopes etc
Hydrogenated animal or vegetable oils and fats	Reclaimed rubber, waste, scrap of unhardened rubber
Inorganic chemical products, nes	Refined sugar etc
Internal combustion piston engines, marine propulsion	Refractory bricks and other refractory construction materials
Iron or steel wire (excluding wire rod), not insulated	Rolling mills, rolls therefor, and parts, nes of rolling mills
Leather of other hides or skins	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Materials of rubber	Special products of textile materials
Medical instruments and appliances, nes	Special transactions, commodity not classified according to class
Minerals, crude, nes	Spices, except pepper and pimento
Monocarboxylic acids and their derivatives	Television receivers, colour
Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper	Tin and tin alloys, unwrought
Optical instruments and apparatus	Tomatoes, fresh or chilled
Organic chemicals, nes	Trailers and transports containers
Orthopaedic appliances, hearing aids, artificial parts of the body	Tube and pipes fittings, of iron or steel
Other artificial plastic materials, nes	

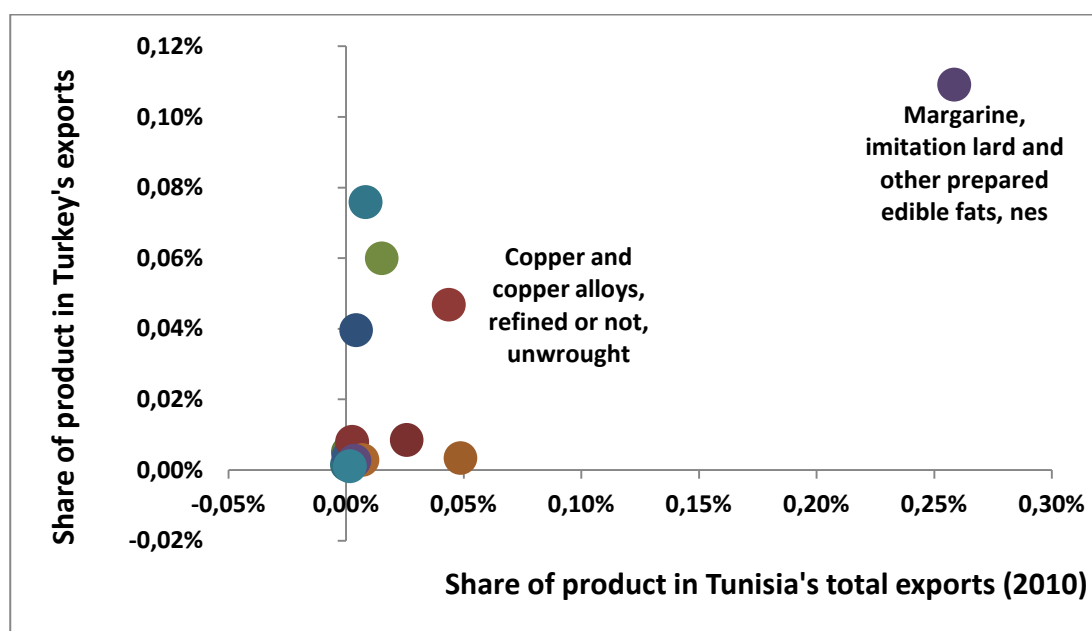
Figure A3 57: Sweden– Tunisia, 68 products identified**Table A3 60: List of commodities for Sweden-Tunisia**

Commodity Description	
Acyclic alcohols, and their derivatives	Medical instruments and appliances, nes
Angles, shapes, sections and sheet piling, of iron or steel	Mixtures of odoriferous substances, used in perfumery, food etc
Auxiliary plant for boilers of heading 7111; condensers	Monocarboxylic acids and their derivatives
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Bricks, tiles, etc of pressed or moulded glass, used in building	Office machines, nes
Building and monumental (dimension) stone, roughly squared, split	Optical instruments and apparatus
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Organic chemicals, nes
Centrifuges	Orthopaedic appliances, hearing aids, artificial parts of the body
Cheese and curd	Other artificial plastic materials, nes
Chocolate and other preparations containing cocoa, nes	Other base metal manufactures, nes; and of cermets
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other made-up articles of textile materials, nes
Construction and mining machinery, nes	Other mineral working machinery; and parts thereof, nes
Construction materials, of asbestos-cement or fibre-cements, etc	Other sheet and plates, of iron or steel, worked
Copper and copper alloys, worked	Palm oil
Cycles, not motorised	Parts, nes of machinery and equipment of headings 72341 to 72346
Disinfectants, etc, for sale by retail or as preparation	Parts, nes of the pumps and compressor falling within heading 7431
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Polyethylene
Electro-medical equipment	Printed matter, nes
Fatty acids, acid oils, and residues; degreas	Radio-active chemical elements, isotopes etc
Filtering and purifying machinery, apparatus for liquids and gases	Reclaimed rubber, waste, scrap of unhardened rubber
Fruit, fruit-peel and parts of plants, preserved by sugar	Refined sugar etc
Furskins, raw	Refractory bricks and other refractory construction materials
Gas, liquid and electricity supply or production meters; etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Glazes, driers, putty etc	Salts of metallic acids; compounds of precious metals
Harvesting and threshing machines; fodder presses, etc; parts nes	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Inorganic chemical products, nes	Special products of textile materials
Internal combustion piston engines, marine propulsion	Structures and parts of, of aluminium; plates, rods, and the like
Iron or steel coils for re-rolling	Tea
Iron or steel wire (excluding wire rod), not insulated	Television receivers, colour
Knitted, not elastic nor rubberised, of fibres other than synthetic	Tin and tin alloys, unwrought
Lead and lead alloys, worked	Tube and pipes fittings, of iron or steel
Leather of other hides or skins	Warships
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Waste paper and paperboard, etc
Materials of rubber	Wool; expanding or insulating mineral materials, nes

Figure A3 58: United Kingdom– Tunisia, 92 products identified**Table A3 61: List of commodities for United Kingdom-Tunisia**

Commodity Description	
Acyclic alcohols, and their derivatives	Minerals, crude, nes
Agricultural and horticultural machinery for soil preparation, etc	Mixtures of odoriferous substances, used in perfumery, food etc
Angles, shapes, sections and sheet piling, of iron or steel	Monocarboxylic acids and their derivatives
Articles of iron or steel, nes	Motors and generators, direct current
Auxiliary plant for boilers of heading 7111; condensers	Nails, screws, nuts, bolts, rivets, etc, of iron, steel or copper
Bars, rods (not wire rod), from iron or steel; hollow mining drill	Office machines, nes
Bricks, tiles, etc of pressed or moulded glass, used in building	Oilcake and other residues (except dregs)
Building and monumental (dimension) stone, roughly squared, split	Optical instruments and apparatus
Cask, drums, etc, of iron, steel, aluminium, for packing goods	Organic chemicals, nes
Centrifuges	Orthopaedic appliances, hearing aids, artificial parts of the body
Cereal grains, worked or prepared, not elsewhere specified	Other artificial plastic materials, nes
Chocolate and other preparations containing cocoa, nes	Other base metal manufactures, nes; and of cermets
Cocks, valves and similar appliances, for pipes boiler shells, etc	Other citrus fruits, fresh or dried
Cocoa powder, unsweetened	Other fermented beverages, nes (cider, perry, mead, etc)
Complete digital data processing machines	Other fresh or chilled vegetables
Construction and mining machinery, nes	Other made-up articles of textile materials, nes
Construction materials, of asbestos-cement or fibre-cements, etc	Other mineral working machinery; and parts thereof, nes
Copper and copper alloys, refined or not, unwrought	Other sheet and plates, of iron or steel, worked
Copper and copper alloys, worked	Palm oil
Cycles, not motorised	Parts, nes of machinery and equipment of headings 72341 to 72346
Cyclic hydrocarbons	Parts, nes of pumps and liquids elevators falling in heading 742
Diodes, transistors, photocells, etc	Parts, nes of the machines falling within headings 7435 and 7436
Disinfectants, etc, for sale by retail or as preparation	Parts, nes of the pumps and compressor falling within heading 7431
Eggs, birds', and egg yolks, fresh, dried or preserved, in shell	Parts, nes, of rotating electric plant
Fatty acids, acid oils, and residues; degreas	Petroleum gases and other gaseous hydrocarbons, nes, liquefied
Filtering and purifying machinery, apparatus for liquids and gases	Polyethylene
Fruit prepared or preserved, nes	Printed matter, nes
Fruit, fruit-peel and parts of plants, preserved by sugar	Radio-active chemical elements, isotopes etc
Furskins, raw	Reclaimed rubber, waste, scrap of unhardened rubber
Gas, liquid and electricity supply or production meters; etc	Refined sugar etc
Gas, liquid control instruments and apparatus, non-electrical	Refractory bricks and other refractory construction materials
Glazes, driers, putty etc	Rolling mills, rolls therefor, and parts, nes of rolling mills
Grapes, fresh or dried	Salts of metallic acids; compounds of precious metals
Harvesting and threshing machines; fodder presses, etc; parts nes	Seamless tubes, pipes; blanks for tubes and pipes, of iron or steel
Hydrogenated animal or vegetable oils and fats	Special products of textile materials
Inorganic chemical products, nes	Special transactions, commodity not classified according to class
Internal combustion piston engines, marine propulsion	Spices, except pepper and pimento

Iron or steel coils for re-rolling	Structures and parts of, of aluminium; plates, rods, and the like
Iron or steel wire (excluding wire rod), not insulated	Tea
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	Television receivers, colour
Knitted, not elastic nor rubberised, of fibres other than synthetic	Tomatoes, fresh or chilled
Leather of other hides or skins	Trailers and transports containers
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	Tube and pipes fittings, of iron or steel
Margarine, imitation lard and other prepared edible fats, nes	Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberised
Materials of rubber	Vegetables (excluding leguminous), dried, evaporated, etc
Medical instruments and appliances, nes	Vegetables, frozen or in temporary preservative

Figure A3 59: Turkey– Tunisia, 17 products identified**Table A3 62: List of commodities for Turkey-Tunisia**

Commodity Description	
Copper and copper alloys, refined or not, unwrought	Potatoes, fresh or chilled, excluding sweet potatoes
Disinfectants, etc, for sale by retail or as preparation	Reclaimed rubber, waste, scrap of unhardened rubber
Internal combustion piston engines, marine propulsion	Refined sugar etc
Leather of other hides or skins	Special products of textile materials
Margarine, imitation lard and other prepared edible fats, nes	Spices, except pepper and pimento
Natural honey	Tea
Oilcake and other residues (except dregs)	Television receivers, colour
Other base metal manufactures, nes; and of cermets	Vegetables, frozen or in temporary preservative
Other made-up articles of textile materials, nes	

Annex 4: Sector Assessment Results

223. **In order to identify the target value chains for matchmaking activities, one of the layers of analysis we conduct is the sector assessment.** Though our target level of economic activity will be the value chains, we employ an assessment at the sector level. This is because most of the economic activities are categorised as sectors, for which it is possible to find data. We first create a long list of sectors through data analysis and our fact finding missions to Egypt and Tunisia. We then filter through these sectors using a number of parameters in order to obtain a shorter list. From this short list, we identify the most suitable ones for the value chains, this time applying a set of selection criteria. In this section, we explain what these filtering parameters and selection criteria are, along with the identified sectors for the target value chains i.e. our main results.

224. Here we first gather the long list of sectors, which covers a large portion of private economic activity for Egypt and Tunisia. We then filter the long list of sectors according to the four criteria mentioned in the methodology section (See Annex 1). These criteria are:

- a. **SME participation and barriers to entry:** We examine only SME oriented sectors and leave out sectors and products that have capital requirements, economies of scale or entry barriers which prohibit or are not conducive to SMEs. To determine if a sector is SME oriented, we use Eurostat data on average enterprise size for the sector in the EU 27 (See Information Box A4 1).
- b. **Employment generation potential:** Job creation is a desired outcome of this initiative and an important need for both Egypt and Tunisia. We calculate labour intensity by looking at Eurostat data on average added value per worker in every sector in the EU27 (See Information Box A4 1)
- c. **Priority in the new economic program:** According to our fact-finding mission, the main political priorities for Egypt are short-term job creation, removal of energy subsidies and addressing bottlenecks such as connectivity

Information Box A4 1: Average firm size and value added per worker ratios for sectors in the EU

Sector	Avg. Firm Size	Added Value per Worker (th. Eur)
Primary Goods	59,0	146,9
Food and Agricultural	12,2	37,2
Building Materials	23,2	36,4
Chemicals and Pharmaceuticals	66,8	88,6
Textiles and Apparel	10,5	23,1
Machinery and Vehicles	48,9	38,5
Electronics	27,6	53,5
Other Manufacturing (Paper, wood etc.)	11,6	32,4
Business Services	5,2	61,3
Communication Services	29,2	155,0
Construction and Related Engineering Services		
Distribution Services		
Educational Services		
Environmental Services	20,0	48,9
Financial Services		
Health Related And Social Services		
Tourism And Travel Related Services	5,7	18,9
Recreational, Cultural And Sporting Services		
Transport Services	9,4	41,9

and workforce skills. In Tunisia, there was a general tendency among policymakers toward inducing structural changes in the labour market in the short term. Thus, we will focus on sectors that are already developed.

- d. **Links with the Product Assessment:** The results of the Product Assessment for Egypt can be found in the corresponding section.

A4.1 Sector Assessment Results for Egypt

225. The matrix below shows the long list of sectors for Egypt, along with the application of these four parameters. Across these parameters, we assess the extent to which each sector fulfils the criteria ("high", "medium" or "low"). This first tier of assessment was conducted using available data on sectors as well as interviews with sectorial experts and decision makers from the public and private sectors (See Table A4 1).

Table A4 1: Full List of Sectors and Application of Parameters for Egypt

● : High level ◐ : medium level ○ : low level

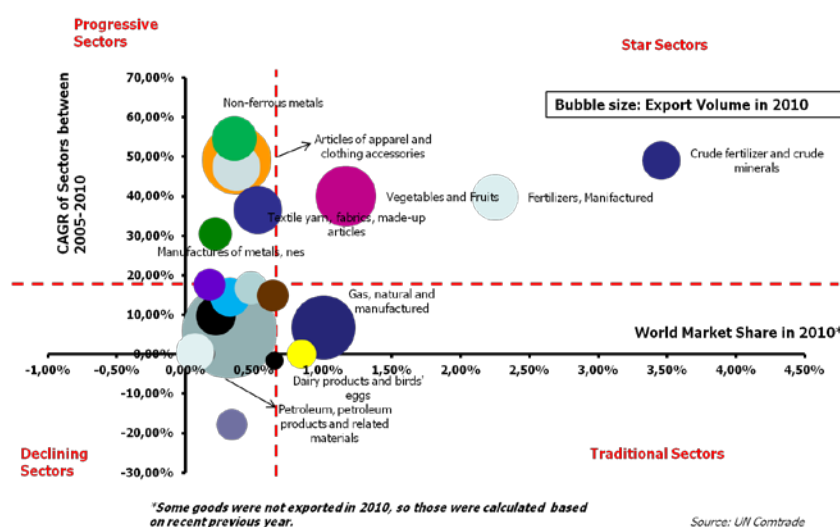
Sector	SME Participation & No barriers to Entry	Employment Generation	Political Priority	Product Links
Primary Goods	○	○	●	●
Food and Agricultural	●	●	●	●
Building Materials	◐	◐	○	●
Chemicals and Pharmaceuticals	○	○	○	●
Textiles and Apparel	●	●	●	◐
Machinery and Vehicles	○	◐	●	○
Electronics	○	◐	●	◐
Other Manufacturing (Paper, instruments etc.)	◐	●	○	○
Business Services (ICT)	●	◐	●	-
Communication Services	○	○	◐	-
Construction and Related Engineering Services	○	○	●	-
Distribution Services (Retail)	●	●	●	-
Educational Services	◐	◐	◐	-
Environmental Services	◐	◐	◐	-
Financial Services	○	○	◐	-
Health Related And Social Services	◐	◐	◐	-
Tourism And Travel Related Services	●	●	●	-
Recreational, Cultural And Sporting Services	◐	◐	◐	-
Transport Services	●	●	●	-

226. Based on the application the first tier of parameters to the long list of sector for Egypt, we come up with the following short list of sectors:

- a. Food and Agricultural products
- b. Textiles and Apparel
- c. Business Services (ICT)
- d. Distribution Services (Retail)
- e. Renewable Energy
- f. Tourism And Travel Related Services
- g. Transport Services

227. Before assessing this short list of sectors in depth, we examine the sectors general economic performance by studying their world market share, growth performance and relative export volumes. Figure A4 1 shows these three dimensions. The horizontal axis shows the market share of the exports of the particular sector in the world in 2010 (i.e. exports of that sector divided by the total exports of the world in the sector). The vertical axis shows the average annual growth rate of the exports from that sector. The bubbles relative size indicates the volume of exports in 2010. The upper right side of the figure shows what we call the “star industries”, which have an above average growth rate and a significant market share in the world. In this regard, Egypt has two star sectors: fertilisers (crude fertilisers and crude minerals) and vegetables & fruits. The upper left side of the figures shows the “emerging industries”, which do not have a large market share but have a high growth rate. Non-ferrous minerals, textile yarn, fabric and made-up articles, articles of apparel and clothing accessories, and manufactures of metal can be classified as Egypt’s emerging sectors. If these sectors can sustain their current growth rates in the years to come, they may become the future “star” industries. One important thing to note from this analysis is that the industries dependent on government subsidies are likely to change their positioning on this figure in the event of a policy change. Another key factor is the extent of the Egyptian revolutions impact on these industries in 2011 and 2012. Since trade data is not available yet to measure the performance of post-revolution exports, we can only make assessment based on anecdotal evidence.

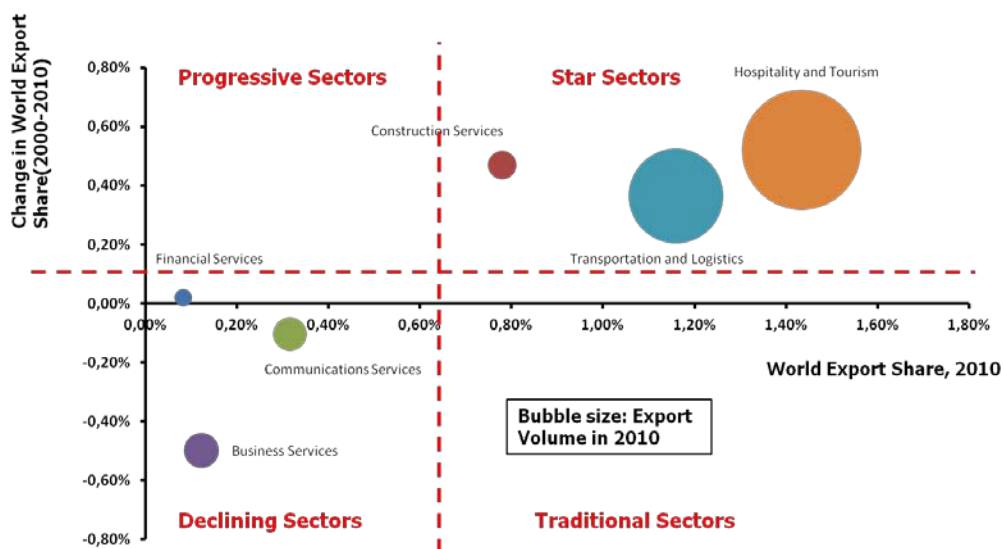
Figure A4 1: Performance of Egypt’s Product Exports (Industrial and agricultural sectors), 2000-2010



Source: UN Comtrade and TEPAV Calculations

228. **Export performance of the services sector, when analysed with the same parameters as above, gives us some key inputs for selecting the target value chains (See Figure A4 2).** In terms of volume, the tourism industry is the largest services exporter, followed by transport and logistics. These two industries also appear to have good growth rates. Business services sector is the third largest services exporter of Egypt, though it had a weak growth performance in the last decade. It should be noted that construction, financial and communication services exports lag behind tourism and transport, in size, market share and growth rates.

Figure A4 2: Performance of Egypt's Services Exports 2000-2010



Source: International Cluster Competitiveness Project, Michael Porter and TEPAV Calculations

229. **While Figure A4 1 and Figure A4 2 help us compare the relative performance of different sectors, we need a more in-depth assessment of these sectors in order to select the short list of sectors for the target value chains.** We now assess these sectors using the following selection criteria:

- Current state of affairs:** Information about the size and characteristics of the sector, advantages and bottlenecks.
- Growth potential:** Is the sector in an early stage of growth or has it already matured? Availability of natural and human resources.
- Complementarity potential:** The presence of EU or Turkey in the sector - existing and potential links.
- Value chain positioning:** Which value chains within the sector can be analysed for matchmaking opportunities, and how are they related to other value chains?

A4.1.1. Food and Agriculture

Current State of Affairs

230. Agriculture accounts for 14% of the economy while the food industry produces 21% of the industrial value added, with an estimated size of \$5.4 billion¹². Food and agricultural goods amount to 15% of Egypt's exports¹³, key items being citrus fruits, cheese, frozen vegetables, potatoes and sugar. The majority of food and agricultural exports are oriented towards the Arab world, with the top destinations being Saudi Arabia, Libya and Sudan. Despite the importance of food as an export commodity, Egypt is a net importer of food.
231. The key advantages of Egypt's food and agricultural sector are its climate, large domestic market and preferential access to foreign markets. Egypt's climate allows for all year round growing seasons. From November to May, when agricultural production in Europe and Northern Asia is limited, winter crops are grown in Egypt. The domestic market of Egypt is very large and is growing both in terms of population and consumption per capita. Egypt's agriculture and food products also enjoy preferential access to both the EU and the Arab world. The Gulf Cooperation Council, a growing high-income market where agricultural production is severely restricted, is a key destination of Egyptian exports and also a major source of investment in the sector.

Growth Potential

232. The sector has a high growth potential according to businesspeople. Food processing, the fastest growing subsector, has been registering an average annual growth rate of 34% in the period before the crisis¹⁴. Despite the political turmoil, certain subsectors such as beverages have recorded growth rates of 7% in their sales volumes in 2011. The sector has attracted considerable foreign investment, with 37% of the investments in food processing originating from foreign companies such as Unilever, Heinz, Cadbury and Coca-Cola. Many of these companies both cater to the local market and the region.
233. The key areas of opportunities in this sector are food processing and transportation and storage services. Logistical hubs are highly needed in this sector. As large quantities of food are wasted in transportation and storage, there is a need for improved logistical services. Despite Egypt having several fisheries, this branch of the sector is highly underutilised. The products for food processing and possible investment areas for logistics and transportation services will be analysed more thoroughly in the value chain assessment of this sector.

Complementarity Potential

234. Despite an older population and a period of slow growth, the food market in the EU is growing and is expected to grow rapidly in certain segments. Seafood is one market where the demand exceeds the supply. On the other hand, Egypt's extensive marine resources are largely untapped and marine aquaculture is relatively underdeveloped. Another trend in the European seafood markets is a shift towards

¹² General Authority for Investment (GAFI), Egypt

¹³ World Bank

¹⁴ General Authority for Investment (GAFI), Egypt

value added packages that require minimal preparation and contain different items. Egypt is an important exporter of food and agricultural products to its neighbours, such as Libya and Saudi Arabia,. In turn, Egyptian businesses have a key complementarity potential as a means of access to other MENA countries. Egypt already plays a role as a stepping-stone for several European businesses such as Nestle and Unilever.

Value Chain Positioning

235. Food and agriculture have different value chains conducive to trilateral matchmaking. Our product assessment has determined chiefly dairy products, while the potential for aquaculture was mentioned several times during our fact-finding mission to Egypt. Moreover, the sector is linked with tourism and retail, as production oriented towards catering at hotels and running fast food franchises are both examples for activities highly linked to food and agriculture. Transport and logistics sectors also play a critical role for the productivity of agriculture related value chains.

A4.1.2. Business Services

Current State of Affairs

236. Egypt is an important ICT hub of the MENA region. ICT is a fast growing and important sector that comprises 3,8% of the GDP and employs close to 180 thousand people (2009)¹⁵. ICT Exports reached \$1 billion in 2009, with the chief destination being Arab countries. Egypt is a centre for the “Arabisation” of software, meaning that foreign software companies refer to Egyptian IT firms to customize and translate their products to suit the particular needs of their customers in the Arab world. The sector is SME-dominated and many firms have been acquired by giants such as Intel and Microsoft while several companies such as Adobe and Corel have opened export-oriented branches or located their regional headquarters in Egypt.
237. Call centres are an important branch of this sector. There are several major call centres in the Smart Village outside Cairo serving clients such as Vodafone, France Telecom, Oracle and Microsoft. The sector has also been attracting high amounts of local and foreign investment, with Indian companies opening subsidiaries in Egypt.
238. The key advantage of Egypt in ICT is its labour force. Two factors make the human resources a particularly attractive reason to invest here. First of all, there is an abundance of qualified labour force. Close to 30 thousand engineering graduates leave universities each year. Another advantage of the Egyptian workforce is its language proficiency. A large share of the young population speaks English, and Egyptian Dialect of Arabic is well understood by most of the Arab World. Another important advantage of Egypt is its location. Egypt has a time zone that lets call centres cater to three continents in a given work day. Also, important fibre-optic cables linking Asia-Pacific, Middle East and Europe pass through Egypt.

Growth Potential

239. The low costs of operation in Egypt, despite high levels of education, point out to an important room for growth. The average hourly wage for experienced programmers is between \$4 and \$10, compared to a minimum of \$50 in high-income countries. Another factor making ICT a promising sector is Egypt's young and increasingly connected population. The number of internet users has grown from 16,8 million to 23,5 million from 2010 to 2011.

Complementarity Potential

240. There are two important areas where European and Turkish businesses can find opportunities in Egypt; software Arabisation and call centres. Egyptian software firms would localise European products and introduce them to the Arabic-speaking markets. EU based firms can also outsource their technical support centres to Egypt, where the educated and English-speaking local staff would help EU based business and consumer clients .

Value Chain Positioning

241. ICT is a cross cutting sector that relates to the value chains of most other sectors. While call centres and outsourcing firms are high potential businesses in Egypt, they

¹⁵ General Authority for Investment (GAFI), Egypt

may provide only limited opportunities for trilateral SME matchmaking due to the business models of the lead companies. Therefore, we will look at the role of ICT in other value chains that we selected, with a view to foster productivity in these areas.

A4.1.3. Distribution Services (Retail)

Current State of Affairs

242. Retail is one of the largest sectors in Egypt. In terms of sales, the volume of the retail sector amounts to 40,3% GDP. The sector provided 11,4% of total employment in 2009¹⁶. It is a fast growing sector with an expected growth of over 10% in 2012 according to interviewed businesspeople. The General Authority for Investment and Free Zones predicts that the sector will grow from \$76 Billion to \$141 Billion by 2014¹⁷.

243. The businesses in the sector are composed mainly of small and informal enterprises, with the market share of Top 5 fast moving consumer good (FMCG) retail chains amounting only to 1,8% of the market. 70% of sales are done through non-organised outlets (compared to 58% in Turkey). Modern Retail forms are underdeveloped but are expected to grow. According to the Global Retail Development Index 2010 of A.T. Kearney, Egypt is the second least saturated country among 30 emerging markets.

244. In terms of sales, food and beverages retail is the largest segment and with \$ 31 billion, 47% of all retail sales. Clothing, apparel and footwear is the second largest segment and amounts to 36% of all sales. In both cases, the retail outlets are predominantly small-scale non-organised enterprises. In terms of outlet form, traditional establishments are on decline but still make up the majority of outlets. Hypermarkets, supermarkets and grocery stores are small in number but are on the rise (See Table A4 2).

Table A4 2 – Growth Rates of Different Outlets in Egypt, 2007-2009

Outlets	2007	2009	CAGR 2007-09
Hypermarkets	5	10	41,4%
Supermarkets	522	580	5,4%
Grocery Stores	320	350	4,5%
Discounters	77	82	3,2%
Convenience Stores	425	430	0,6%
Cooperatives	225	205	-4,5%

Source: GAFI

245. The key advantage of Egypt in this sector is a large and growing consumer base. In Egypt, 65% of population is economically active and 38% is between the ages of 15 and 38¹⁸. The size of the middle class varies between 3,5 million and 64,8 million according to different definitions (See Table A4 3), but is nevertheless expected to expand drastically both in size and purchasing power as the income levels rise. More than 10 million tourists visit Egypt each year and contribute significantly to the increase in sales.

¹⁶ General Authority for Investment (GAFI), Egypt

¹⁷ ibid

¹⁸ ibid

Table A4 3– Middle Class in Egypt in Comparison According to Different Measures

	Middle class (above national poverty line)		Motor Vehicles Ownership (2009)	
Country/Region	Share	Population	Ratio	Population
Egypt	80%	64,8 Million	4,3%	3,5 Million
Turkey	83%	60,3 Million	14,2%	10,3 Million
EU27	83%	417 Million	47,3%	237 Million

Sources: World Bank, CIA World Factbook, Eurostat

Growth Potential

246. There are significant growth opportunities in the Egyptian retail sector. Hypermarkets, supermarkets and discounters are growing at a fast pace because of the under saturated market. BİM, the largest Turkish discounter, is planning to enter the Egyptian market with 10 outlets in early 2013. Another area of high potential is shopping malls. As of 2011, there are 33 shopping malls in Egypt compared to 292 in Turkey and 428 in Germany.

247. From the Egyptian point of view, the sector has a high potential for generating employment and would benefit Egypt through knowledge transfer. Another important potential contribution for improving the retail sector is its rippling effect in increasing the quality control, and establishment of product standards. From a European point of view, Egyptian market offers a growth opportunity outside their saturated markets, which are currently stagnating due to the effects of Euro-crisis and competition from online retailing. New markets, especially in MENA, have sales growth rates far above those in Europe and generally have wider profit margins (See Table A4 4).

Table A4 4 – Retail Sales Growth and Profit Margins in Comparison

Countries/Regions	CAGR of Retail Sales ¹⁹	2010 Profit Margin
Turkey	20.78%	4%
Egypt	17%	-
Africa/Middle East	15.4%	4%
UK	7.4%	3.7%
Europe	5.5%	3.7%
Germany	4.4%	1.3%
France	4.2%	3.3%

Sources: Deloitte Global Retailing Report 2012, AmCham Report , PwC AMPD Report

¹⁹ CAGR for Turkey is calculated for 2003-2008, CAGR for Egypt is calculated for 2006-2011, The rest is for 2005-2010

Complementarity Potential

248. Due to the economics of scale and large-business orientation in this sector, the possible areas of cooperation for Turkish and EU SMEs in this sector is not necessarily in the opening of retail or wholesale outlets, with the exception of franchising. We see the main opportunities for candidate firms, mainly in the value chains of shopping malls and the services and industries related to different needs of these establishments. As both Turkish and EU firms possess experience and knowledge in these fields, they could take advantage of being the first-movers in a sector at an early growth stage.

Value Chain Positioning

249. Shopping malls provide the setting for value chain assessment in the retail sector. There are several business opportunities for Turkish and EU SMEs for cooperation in the shopping mall value chain. This includes management areas such as security, safety, and waste as well as franchise and small retail businesses. In this regard, given the structural problems in Egypt that limit the fast growth of modern, organised retail businesses, shopping malls can serve as “special economic zones” that provide conducive environments in which EU, Turkish and Egyptian retail businesses can co-exist and flourish.

A4.1.5. Renewable Energy

Current State of Affairs

250. The abundance of sun and wind makes Egypt highly attractive for wind and solar energy investments. Best locations can provide 2,400 or more hours of solar operation per year, compared to 1,900 hours in Spain and Greece, the two most suitable European countries for solar energy. Low cost of land also makes the country attractive for large-scale investments. One of the areas with the highest consistent wind speeds is around the Suez Canal, and enables an average speed of 10m/s and 3,900 hours of operation per year.
251. For most of the planning stage, supportive policy measures, such as feed-in tariffs are missing. Electricity subsidies distort the prices and give an advantage to fossil fuel based power plants. Nevertheless, once energy and electricity subsidies are removed, production and maintenance of renewable energies as well as energy conservation are expected to become attractive business areas.

Growth Opportunities

252. Egypt has a vast and largely untapped potential for wind and solar energies. Currently, it is the largest producer of wind energy in the region, with production levels above Iran and Morocco's. Nevertheless, wind and solar energy contribute to a mere 1% of Egypt's total energy supply. Moreover, the removal of energy subsidies, on which all political actors agree, will open the way for a more competitive market where consumers are more price conscious.

Complementarity Potential

253. Renewable energies constitute a promising area for investment in Egypt and can provide opportunities for SMEs working on construction and maintenance of facilities, as well as in the manufacture of parts. EU is the centre of innovation as well as production of renewable energy technologies. Turkey, on the other hand, is investing increasingly on wind energy, and developing into a manufacturing base. Both parties can combine their innovation capacities and knowledge to produce for and serve the evolving Egyptian renewable market. Several EU based businesses have already started to play an active role in Egypt. One of the latest major projects is a solar thermal plant south of Cairo, built by a Spanish group and supplied with German parts, and operated by the Egyptian conglomerate Orascom.

Value Chain Positioning

254. The value chain of renewable energies is related to the construction, building materials and machinery sectors. Value chains where SMEs can be involved are in the sales, installation and maintenance of renewable energy components primarily for smaller businesses or homes. The most suitable value chain is for the solar thermal power, which is usable both in homes and energy plants. Home-based solar thermal systems are used to heat water and buildings, and can be manufactured, installed and serviced by SMEs. This is currently the case in several EU Member States and Turkey.

A4.1.5. Textiles and Apparel

Current State of Affairs

255. Textiles and clothing manufacturing is a major industry in Egypt, which contributes for 30% of the country's industrial employment and produces one fourth of industrial added value. The exports of the sector made up 14% of the total non-oil exports of Egypt and reached \$ 2,9 billion in 2011. Thanks to the QIZ Agreement between the USA and Egypt, the chief export destination for textile fabrics is the USA (17,1% of exports), followed by Turkey (17%) and Italy (14,6%). In the case of clothing articles, 48,9% of exports are oriented towards the USA, while 13,8% go to the UK, followed by Germany, Spain and Turkey.
256. The chief advantages of the sector in Egypt are the low labour costs and availability of local resources. An average skilled worker in the sector receives 180\$ a month, while experienced workers have higher wages. Egyptian cotton is a trademarked, high quality product used by luxury brands for its softness and durability. Due to Egyptian cotton's high ability to absorb liquids, the colours of fabrics made from it are more vibrant and durable.
257. The political crisis in the country has not reversed the positive growth trend of its exports. Nevertheless, due to workers' protests, the sector is highly affected by political instability. An important bottleneck for the industry is labour. The retention rates in a typical Egyptian textiles business is low, as recruitment is usually subcontracted and firms do not provide any incentives or benefits. This results in low training and skill levels, which negatively affects the productivity of the sector. Still, several businesses have managed to retain a trained and qualified workforce through higher incentives and direct recruitment. Lastly, textile producers utilise a high degree of imported inputs. The trade balances for textile yarns is negative, with imports exceeding exports by 43%.

Growth Opportunities

258. There is a high need for local spinning and weaving businesses due to the negative trade balance. The public sector is currently active in this business. Nevertheless, privatisation is in the government's agenda. Moreover, the QIZ Agreement offers unrestricted market access to the USA for businesses using more than 10,5% Israeli inputs. There are also high gains to be made for firms that train their workers to produce higher value-added products.

Complementarity Potential

259. There is already a large number of existing Turkish and EU investments. Access to the American market is a main incentive for Turkish businesses that invest in Egypt. Moreover, Turkey is losing market share in textiles and ready-made garments due to competition from countries with lower labour costs in this labour intensive industry. As Turkish businesses shift to higher value added products, they need to outsource parts of their value chains, which is where Egypt offers a high potential. Another area where Egypt has an untapped potential is the development of local fashion brands. Both European and Turkish companies can team with local partners to develop brands for the Egyptian market. Several Turkish brands such as Sarar and Beymen are operating retail businesses in the upper segment.

Value Chain Positioning

260. The value chain of textiles and apparel industry is closely linked with those of agriculture, chemicals, and retail. Agriculture and chemicals industries provide the inputs while retail sector receives the outputs. There are strong linkages of fashion businesses especially with shopping mall value chain, as retail fashion brands would most likely operate in shopping malls.

A4.1.6. Tourism and Related Services

Current State of Affairs

261. Tourism sector, the country's main foreign exchange earner, was badly hit during the period following the mass protests that ousted the former regime. International tourist arrivals dropped 33% in 2011 (See Table A4 5), while recent data indicate that recovery of the sector is on its way, with businesspeople expecting a return to 2010 levels by early 2013.

Table A4 5 – Change in Tourism Indicators, 2010-2011

	2010	2011	Change (%)
International Tourism Receipts (Bn USD)	12,5	8,8	-29,6
International Tourist Arrivals (Millions)	14,7	9,8	-33
International Tourist Nights (Millions)	141	114	-19,1
Average Spending per Tourist per day (USD)	85	72	-15,3

Sources: UN World Tourism Organization, Ministry of Tourism Egypt

262. Egypt's main advantage in tourism is seen as its all-year-round tourism opportunities. The resorts on the Red Sea are available even in winter while the historical sites along the Nile can attract visitors continuously. Further advantages cited by businesspeople are low operation costs and the relatively widespread English proficiency of the labour force.

Growth Potential

263. Despite the downturn in tourist numbers after the revolution, there is confidence among businesspeople and policymakers that tourism revenues are going to return to their 2010 levels in mid-2013. With 2011 investments totalling \$5,2 billion, investment in the sector has increased 8% over 2010, a sign of confidence of the investors. Egypt has a high brand reputation as a touristic destination. According to Anholt Nation Brands Index 2008, Egypt has the 10th best tourism nation brand in the World²⁰.

Complementarity Potential

264. There are important hedging opportunities in the sector for Turkish hotels and tour operators due to the all-year-round warm weather of the coastal areas. Business tourism is an emerging area with cost advantage, while Cruise ship tourism and Health & Spa tourism is underdeveloped areas with potential.

Value Chain Positioning

265. Tourism is closely related to the food & agriculture and transportation sectors. The food value chain is relevant both for catering in hotels and for restaurants oriented towards tourists, while transportation plays an important role in the organisation of excursions.

²⁰ "Egypt named again as world's Best Country Brand for History." AMEInfo.com .

A4.1.7. Transport Services

Current State of Affairs

266. Due to its strategic location, Egypt has been and is a globally important transportation hub. Currently, the sector accounts for 4,1% of GDP²¹. There are over 67 thousand kilometres of roads, 6700 kilometres of railways and 15 ports on both Mediterranean and the Red Sea. Suez Canal, with 8% of global maritime shipping passing through (compared to 5% of Panama Canal), is the largest foreign exchange source of the country along with tourism. Although underutilised, the Nile River passes through most of the important urban centres and links the country to its southern neighbour Sudan.

267. The main advantages of the sector in Egypt are access to both Mediterranean and Red Seas, relatively short distances between the economic centres due the concentration of economic activity around the Nile, and the logistical opportunities created by Suez Canal. The Suez Canal Development Project launched by the previous government, is still supported by all major political actors. It is a project aimed at transforming the Suez Canal Area into one of the most important logistic hubs of the world, with the East Port Said planned to be the second largest Mediterranean port.

268. The sectors main constraint is the low quality of transportation infrastructure. According to the Logistics Performance Index 2012, the quality of Egypt's transportation infrastructure ranks 106th out of 155 countries. Important bottlenecks exist in road traffic, especially around Cairo and between Cairo and country's main ports. Customs are another problematic area, where Egypt performs worse than 121 countries. Furthermore, the country is heavily dependent on road transportation for both cargo and passengers, while rail and internal waterways are underutilised. Road freight transportation accounted for 97,4% of all cargo transport in Egypt in 2010 (See Table A4 6).

Table A4 6 – Modal Split of Cargo Transportation by Weight in Comparison, 2010

	Road	Rail	Internal Water
Egypt	97,4%	0,8%	1,8%
EU27	76,5%	17%	6,5%
France	82,2%	13,5%	4,3%
Germany	64,9%	22,2%	12,9%
Italy	90,4%	9,6%	0,1%
Spain	95,8%	4,2%	-
UK	88,7%	11,2%	0,1%
Turkey	94,9%	5,1%	-

Sources: Eurostat, JICA Study Team, CAPMAS

²¹ General Authority for Investment (GAFI), Egypt

Growth Potential

269. The underdevelopment of the Third Party Logistics (3PL) services is a major issue for the companies in the sector. Most major companies have their own shipping departments because the external service providers are deemed as unreliable. Smaller companies subcontract their logistics, but the lack of trucking companies represents a serious problem for perishable goods. A World Food Logistics Organisation study shows that depending on crop, 17 to 43% of food produced in Egypt is wasted during transportation from farm to retail²². Open storage is the norm in the sector and cold storage is largely missing. Export logistics are better, but are highly oriented towards sea transport. This is the transport mode of 90% of the country's exports. Businesspeople cite that due to lack of frequent shipment routes, it is more feasible to ship cargo to southern EU Member States via Rotterdam.

Complementarity Potential

270. There are good opportunities for SMEs within the transportation and logistics sector in Egypt. High quality and reliable services are in high demand, which is an area of competence of both Turkish and EU companies. We see a very high potential for trilateral cooperation in the logistics of food and agriculture, since there is large room for knowledge transfer.

Value Chain Positioning

271. We see this sector as a crosscutting one that is present in different ways in the value chains of all the others we are examining. For example, the agro-food sector in Egypt requires cold storage and transportation while transportation opportunities in the tourism sector are highly different. Thus, we deem it more appropriate to identify business opportunities for transport and logistics firms within the value chains of different sectors, rather than taking the sector as a matchmaking area by itself.

²² "Identification of Appropriate Postharvest Technologies for Improving Market Access and Incomes for Small Horticultural Farmers in Sub-Saharan Africa and South Asia" . World Food Logistics Organization, 2010

A4.2 Sector Assessment Results for Tunisia

272. The matrix below shows the long list of sectors for Tunisia, along with the application of the four parameters. Across these parameters, we assess the extent to which each sector fulfill the criteria as “high”, “medium” or “low” level of fulfillment. This first tier of assessment was conducted using available data on sectors as well as interviews with sector experts and decision makers from public and private sectors.

Table A4 7: Full List of Sectors and Application of Parameters for Tunisia

 : High level
  : medium level
  : low level

Sector	SME Participation & No barriers to Entry	Employment Generation	Political Priority	Product Links
Primary Goods				
Food and Agricultural				
Building Materials				
Chemicals and Pharmaceuticals				
Textiles and Apparel				
Machinery and Vehicles				
Electronics				
Other Manufacturing (Paper, instruments etc.)				
Business Services (ICT)				-
Communication Services				-
Construction and Related Engineering Services				-
Distribution Services (Retail)				-
Educational Services				-
Environmental Services				-
Financial Services				-
Health Related And Social Services				-
Tourism And Travel Related Services				-
Recreational, Cultural And Sporting Services				-
Transport Services				-

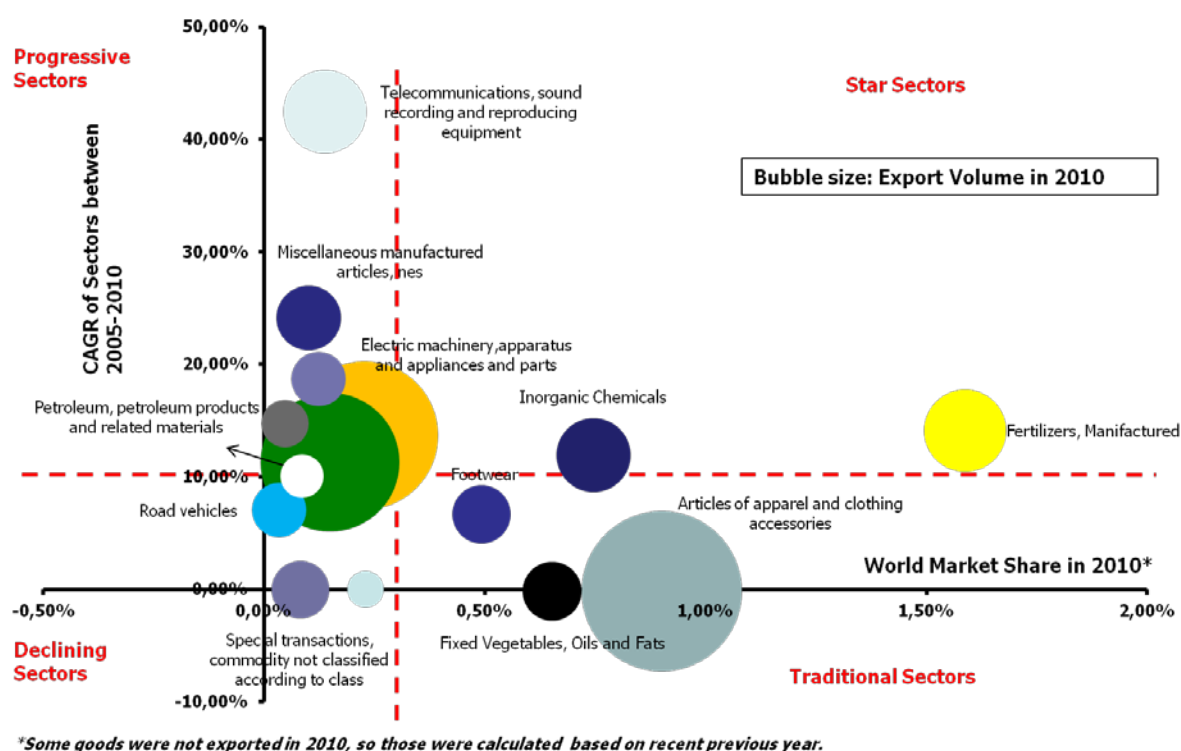
273. Based on the application the first tier of parameters to the long list of sector for Tunisia, we identify the following short list of sectors:

- a. Food and Agricultural products
- b. Textiles and Apparel
- c. Tourism And Travel Related Services

274. Before assessing this short list of sectors in depth, we look at the general economic performance of the sectors, by looking at their world market share, growth performance and relative export volumes. Figure A4 3 shows these three dimensions. The horizontal axis shows the market share of the exports of the

particular sector in the world in 2010 (i.e. exports of that sector divided by the total exports of the world in the sector). The vertical axis shows the average annual growth rate of the exports from that sector. The relative sizes of the bubbles indicate the volume of the exports in 2010. The upper right side of the figure shows what we call the “star industries” which have an above average growth rate and a significant market share in the world. Tunisia seems to have two star sectors, which are inorganic chemicals and manufactured fertilisers. The upper left side of the figures shows the “emerging industries” which do not have a large market share, but a high growth rate. Telecom equipment, electric machinery, petroleum products can be classified as Tunisia’s emerging sectors. If these sectors can sustain their growth rates in the coming years, they could potentially become the future “star industries”. One important thing to note from this analysis is that those industries, which are dependent on government subsidies, are likely to change their positioning on this figure in the event of a policy change. Another key item pertains to the extent to which these industries were affected in 2011 and 2012 by the Tunisian revolution. Since trade data is not yet available, we can only assess based on anecdotal evidence.

Figure A4 3: Performance of Tunisia’s Manufacturing Exports (Industrial and agricultural sectors), 2005-2010

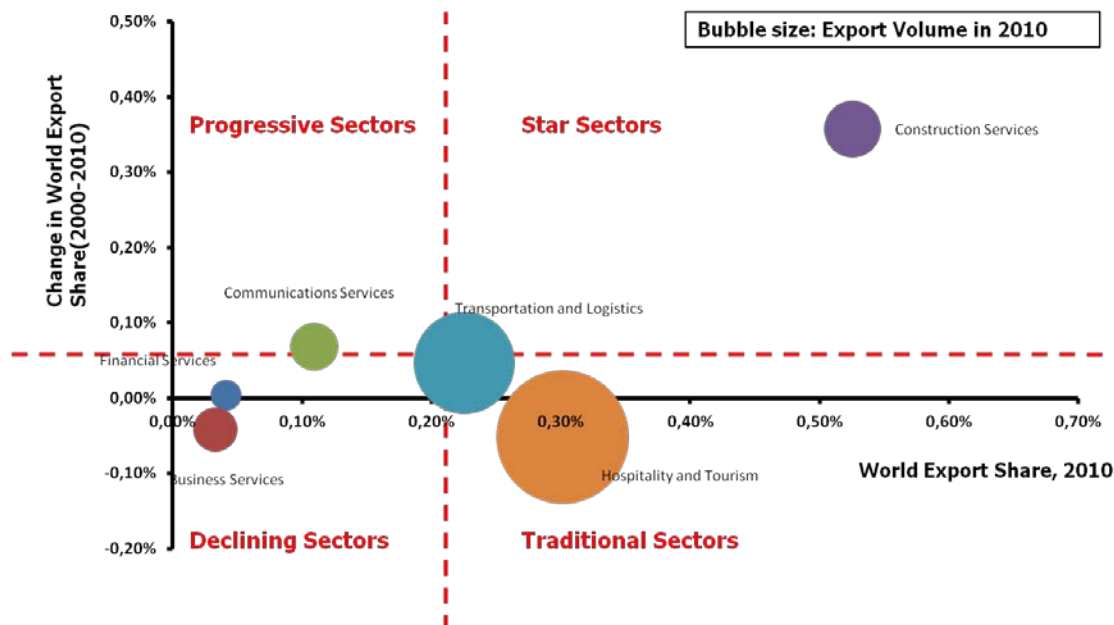


Source: UN Comtrade and TEPAV Calculations

275. The service sectors export performance, when analysed with the same parameters as above, gives us some key inputs for selecting the target value chains (See Figure A4 4). In terms of volume, the tourism industry is the largest services exporter, followed by transport and logistics. Nevertheless, tourism’s market share is declining while the transport & logistics sector is stagnant. The construction services sector is Tunisia’s third largest services exporter and has the fastest growth rate and global market share. It should be noted that the data used is up to 2010,

and does not measure the highly negative consequences of the war in Libya in 2011 on this sector.

Figure A4 4: Performance of Tunisia's Services Exports 2000-2010



Source: International Cluster Competitiveness Project, Michael Porter and TEPAV Calculations

276. While Figure A4 3 and Figure A4 4 help us to compare the relative performance of different sectors, we need a more in-depth assessment of these sectors in order to select the short list of sectors for the target value chains. We now assess these sectors using the following selection criteria:

- a. **Current state:** Information about the size and characteristics of the sector, advantages and bottlenecks.
- b. **Growth potential:** Is the sector in an early stage of growth or has it already matured? Availability of natural and human resources.
- c. **Complementarity potential:** The presence of EU or Turkey in the sector, existing and potential links.
- d. **Value chain positioning:** Which value chains within the sector can be analysed for matchmaking opportunities, and how are they related to other value chains?

A4.2.1. Food and Agriculture

Current State of Affairs

277. Tunisian agro-food sector is dominated by SMEs which both cater to the local market and the export market. Out of 990 registered companies with more than 10 employees, 153 are only producing for the export market and 136 are partially or fully owned by foreigners. Tunisia is a net importer of food with 2010 exports of \$1,27 billion and imports of \$2,08 billion in 2010. The country's chief food export item is vegetable oil (predominantly olive oil), which makes up 33% of sectoral exports, followed by fruits and vegetables (26%, with dates as the largest item) and seafood (12%). The chief food export partner is Italy, with a 42% export share, importing Tunisian olive oil for producing blends. Spain and France are the other two major import partners.

Growth Potential

278. Agro-food industry is one of the sectors strategically supported by the government. The sector grew at very high rates in the last decade, with an export growth rate between the years 2002 and 2007 of over 300%. Tunisia's climate and soil conditions are highly conducive to high value products such as olive oil and wine. Nevertheless, the country exports only \$5 million of wine, more than half of which is sent to France. As for olive oil, most of the production is consumed locally or rebranded in Italy to be sold to other markets. This highlights a growth opportunity in quality branded products for the export market.

Complementarity Potential

279. A recent trend in wine industry is the globalisation of wine; non-conventional countries and grapes are receiving increasing interest worldwide. This creates an opportunity for Tunisian and Turkish wineries while EU based wineries can benefit from this process by forming partnerships and sharing their experiences with these emerging countries. Turkish wineries can share their experiences in promoting their products abroad. As a part of the internationalisation strategy of the sector, several Turkish wineries have established a common promotion platform. Tunisian Turkish wineries may form a common platform to exchange experiences and jointly promote their products. Similar platforms may be set up for olive oil as well.

Value Chain Positioning

280. Food and agriculture sector has vast backward and forward linkages, and is related to several other sectors including tourism and hospitality. Olive oil and wine are products that show high potential of cooperation. Both wine and olive oil form the backbone of certain tourism types (wine tourism, culinary tourism) on their own.

A4.2.2. Textiles and Apparel

Current State of Affairs

281. Textiles and clothing manufacturing is one of the most important sectors of the economy and the country's chief export group. The sector is highly export-oriented; 83% of the 2100 firms employing more than 10 workers in the sector are only producing for exports, which have reached \$4,2 billion in 2010. As the fifth largest supplier of the EU, Tunisia has important market shares in certain clothing products; nearly half of work clothes and swimsuits and close to one third of bras and jeans imported to the EU are manufactured in Tunisia. The sector receives significant amounts of FDI. In 2008, 1124 companies were operating with full or partial foreign capital, and the largest investors were France (35%), Italy (27%) and Belgium (12%).
282. The key advantages of the sector are free market access to both EU and North African markets, ability to deliver in short time and small amounts to the EU market, skilled human resources and good quality of production proven by subcontracting of prestigious brands. The sector nevertheless utilises a high degree of imported inputs, which are chiefly textiles and parts to be utilised in the production of clothing and accessories. The imports in the sector were \$3 billion, 60% of which is textile yarn to be used in the manufacturing of clothing. Another issue regarding the sector is the lack of diversity of the exports market, with France, Germany, Italy and the UK receiving 82% of sectoral exports. Lastly, the sector is focused on sub-contracting and has not yet developed any internationally recognised fashion brands.

Growth Potential

283. There is a high room for growth for spinning and weaving businesses, chiefly to supply clothing manufacturers. Especially technical fabrics suited for the production of work clothes offer high potential. Another area where the sector offers potential for growth is the development of design services such as fashion brands. Also, diversifying export destinations to include new countries both within and outside the EU can expand the production range and promote further growth.

Complementarity Potential

284. Turkey is another major exporter of textiles and clothing, with global exports in 2011 reaching over \$25 billion. In the last decade, Turkey has moved up from a sub-contractor of EU brands to a high quality textiles and clothing producer with several emerging and internationalising brands. Despite a shift towards technical textiles and higher value added products, Turkey's global market is in decline. Textiles and clothing manufacture may have largely moved away from Europe, but countries like Italy and France are centres of luxury fashion design production, as well as research and development (R&D) regarding high-tech textiles.

Value Chain Positioning

285. A potential area for trilateral cooperation is R&D and the manufacturing of technical textiles. This relates closely to clothing manufacturing, as well as other areas such as furniture. Turkish firms can transfer their knowledge in this area to Tunisia, while the EU firms can transfer their R&D capabilities to Turkish and Tunisian firms and have their products commercialised on a larger scale. Another area of opportunity is

the development of a platform for fashion, which would be closely related to the retail sector.

A4.2.3. Tourism and Travel Related Services

Current State of Affairs

286. Tunisia is an important tourism destination. Before the revolution, it was receiving more than 7 million tourists per year. Tourism is Tunisia's largest services export, and contributed \$3,5 billion directly to the country's GDP in 2010. Nevertheless, the number of visitors fell to 5 million while the revenues went down by 37% in 2011 due to the political turmoil. Nevertheless, the ministry of tourism expects the arrivals to pick up 20% this year to reach 6 million.
287. The tourism sector in Tunisia is geographically concentrated on the eastern coast and around Tunis. The sector is not diversified, and cultural heritage and beach resort tourism constitute the two main types of tourism. An important weakness of the sector is that due to wrong policies, the sector produces low value added and does not attract high amounts of foreign investment. Before the revolution, the average tourist spending was \$500 compared to \$850 in Egypt. More than half of tourists come from Libya, France and Algeria and have relatively low purchasing powers. Furthermore, the options for spending money outside the hotels are limited for tourists.

Growth Potential

288. With 8 UNESCO Heritage sites and 10 applications pending, Tunisia is rich in historical and natural heritage. For a country of 10,5 million, it receives a very high number of tourists. As political stability returns, the tourist numbers are expected to increase, reaching 6 million in 2012 and reaching the pre-revolutionary levels in 2013. The internal regions and southern desert offer largely unexploited alternatives for ecotourism and desert tourism. Services and goods surrounding tourism such as excursions, restaurants and souvenirs offer a high potential for businesses that aim for high quality.

Complementarity Potential

289. Tunisian companies operating hotels, restaurants or retail would highly benefit from the knowledge of businesses from EU Member States with higher value added and diversified tourism industries such as France, Italy and Spain. This also applies to businesses from Turkey, where the spending per visitor is declining. The areas of complementarity can include hotels and accommodation, tour operation, excursions, food (particularly seafood) and touristic retail.

Value Chain Positioning

290. Tourism is highly linked with the food and retail sectors. Major hotels often have high quality restaurants and retail outlets for selling souvenirs. Another area that can link food and tourism in Tunisia is the relatively underdeveloped area of wine and food tourism. The country's seafood-oriented cuisine can be combined with local wine tastings to attract higher income tourists.

Annex 5: Value Chain Fact Sheets

291. **This section is meant to present concise information rather than a comprehensive assessment of the value chains.** Our aim is to point out to the economic potential and shed light on the possible complementarities across European, Turkish and pilot country SMEs. This section includes assessments of the value chains identified at the end of the Sector Analysis.

292. **Each fact sheet consists of three parts; facts and figures, growth opportunities and a list of possible complementarities.** The facts and figures part presents a summary of relevant information about the chosen value chain, looking at indicators such as market size and trade and characteristics such as and strengths and bottlenecks. Growth opportunities point at existing growth levels as well as underinvested or weak areas where Turkish and European businesses can play stimulating roles. Lastly, the possible complementarities part identifies the complementary roles that Turkish, EU and pilot countries companies can play and the added value they can bring to different components of the value chain. At this point, we also draw a visualization of each value chain where the complementary roles of the three countries are identified.

293. **Following value chains are examined for the respective pilot countries in this section**

- **Egypt:**
 - i. **Transpot and Logistics**
 - ii. **Shopping Malls**
 - iii. **Solar Water Heating**
 - iv. **Tourism**
 - v. **Aquaculture**
 - vi. **Dairy**
- **Tunisia:**
 - i. **Food and Agriculture**
 - ii. **Electromechanics**
 - iii. **Renewable Energy**
 - iv. **Tourism**

Logistics and Transport Value Chain in Egypt

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Egypt

Facts & Figures

- Sector encompasses 4.1% of GDP and formally employs over 32 thousand people
- Egypt has more than 67,728 kilometers of roads, 6,700 kilometers of railways, globally ranked airports in all major urban centers, including an air cargo airport of five terminals in Cairo, 6 seaports on the Mediterranean and 9 on the Red Sea, six dry ports and an extensive network of Nile river transport facilities
- 90% of country's exports are shipped via ports while the 8% of the global maritime trade passes through the Suez Canal, creating revenues of \$5.2 billion a year
- Third Party Logistics (3PL) is weak and unreliable: Trucking system is underdeveloped, big firms prefer having their own logistics department for reliability
- Rail and internal waterways are underutilized, only 0.8% and 1.8% of internal transportation
- Infrastructure problems: Egypt's LPI Rank in infrastructure is 106th out of 155

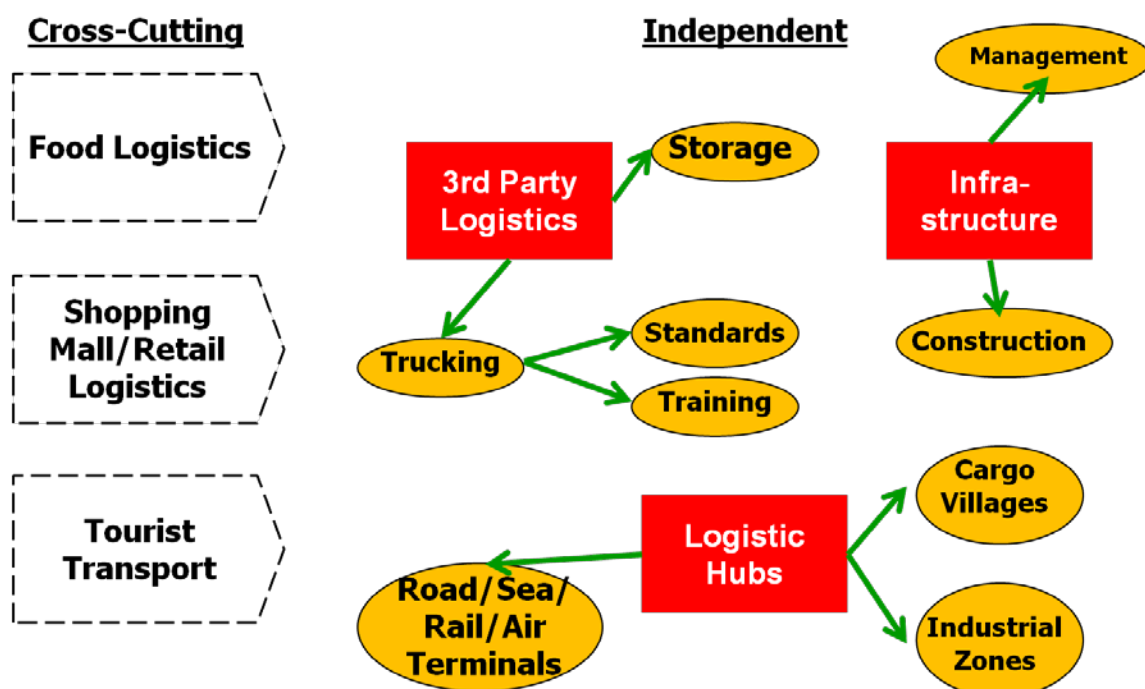
Growth Opportunities

- As the sector is strong in demand, major shortfalls in capacity are expected in the next five to ten years, especially in ports and dry ports
- Anticipating the demand, the government is investing major resources in the upgrading of the infrastructure: in 2008/09, \$5.49 billion was invested in roads, with upcoming investments in rail and port infrastructure totalling 10 billion USD.
- The government is implementing a long term project for turning the Suez Canal area into a major international logistics and production centre, which offers further opportunities to companies in the sector
- Key opportunities lie in trucking and freight services, development and management of dry ports, logistic hubs and industrial zones

Possible Complementarities in the Logistics and Transport Chain

- Turkey
 - o Trucking: training, management and fleet
 - o Infrastructure management and construction
 - o Logistic hub development and management
- EU
 - o Trucking: training and regulations
 - o Infrastructure: management and construction
 - o Logistic hub management, IT systems and sustainability
- Egypt
 - o Trucking: management and operations
 - o Infrastructure management and construction
 - o Logistic hub management

Figure A5 1: Logistics and Transport Value Chain



Shopping Mall Value Chain in Egypt

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Egypt

Facts & Figures

- First shopping mall of Egypt opened in Cairo in 1986
- Most of the malls are located around Cairo
- Greater Cairo has 620,000 sqm of shopping mall area, with around 30 shopping malls (Istanbul: 4,1 million sqm area and 126 malls)
- Most visited shopping malls are those that cater to the middle class, while three malls in Cairo (Beymen, First Mall and Galleria) cater to high income consumers.
- Trend of past decade: rapid increase in the number of major shopping malls
 - o City Stars was the largest shopping mall of the Middle East when it was opened in 2005, and has 150,000 sqm of gross leasable area. It is a part of a \$800 million project including retail, office, residential spaces and three hotels.
 - o Mall of Arabia opened in 2011 and surpassed City Stars as the largest mall of Egypt and second largest in the Middle East.

Growth Opportunities

- The number of shopping malls are growing fast: Mall of Egypt, 160,000 sqm mall expected to open in 2014
- The market is unsaturated, with most dense city (Cairo) having less gross leasable area per capita than several similar cities

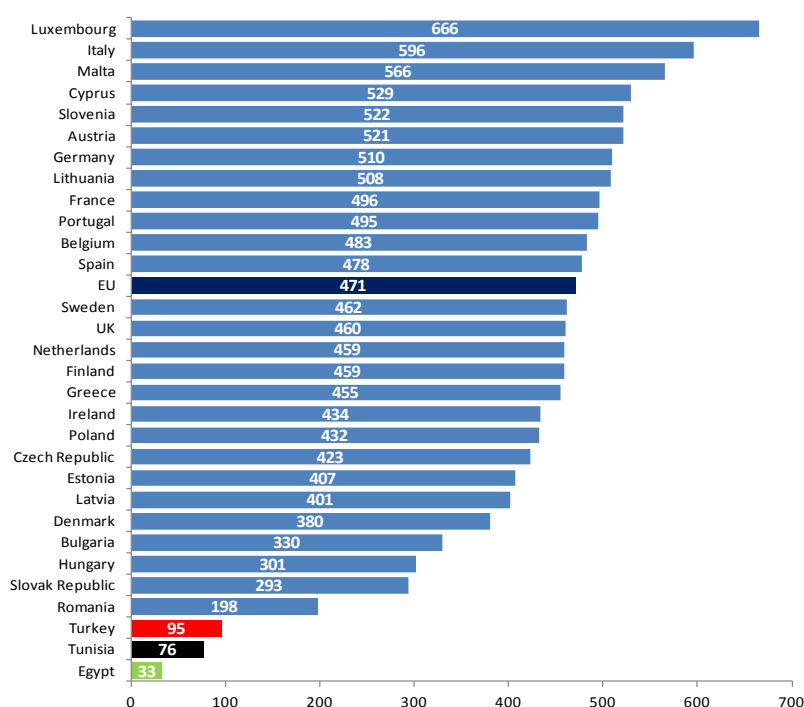
Table A5 2: A comparison of shopping mall Densities in selected metropolitan areas

Metropolitan Region	Population in millions	Gross Leasable Area in million m ² (2011)	Gross Leasable Area per 1000 in m ²
Cairo	19,6	0,62	31,6
Istanbul	13,2	4,1	310,6
Mumbai	20,9	1,26	60,3
Beijing	19,6	1,35	68,9
Jakarta	28,3	3,87	136,7
Mexico City	21,1	3,6	170,6

- Urban life factor: Increasing security concerns, as well as hot weather, and suburbanization due to high population density of the city is turning shopping centers into safe, accessible and attractive spaces for leisure activities
- Franchising market offers high potential for growth
 - o There are only 45 operating franchises in Egypt, mostly food and clothing (Compared to 1876 in Turkey)

- o 2010 Fast-food chain sales reached 2,6 billion, showing 13% y-o-y increase
- Growing middle class expected to drive demand: Only 33 passenger cars per 1000 inhabitants as of 2009. (EU: 471, Turkey: 95, Tunisia:76)

Figure A5 3: Number of passenger cars per 1000 people in EU, Turkey, Egypt and Tunisia (2009)



Source: World Bank

Possible Complementarities in the Shopping Mall Value Chain

- Turkey
 - o Shopping mall management
 - Private security, fire and safety systems
 - Waste management
 - Management of infrastructure (electrical and utilities)
 - IT services
 - o Shopping mall businesses
 - Giving franchises: Turkish food and retail brands
 - Buying and managing franchises
- EU
 - o Shopping mall management
 - Engineering and design
 - Private security, fire and safety systems
 - Waste management

- Management of infrastructure (electrical and utilities)
 - IT services
 - o Shopping mall businesses
 - Cinemas and amusement arcades
 - Giving franchises: international food and retail brands
- Egypt
 - o Shopping mall management
 - Management of infrastructure (electrical and utilities)
 - Private security, fire and safety systems
 - Maintenance and repair
 - Waste management
 - o Shopping mall businesses
 - Domestic retail brands
 - Domestic fast food brands
 - Management of franchises

Figure A5 4: Shopping Mall Value Chain



Solar Water Heating Value Chain in Egypt

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Egypt

Facts & Figures

- 90% of total electricity production of Egypt in 2010 was based on Fossil Fuels. Of the remaining 10%, 2,8GW come from Hydropower while 550 MW come from wind energy
- The government plans to increase the share of renewables to 20% of electricity supply by 2020.
- The country is rich in terms of solar energy: an average annual solar irradiation of 2000-2600 KWh/m² compared to 1000 KWh/m² in Central Europe
- The first 70MW concentrating solar thermal power plant in the country was inaugurated in 2011 south of Cairo. The contractors were Spanish, suppliers German and operators Egyptian
- There are nine local market players, including one government company. Five companies import and install while four produce locally and install
- High subsidies on energy distort the consumer incentives and delay the adaptation of solar water heaters

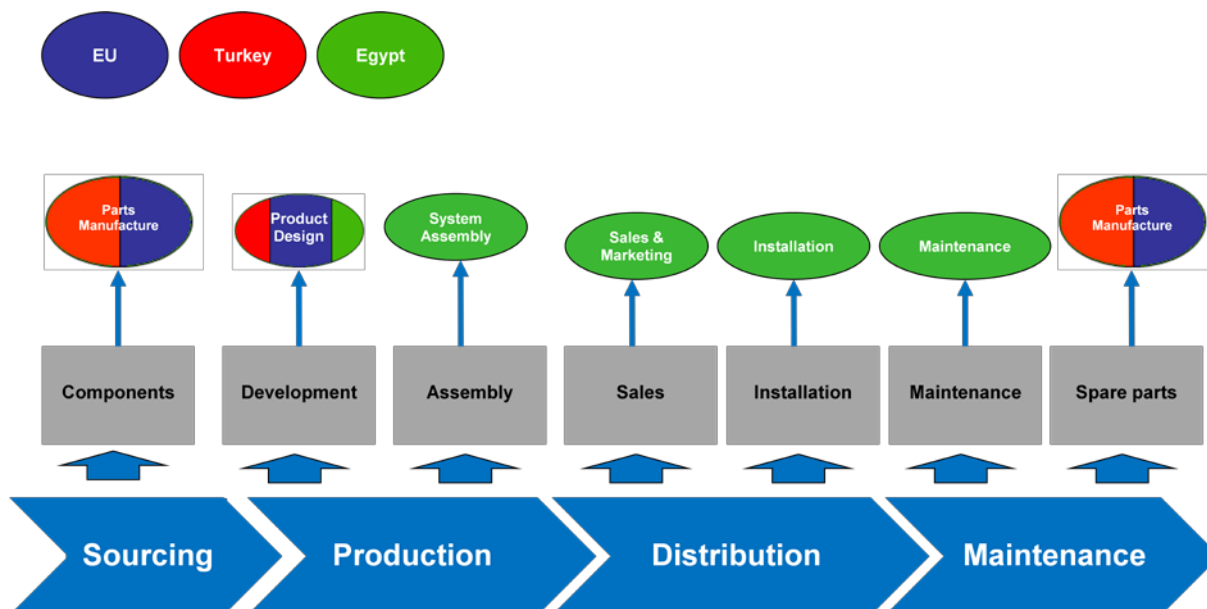
Growth Opportunities

- The removal of energy subsidies, agreed upon by all political actors to ease the 97 billion EGP burden on the state budget, will significantly affect both household and industrial consumer behavior and boost the demand for water heaters
- The low number of market players means that there will be relatively low competition for early movers

Possible Complementarities in the Solar Water Heating Value Chain

- Turkey
 - o Product development
 - o Component supply
- EU
 - o Research and Development
 - o Product development
 - o Component supply
- Egypt
 - o Product development for the Egyptian market
 - o Manufacture of solar heaters under trademark
 - o Marketing and installation of solar heaters
 - o Maintenance of solar heaters

Figure A5 5: Solar Water Heating Value Chain



Tourism Value Chain in Egypt

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Egypt

Facts & Figures

- Prior to the revolution, Egypt was receiving close to 15 million international arrivals
- The visitor arrivals have dropped to 10 million in 2011, but are expected to reach pre-revolutionary levels in mid 2013
- Predominantly large hotels: National average of 207 beds per hotel.
- Five star hotels host the largest share of visitors: 42% of 50 million nights of stays in 2010 were in five star hotels.
- Types of tourism:
 - o Cultural: preference of 20% of visitors, key destinations are Ancient Egyptian sites and modern Cairo
 - o Sun and Sea: 80% of tourists, visiting the resorts mainly on the Red Sea and Mediterranean. Scuba diving
 - o Ecotourism: Emerging, visiting natural heritages on the Nile River and Oases in the desert
- All year round tourism: Sea resorts are active 11 months a year due to stable and warm weather

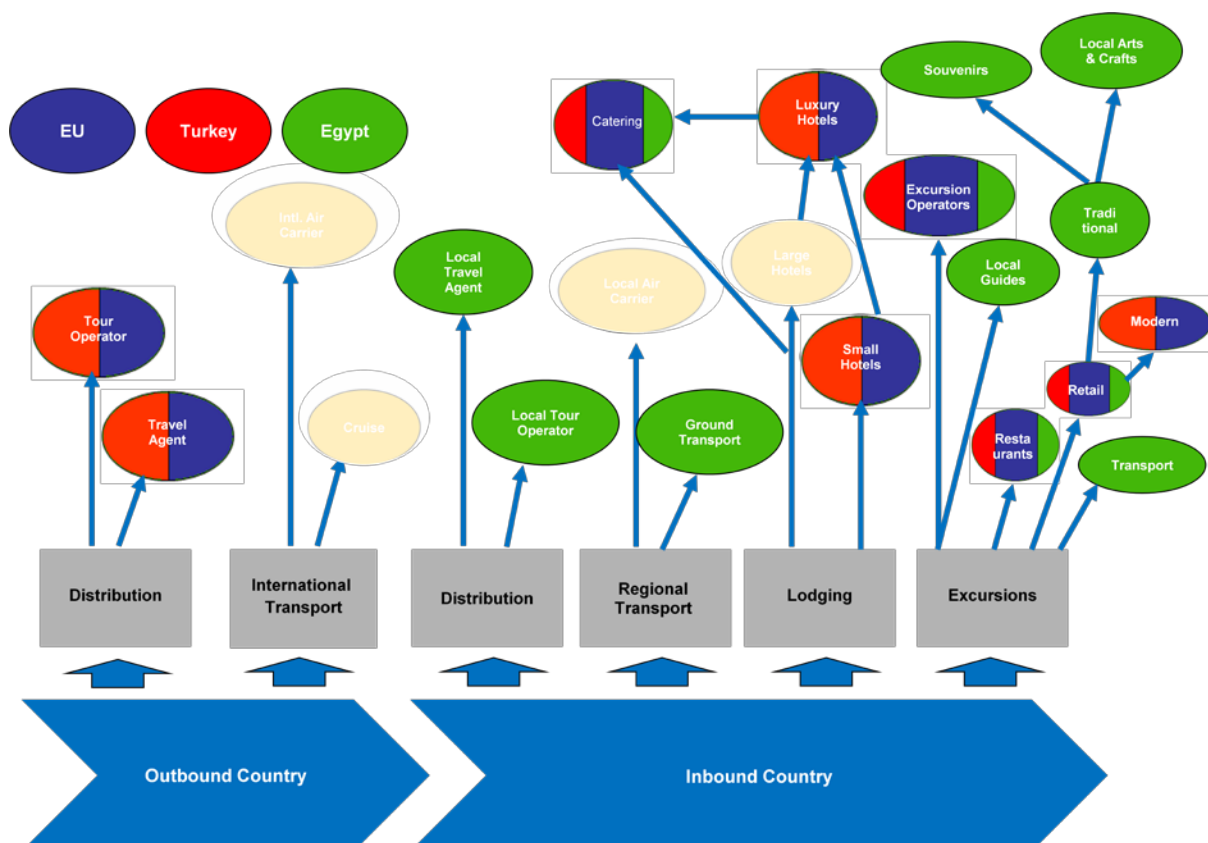
Growth Opportunities

- Conference Tourism: an emerging branch where low operating costs and widespread English proficiency (35% of population) constitute main advantages
- Ecotourism: According to UNWTO, Ecotourism captured 7% of the global tourism market in 2007 and is an industry growing in double digits. Smaller and environmentally and socially responsible hotels, excursion organizations and souvenirs can attract the increasingly environmentally conscious tourists.

Possible Complementarities in the Tourism Value Chain

- Turkey
 - o Seaside resorts and hotels hedging against bad weather
 - o Conference organizing firms
 - o Conference organizing hotels
 - o Ecotourism resorts
- EU
 - o Tour operators for ecotourism
 - o Ecotourism resorts
 - o Conference organizing firms
- Egypt
 - o Excursion operators
 - o Local crafts and souvenir manufacturers

Figure A5 6: Tourism Value Chain



Aquaculture Value Chain in Egypt

Opportunities for and Complementarities between SMEs

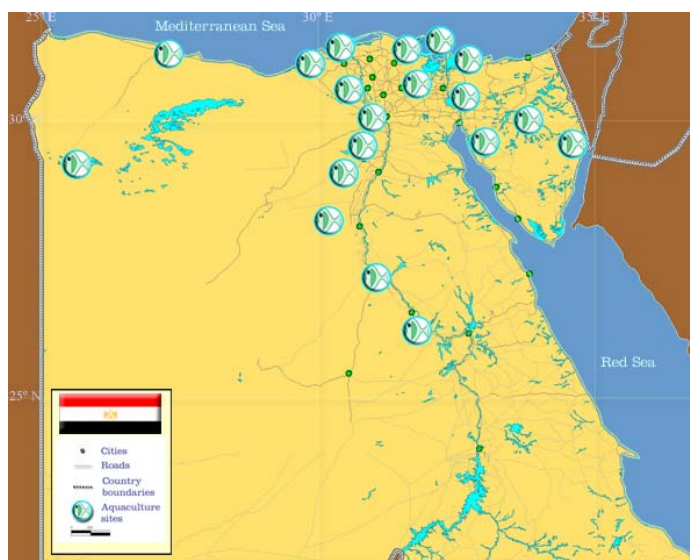
from

EU, Turkey and Egypt

Facts & Figures

- Population: 82,5 million, with a median age of 24,3
- Total Production: 919 thousand tons (2010 est.)
- Domestic market size \$1,56 billion (2010 est.)
- Per-capita fish consumption: 15,9 kg/year. Higher than Turkey (9kg/year) and close to EU average (22kg/year)
- Aquaculture accounts to 65% of total seafood production, a sector of predominantly private firms (99%)
- Most aquaculture is concentrated in the freshwaters of the Nile Delta. Marine Aquaculture is relatively underdeveloped (see map)

Map A5 1: Aquaculture Sites in Egypt, 2010



Source: FAO

- Most widespread methods: semi-intensive farming in brackish water ponds or intensive farming in tanks (emerging). Marine fishing weak due to underdeveloped seeding facilities and conflict with tourism.
- Structural change in the sector; family-run businesses being replaced by modern establishments.
- Market access both through wholesalers and direct sales. Farmers can sell their goods in agricultural wholesale markets in every large city or make agreements with wholesalers
- Market regulated by the General Authority for Fish Resources Development (GAFRD) and National Aquaculture Legislation.

- R&D activity by government fisheries, universities Cairo, Ein Shams, Alexandria, Suez Canal, El Azhar, El Mansura, Tanta, Asuit, Zagazig and Upper Egypt.
- Market trends: Frozen fillets and ready-to-eat packages in the EU

Growth Opportunities

- A huge unmet demand: Egypt is a net importer of fish products with imports being 32 times of exports (2010)

Table A5 7: Seafood Trade of Egypt, 2010

Commodity Description	Export Value	Import Value
Fish, frozen, excluding fillets	254.317	255.456.343
Fish, prepared or preserved, nes	145.395	104.937.539
Fish fillets, frozen	137.574	33.389.634
Fish, fresh or chilled, excluding fillet	11.601.109	982.931
Crustaceans and molluscs, prepared	14.495	189.351
Total	12.152.890	394.955.798

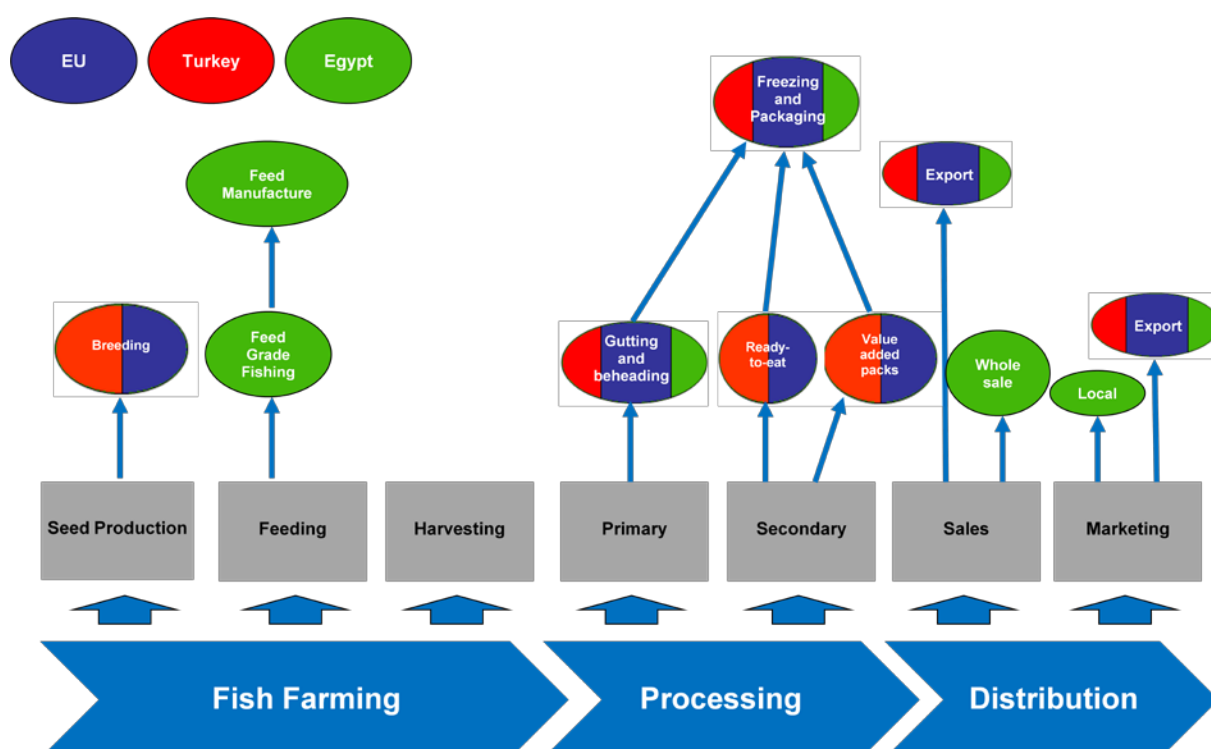
Source: UN Comtrade

- Fast-growing sector: The sector outperformed expectations by the Ministry of Agriculture (1 Million tons by 2017). 300% growth in seafood trade between 2000 and 2010, with 290% growth in imports.
- Already active value chain: Over 300 hatcheries and 16 fish feed manufacturers provide the necessary inputs for operating.
- Market Access: Preferential trade agreements for seafood with EU and GCC markets
- Growing demand in the EU: Demand to reach from 22kg to 24kg per capita per year by 2030, with growth in some Eastern European countries reaching 50%. Marine fish accounting to 75% of consumption.
- Marine agriculture: A long sea coast rich in natural feeds, untapped market
- Growing population: a population growth rate of 1,96% compared to 0,21% in EU

Possible Complementarities in the Aquaculture Value Chain

- Turkey: Marine aquaculture company
 - o Know-how on marine seed development and fish farm management
 - o Equipment and expertise in processing of fish
 - o Equipment and expertise in freezing and packaging
- EU: Marine aquaculture company
 - o Know-how on marine seed development and fish farm management
 - o Equipment and expertise on processing fish
 - o Knowledge of EU markets and product trends
 - o Access to EU distribution channels
 - o Equipment and expertise in freezing and packaging
- Egypt: Integrated intensive aquaculture company
 - o Feed production
 - o Equipment and expertise on processing fish
 - o Knowledge of local market and regulations
 - o Access to local and GCC distribution channels
 - o Day-to-day management

Figure A5 8: Aquaculture Value Chain



Dairy Value Chain in Egypt

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Egypt

Facts & Figures

- There are 3334 registered dairy firms active in Egypt, a number higher than all the Mediterranean companies except for Turkey
- 95% of the firms in the sector are microenterprises employing fewer than 5 people
- The country is a net importer of milk, chiefly from New Zealand, USA and EU. In 2011, net imports of milk was \$300 million
- Cheese and curd is the largest dairy export commodity, reaching \$482 million exports with a positive trade balance. Main export partners are Saudi Arabia, Iraq, Libya, and Yemen
- Butter is a dairy product with a very small export market for Egypt. However Egypt's butter imports reached a level of \$180 million in 2011. Chief import partners are New Zealand and USA.

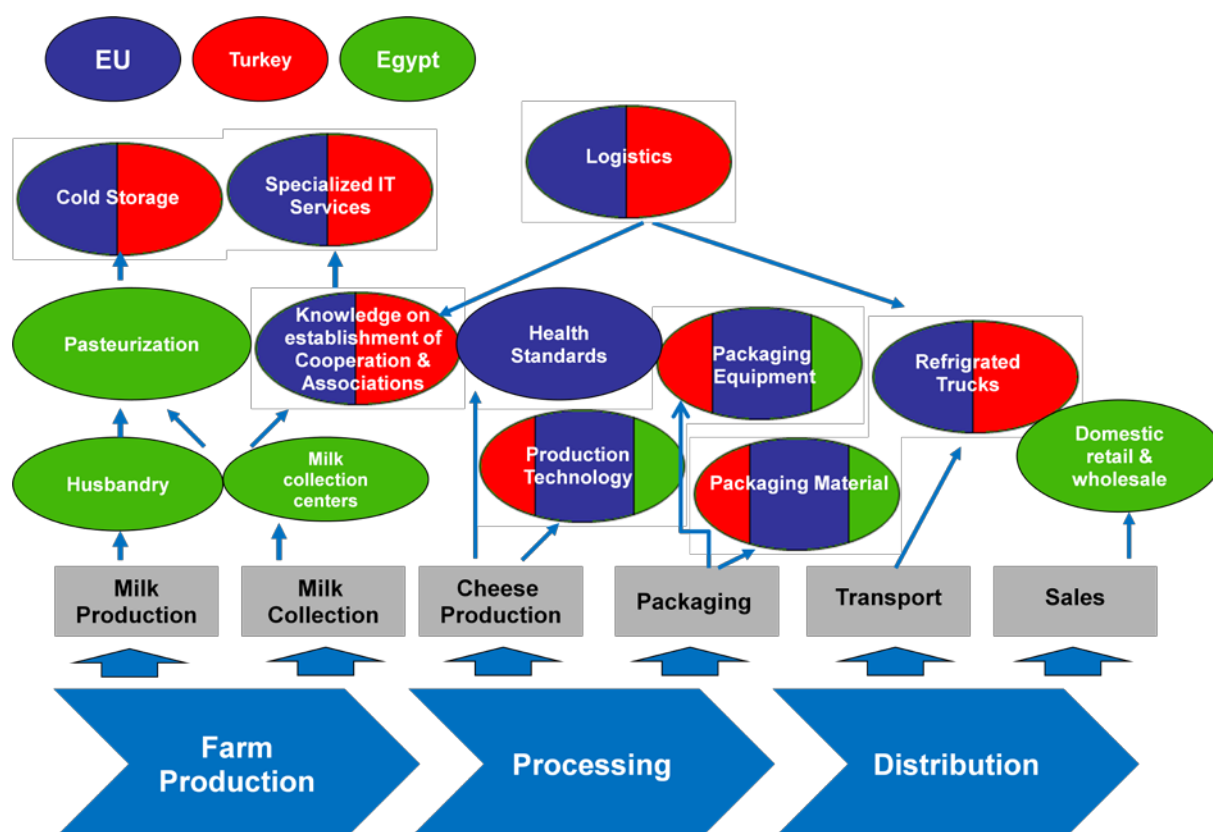
Growth Opportunities

- Very large, young and expanding local market: A population of 82,5 million, with an annual growth rate of 1,96% and a median age of 24,3
- Cheese is a rapidly growing export product: 68% CAGR between 2007 and 2011
- Fragmented local market: 95% microenterprises point at opportunities in consolidation
- Good quality milk used for production is sourced from expensive exported milk, with a price per net weight of 2,9\$/kg. Key problems in this area are
 - o Difficulty of finding high quality raw milk
 - o Unhealthy production methods in some farms
 - o Spoilage or deterioration of milk quality during transportation and storage

Possible Complementarities in the Dairy Value Chain

- Turkey
 - o Packaging technology and process
 - o Logistics: cold storage and transport
 - o Milk processing
- EU
 - o Establishment of health and quality standards in procurement and production
 - o Packaging technology
 - o Logistics: cold storage and transport
 - o Milk processing
- Egypt
 - o Milk production and collection
 - o Milk processing: product development for local market
 - o Packaging process
 - o Distribution to domestic and export wholesale and retail

Figure A5 9: Dairy Value Chain



Agro-Food Value Chain in Tunisia

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Tunisia

Facts & Figures

- Food and agricultural exports of Tunisia total 1,2 billion \$
- The three dominant groups of export are vegetable oils, vegetables and fruits(fresh and preserved), and seafood
- Olive oil and dates are the two key products, accounting to 321 million \$ and 200 million \$ respectively
- Tunisia is world's biggest dates exporter, with a market share of 28%
- Tunisia is the 7th producer of olives and accounted for 4,2% of global production in 2010
- Tomatoes, citrus fruits, potatoes, grapes, shrimps and pepper are the other major agricultural export items
- There is relatively low product diversification and processing, export of processed or prepared products is small, accounting to 20 million \$
- Export of juices and non-alcoholic drinks account to 20 million \$ while alcoholic beverages are around 17 million \$

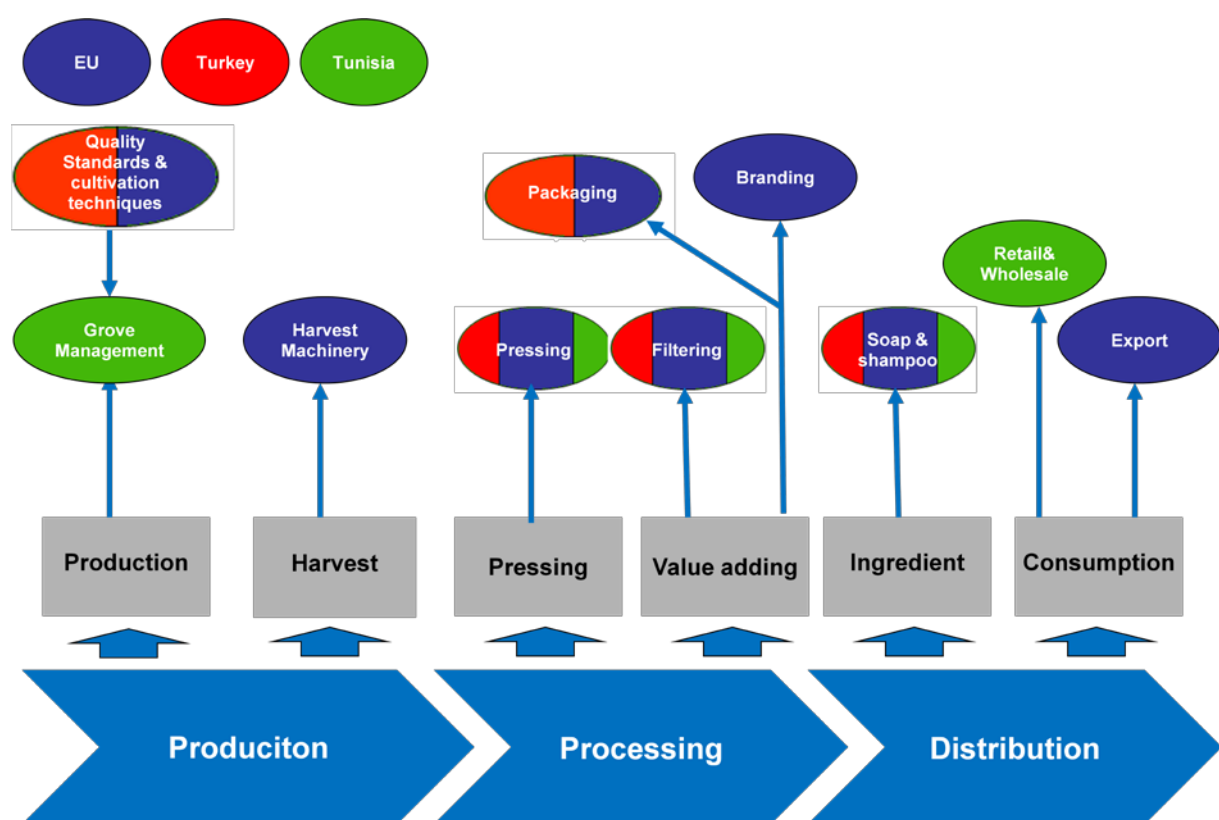
Growth Opportunities

- Fruits and vegetables:
 - o Processing of fruits and vegetables into products such as preserves, jams, sweets and sweeteners both for local and export market
 - o Pepper and cacao products are growing export items that can benefit from packaging and branding to achieve higher profit margins
- Olives and olive oil:
 - o Branding: Despite good quality, 42% of olive oil exports go to Italy, to be re-exported under Italian brands.
 - o Quality standards: European brands buy from intermediaries who cannot provide oils with consistent quality and taste. Direct production would enable quality control and eliminate intermediaries
- Beverages:
 - o Non-alcoholic: juices of orange and grape as well as tomatoes
 - o Alcoholic: Export-oriented wine production

Possible Complementarities in the Agro-Food Value Chain

- Turkey
 - Food processing, packaging
- EU
 - Food processing, packaging, branding, quality control and adherence to standards
- Tunisia
 - Viticulture and agriculture, food processing

Figure A5 10: Agro-Food (Olive Oil) Value Chain



Note: This value chain represents an exemplary product, olive oil, whereas other product value chains within the Agro-Food sector can be illustrated using a similar representation.

Electro-Mechanical Value Chain in Tunisia

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Tunisia

Facts & Figures

- Machinery and transport equipment plays an important part in the exports of Tunisia, with exports reaching 4.6 billion \$ in 2010, roughly a quarter of total exports
- With 2.6 billion \$ export value, electrical machinery is more than half of the sectoral exports. The largest export item is insulated electric wire, followed by switches and switchboards.

Table A5 11: Tunisia's Top 10 Electrical Machinery Exports, 2010

Export Item	Trade Value (\$)
Insulated electric wire, cable, bars, etc	1,274,769,635
Switches, relays, fuses, etc switchboards and control panels, nes	661,120,863
Other electrical machinery and equipment, nes	218,816,230
Other electric power machinery, parts, nes	101,608,232
Printed circuits, and parts thereof, nes	91,210,005
Electronic microcircuits	53,848,478
Automotive electrical equipment and parts thereof, nes	53,803,707
Batteries and electric accumulators, and parts thereof, nes	44,998,360
Transformers, electrical	31,726,693
Crystals, and parts, nes of electronic components of heading 776	31,540,124

Source: UN COMTRADE

- Tunisia is also an important exporter of vehicles and vehicle parts, the exports of which account to 446 million \$. The sector chiefly produces road vehicle parts, followed by aircraft parts and rail vehicles.

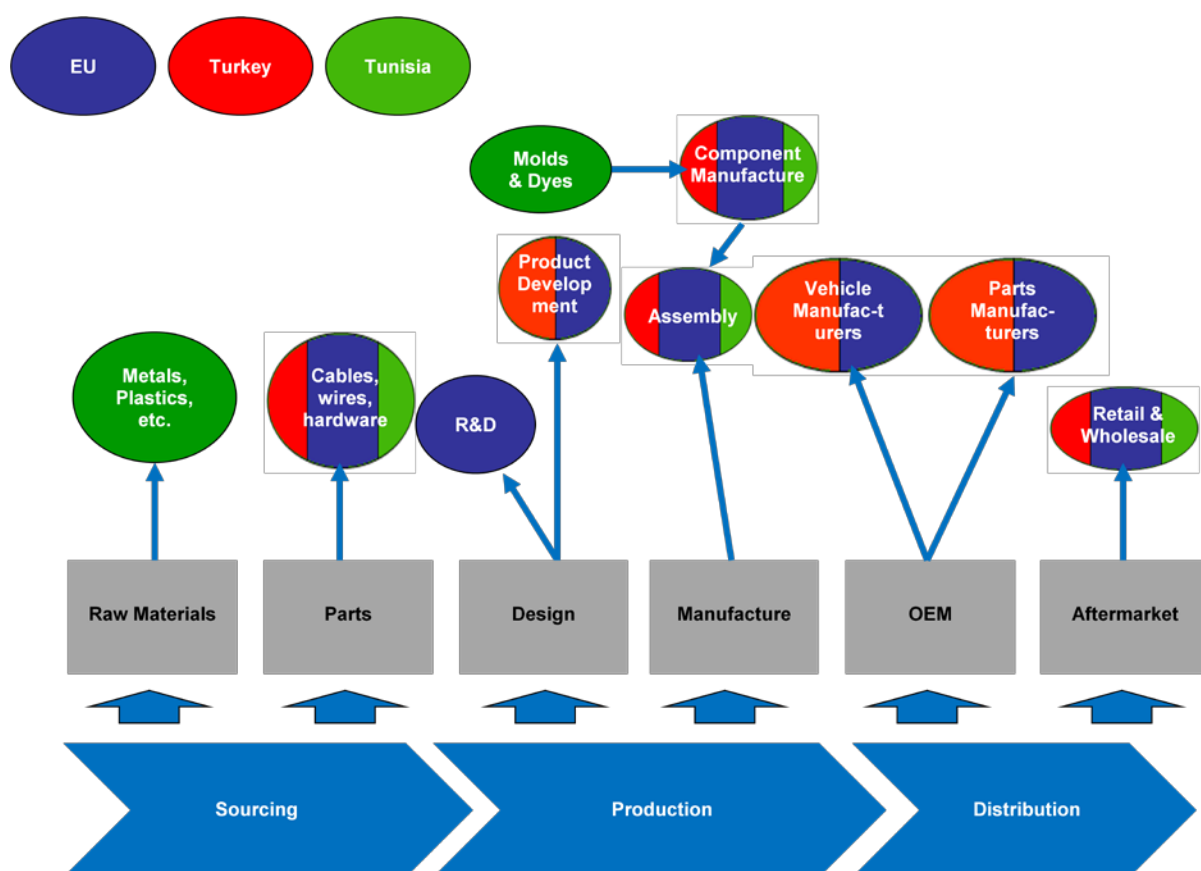
Growth Opportunities

- Wires and cables
- switches and switchboards
- Vehicle parts

Possible Complementarities in the Electro-Mechanical Value Chain

- Turkey
 - o Manufacturing and assembly, engineering, product development, process innovation
- EU
 - o Product innovation, process innovation branding
- Tunisia
 - o Manufacturing and assembly, engineering, product development

Figure A5 12: Electro-Mechanical (Vehicle Parts) Value Chain



Note: This value chain represents an exemplary product vehicle parts, whereas other product value chains within the Electro-Mechanical sector can be illustrated using a similar representation.

Renewable-Solar Value Chain in Tunisia

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Tunisia

Facts & Figures

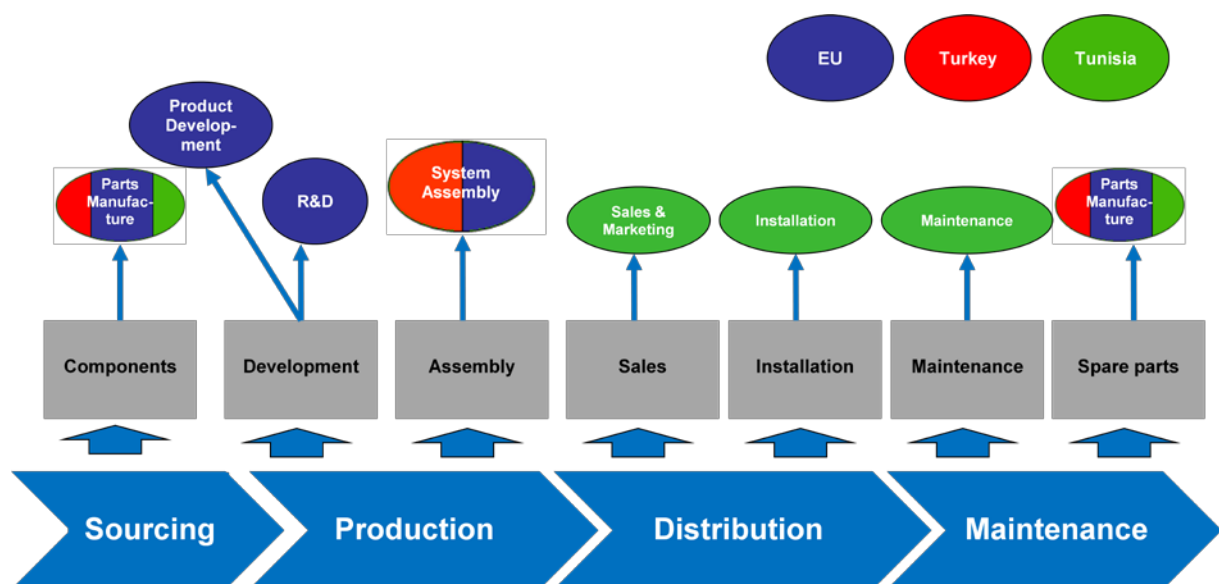
- Tunisia is on the high voltage transmission network, bridging North Africa and Europe through transmission lines to Italy
- Tunisia is already part of the Desertec Project, it is expected that by 2016 first solar electricity will reach Italy via low loss transmission network to be built
- High solar irradiation: 1600-2200 kWh/m²

Growth Opportunities

- Utility scale Photovoltaic(PV)
- Concentrating Solar Power(CSP)
- On-shore & Off-shore Wind Energy

Possible Complementarities in the Solar/Renewable Value Chain

- Turkey
 - o Logistics
 - o Assisting Project Development + Design Engineering & Construction
 - o Wholesale Distribution
 - o Operations & Management
- EU
 - o Manufacturing
 - o Renewable Electricity Production Facilities
 - o DC Technology
 - o HVDC Submarine Cables
 - o Poly-silicon (Solar-grade silicon) + Silicon Wafers&Ingots + Solar glass + Crystalline Modules + Electrical Components
 - o Project Development & Design/Engineering
- Tunisia
 - o Wholesale Distribution and Retail Distribution for Small Installations
 - o Maintenance
 - o Marketing and Installation

Figure A5 13: Renewable-Solar Value Chain

Note: This value chain represents an exemplary product, Solar Panels, whereas other product value chains within the Renewables sector can be illustrated using a similar representation.

Tourism Value Chain in Tunisia

Opportunities for and Complementarities between SMEs

from

EU, Turkey and Tunisia

Facts & Figures

- 7 million tourists a year prior to the revolution. There was a drop to below 5 million in 2011 due to the turmoil, but the Ministry of Tourism foresees 20% growth a year, with the numbers to reach pre-revolutionary levels in 2013
- Rich historical heritage: 8 UNESCO Heritage sites with 10 applications pending
- Bottlenecks
 - o Lack of diversification: Chiefly sun and sea tourism on the eastern coast, and a smaller degree of heritage tourism around Tunis
 - o Low value added: Average tourist spending is around 500\$, compared to \$850 in Egypt. A room in a five star hotels may cost as low as 50 Euros in a high season

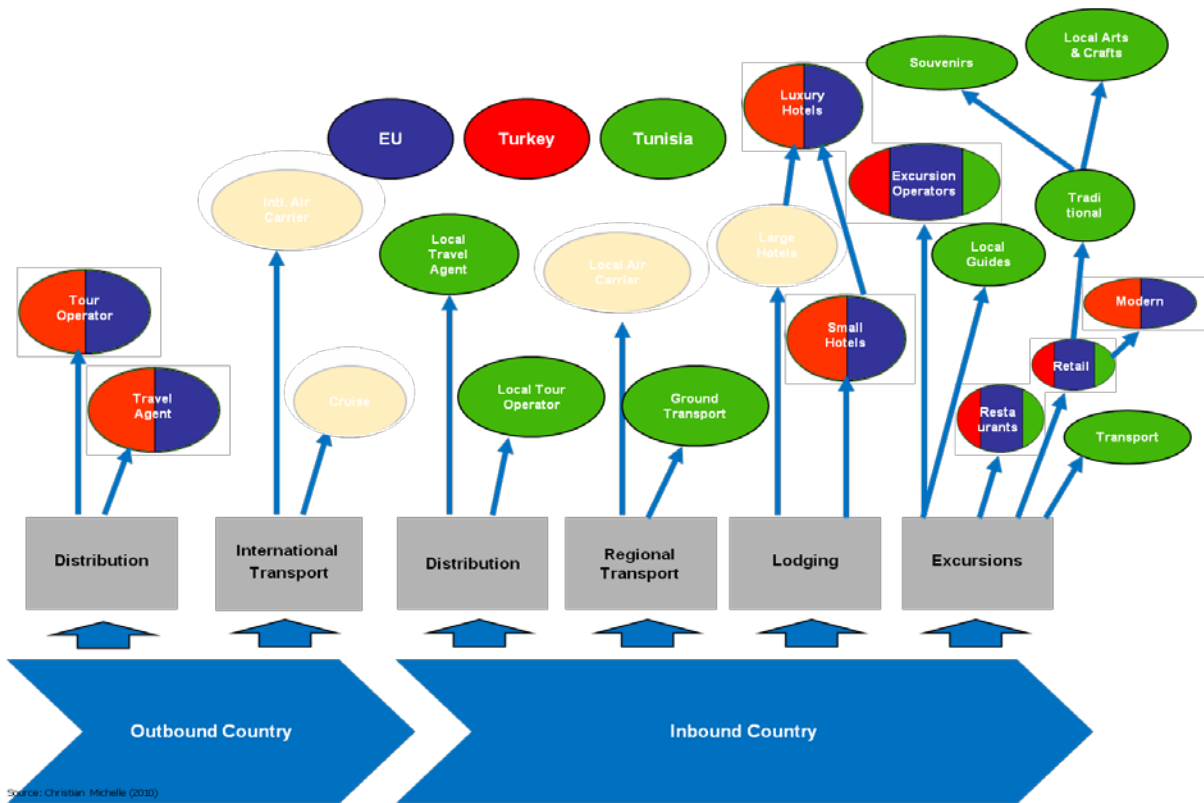
Growth Opportunities

- Diversification: Desert tourism is increasing in popularity. Qatari Diar Real Estate company is building a \$80 million luxury resort in the western desert.
- High value added tourism: Luxury and small hotels with spa and wellness
- Tourism related activities: restaurants and local crafts (carpets, pottery, ironwork, leather)

Possible Complementarities in the Tourism Value Chain

- Turkey
 - o Souvenir and local craft retailers& importers
 - o Boutique hotels
- EU
 - o Boutique hotels
 - o Tour operators for boutique hotels
 - o Souvenir and local craft retailers& importers
- Tunisia
 - o Souvenir and local craft designers and manufacturers
 - o Luxury hotels

Figure A5 14: Tourism Value Chain



Source: Christian Michale (2010)

Annex 6: An Economic Assessment of Palestine for the GBB Initiative

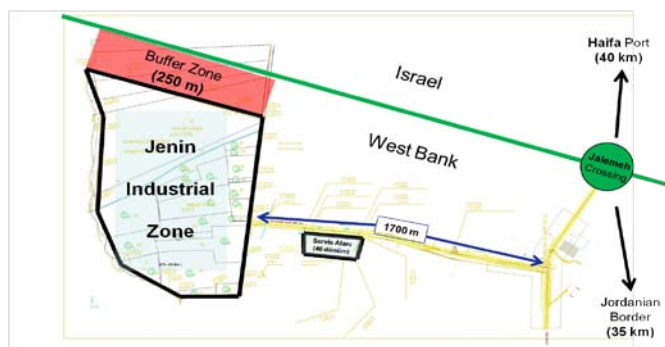
294. **Palestine is selected as one of the pilot countries for the Global Business Bridges Initiative for a number of reasons.** First reason is that supporting the Palestinian economy is among the priorities for both the EU and Turkey. Second, Palestine has a small economy but its rather vibrant nature may enable a “boutique” but well targeted form of trilateral matchmaking platform for the GBB Initiative. Third, TOBB, one of the partners and beneficiaries of the GBB Initiative has been undertaking the Industry for Peace (TOBB-BIS) Initiative in Palestine with a view to support industrial development and employment generation. Through its subsidiary company²³ established for the TOBB-BIS Initiative, TOBB has focused on the Jenin Industrial Estate project since 2010.
295. **Hence, GBB Initiative and TOBB-BIS Initiative intersect at the Jenin Industrial Estate Project.** Trilateral matchmaking that will be conducted under the GBB Initiative can be coordinated with the investment promotion activities of the TOBB-BIS Initiative for the Jenin Project. Attracting foreign direct investment, from EU Member States and Turkey as well as other countries, to the Jenin Industrial Estate is among the strategic priorities of this project.
296. **To understand the complementarities between EU and Turkish SMEs, we apply a different methodology from what we employed for Egypt and Tunisia.** This is due to the small size of the Palestinian economy and its currently limited industrial activity, which makes the use of trade data irrelevant or unreliable. Instead, we have a more simple approach to identify the value chains and sectors that are feasible for matchmaking for Jenin. Our methodology is based on research on a variety of different industries supported by interviews with individual firms from Palestine, Turkey and the EU. The desk research focused on the current industrial activity in Palestine and foreign trade structure of the Palestinian economy. Turkish and EU outgoing investments into Arab countries and their sectoral structure are also considered to be important factors shaping foreign demand for Jenin's plots. These findings were supported and complemented with a fact-finding mission to Palestine on November 2012.
297. **This note aims to find the intersection of EU and Turkish value chain activity and Palestinian potential and capacity.** From a strategic perspective, this intersection set will present the low hanging fruits for the trilateral matchmaking activities and investment promotion efforts. We hope that GBB Initiative's trilateral matchmaking activities will facilitate partnerships and investment towards this end.

²³ TOBB-BIS Industrial and Technology Parks Development and Management Company. TOBB-BIS A.Ş. was incorporated in 2005 in Istanbul, Turkey, and was registered in Ramallah in 2006. The headquarters of the company are located in Ankara at the premises of TOBB Economics and Technology University.

Information Box A6 1: Jenin Industrial Estate Project

The Jenin Industrial Estate is a designated free industrial zone of around 920 donums in Jenin, one of the 11 governorates of the West Bank. It is located about 1,7 km away from the Jalemah crossing point, one of the few crossings undisputed by the Palestinian Authority in terms of its location. The Jalemah crossing is on the Green Line, adjacent to Road 60, in the Gilboa Region. All crossing infrastructure is currently located on the Israeli side of the Green Line, managed by the Israeli Border Crossings Authority.

Figure 1: Map of Jenin Industrial Estate



The idea of this project was first conceived in the Ankara Forum platform, a trilateral Business Forum between Palestine, Turkey and Israel that became operational in 2005. Forum members first focused on the revitalization of the Erez Industrial Estate in Gaza and then looked for alternative sites in the West Bank after 2007. Site selection process finally ended in January 2010, when a memorandum of understanding between Ministry of National Economy and TOBB-BIS Company was signed.

The history of the Jenin project dates back to late 1990s, when the German Government, through Kreditanstalt für Wiederaufbau (KfW) committed to support the off-site infrastructure of the industrial estate.

The decision to expropriate land was taken by the PA with a decree from late Arafat in 2000, but the process could not be completed due to lack of financing. However, the land of JIE was designated from area "C" to "B" by the decision of Israel. In 2010, the Turkish government expressed its commitment to assist the PA in completing land expropriation.

A land of 933 donums in the Jenin region of the northern West Bank has been designated as "Jenin Industrial Free Zone" (JIFZ) by a decision of the Palestinian National Authority Council of Ministers on 1 February 2010, with decree number 05/35/13.

Within the framework of the Palestinian Industrial Estates and Free Zones Authority (PIEFZA) law, a concession agreement was signed between PIEFZA and TOBB-BIS Company.

The project seeks to make the West Bank more attractive to foreign investors by creating a conducive investment environment. The developer company's ties with the Turkish industrial community is a key distinguishing feature. Business model of TOBB-BIS will rely on attracting the critical mass of investors from

A6.1. Overview of Palestinian Economic Performance and Benchmarking

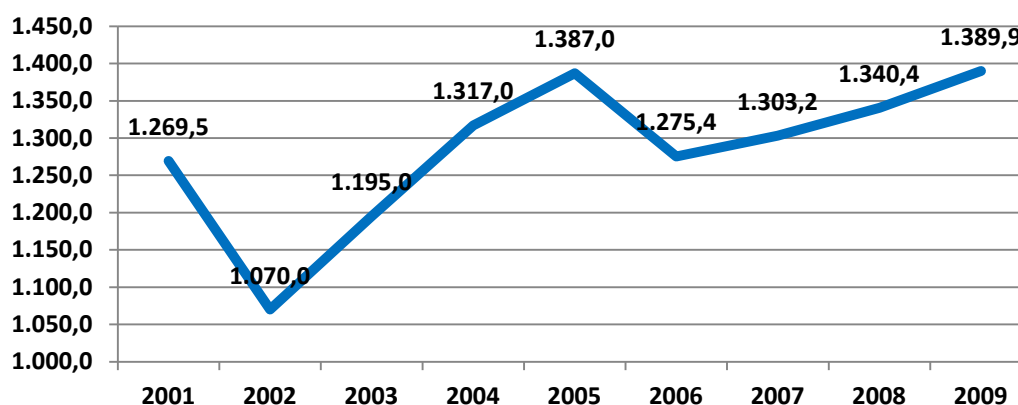
298. *Why would an industrialist come to Jenin and start an industrial plant in JIE?*

Before we identify the value chains, we would first need to answer this fundamental question. *Through a benchmarking analysis, we aimed to provide an answer to this question by first briefly assessing the Palestinian economic performance, and then comparing business environment quality and cost of operations with other possible alternative sites.*

299. **Palestinian economy faces severe challenges but also possesses great potential for growth.** Recent experience has shown what Palestine can achieve

when there is relative political stability and ease in movement and access for integrating with global markets. GDP of Palestine in purchasing power parity terms is around USD 12 billion, and GDP per capita (PPP) is around USD 3000 USD, while in constant prices this figure stands around 1400 USD. Currently, Palestine stands as a low income country that is ready for making a jump towards being a middle income society, if basic market conditions and political environment permit economic activity. Real GDP growth rate fluctuates between positive and negative values since 1994. Positive growth rates are at present around 7% since 2007.

Figure A6 1: GDP per capita in Palestine, US \$, 2001-2009



Source: Palestinian Central Bureau of Statistics

300. **Palestine's integration into the world economy is characterized by a limited export performance, a high level of foreign aid inflows and an increasing trend of FDI flows.** Exports as a percentage of GDP displays a constant figure which is around 15% since 1994 which is low compared to the other countries. This ratio is 36% for Israel, 48% for Jordan and 23% for Turkey. One of the critical structural problems is the growing dependency on donor financing. External aid to the PA stands around 35 percent of GDP. Prior to 2008, foreign direct investments averaged annually around USD 50 million, while in 2009 Palestinian economy attracted a striking volume of USD 264 million.
301. **As a result of unhealthy integration into the world economy, which is largely a result of Israel's closure policies and trade facilitation problems, deindustrialization appears to be an important risk for the Palestinian economy.** There is a dangerous trend in the percentage share of manufacturing in GDP. The share declined from 20% to 10% in the last 15 years, indicating a deindustrialization process which should be tackled with a coherent industrial policy framework and an industrial estate program.
302. **In order to attract small, medium and large sized regional industrial companies to Jenin, improving the business conditions at the local level, at least within the designated industrial estate, will be the major strategic objective of both GBB and TOBB-BIS Initiatives.** Hence we would need to understand under what conditions investors in Jenin could compete with other alternative locations. For this benchmarking exercise, four important benchmark destinations from Turkey, namely Gebze, Manisa, Ankara and Gaziantep are included in this analysis. It should be noted that SMEs from the EU actively invest in the Gebze and Manisa OIZs.

Additionally, we benchmark Jenin against four other important regional industrial zones from the nearby region, namely Port Said, Aqaba, Jeddah and Jebel Ali.

303. Comparing Palestine with the rest of the benchmarked countries based on the World Bank's doing business rankings clearly shows that there is substantial room for improvement across many of the indicators. Through acting as a one-stop-shop and ensuring effective coordination with the relevant Palestinian and Israeli authorities, TOBB-BIS will particularly target the following issues.

- a. Trading across borders
- b. Obtaining construction permits
- c. Paying taxes
- d. Obtaining electricity
- e. Starting a business
- f. Registering property

It might not be possible to improve these rankings in the entirety of Palestine in the short term, but the project will aim to ensure that these issues do not impede doing business for JIE and that service quality is on par with most competitive regions.

Table A6 1: Doing Business Rankings for Benchmarked Countries, 2012²⁴

The figure below provides two layers of information. Firstly, it illustrates each countries' ranking in numbers. Secondly, through a colour coding scheme, it illustrates West Bank& Gaza's performance in relation to the country in question. Green coding indicates that West Bank& Gaza has a better performance relative to that country, while red means West Bank& Gaza performs worse than that country. Yellow indicates that West Bank & Gaza is similar in terms of performance.

		Better	Similar	Worse			
	Turkey	Jordan	Egypt	Saudi Arabia	UAE	Israel	West Bank and Gaza
2012 Overall Rank (out of 183)	71	96	110	12	33	34	131
Starting a Business Score (Ranking)	61	95	21	10	42	43	177
Obtaining Construction Permits (ranking)	155	93	154	4	12	137	129
Registering Property (ranking)	44	101	93	1	6	93	78
Getting Credit (ranking)	78	150	78	48	78	8	166
Protecting Investors (ranking)	65	122	79	17	122	5	46

²⁴ "Doing Business 2012: Doing Business in a More Transparent World". World Bank, 2012

Paying Taxes (ranking)	79	21	145	10	7	59	39
Trading Across Borders (ranking)	80	58	64	18	5	10	114
Enforcing Contracts (ranking)	51	130	147	138	134	94	93
Resolving Insolvency (ranking)	120	104	137	73	151	45	183
Obtaining electricity (procedures)	5	5	7	4	4	6	5
Obtaining electricity (days)	70	43	54	71	55	132	63
Cost of getting electricity (% of GDP per capita)	624.4	274.2	455.5	18.1	14.6	12.2	1,627.8

304. **Benchmarking the costs of doing business to alternative locations, we can say that the Jenin Industrial Estate can be a center for competitive investments coming from a wide range of countries and sectors.** However, this is conditional on tackling a number of critical issues.

- a. **Trading across borders.** Movement and access problems appear to be the most binding constraint to FDI growth and private sector development in Palestine. Israel's closure policies arising from security concerns severely impede international trade, particularly with border-crossing and customs measures which involve unpredictable inspection practices leading to time consuming, inefficient logistics outcomes. Certain studies also point to problems in obtaining Palestinian certificate of origin, which is required to differentiate Palestinian products from those of the Israeli settlements. Import taxes collected by Israel to be refunded to Palestine are often returned with delays, leading to financial losses for private firms. If these issues can be solved with a working mechanism for JIE, we believe that Palestine's competitive potential can be unleashed in the short term.
- b. **Energy.**²⁵ Comparative figures show that electricity price in Palestine (17cent/kWh) is around 20 percent more expensive than the Turkish average (14cent) and most other benchmarked sites. The situation is much worse for natural gas. To make the JIE competitive, energy prices need to decrease. Since industrial electricity price in Israel is only 9 cent/kWh (with 0 % tax), and natural gas price is 37 cent/m³, effective off-site infrastructure and negotiation with the Israel Electric Corporation can lower energy costs

²⁵ Figures for these are obtained from the feasibility assessment of TOBB-BIS Company for the Jenin Industrial Estate Project.

in Jenin. The assistance of the international donor community will also be required in achieving this task.

- c. **Labor quality and wages.** Compared to alternative sites, quality of labor in Palestine is very high, though wages appear to be accordingly high. This issue needs to be further investigated at sectoral level in order to identify the niche labor skills available in Palestine that can attract companies from around the world and the region.

A6.2. Value Chain Assessment: Identifying the right value chains for the Jenin Industrial Estate

305. **After seeing under which general conditions operating in Jenin may be feasible, we can now try to shed light on the possible trilateral value chains that can locate in the Jenin Industrial Estate.** For this we look at EU and Turkish FDI flow, Palestinian industrial and foreign trade capacity as well as certain key services sectors such as the ICT.

306. **First, Turkey's direct investment outflows yield some important implications.** The way Turkish companies are integrated with the global economy has started to change in recent years, as an increasing number of companies go beyond simple trading and move part of their operations to countries in the region, particularly the Arab economies. This trend is yet to be supported by a coherent policy scheme in Turkey to incentivize value chain relocation and expansion activities. For this study, sectoral implications of this process are closely examined.

307. **Despite the deindustrialization trend mentioned above, manufacturing has an important role for the Palestinian economy and it is attached strategic importance by the Palestinian Authority.** This section looks into the import and export trends of the Palestinian private sector and combines these with the manufacturing value added data of the PCBS. Currently 82 thousand people are employed in manufacturing, 11,3 percent of all employment* and 15 Percent of all Palestinian enterprises operate in the industrial sector. There is political will to support the manufacturing sector. We aim to strengthen the linkages with the agriculture and construction sectors, which have high potential in Palestine. The Industrial estates program is a strong vehicle for this goal.

308. **Activity in major manufacturing sectors can be assessed as follows:**

- a. **Textile and garments:** 70 percent of production is targeted to local market and 20 percent to Israel. There seems to be strong export potential for US and European buyers as well Turkish and Arab markets.
- b. **Food processing.** In addition to the vast agricultural potential, growing local demand presents opportunities for the food industry, which currently employs around 10 thousand workers.
- c. **Metal products and furniture.** According to analysts, metal products and furniture sectors do a good job in catering to the domestic demand, with a wide range of products including wire, nails, welding, rods, office furniture, and industrial machinery. As the construction industry booms in Palestine,

there will be further demand for these product groups, with increasing export orientation.

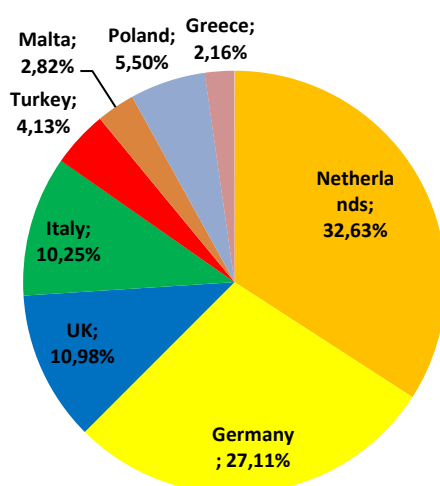
- d. **Other sectors.** The Palestinian economy's dynamism and its vast human asset also present many opportunities for a wide range of other sectors including pharmaceuticals, chemical products, construction materials, machinery, equipment etc.

309. **Total exports of Palestine are at a low level, but Turkey and EU member states are important trade partners for Palestine.** Total Palestinian exports are valued at around USD 500 million and more than 90 percent comes from West Bank companies. Problems of movement and access, in addition to low level of private sector development are reflected in these figures. Ankara, for instance, which has the same population as Palestine, exports more than USD 5 billion worth of goods. Israel is the main trading partner of the Palestinians, followed by Jordan and Saudi Arabia. Palestine's total imports are around USD 3 billion, six times the volume of its exports. After Israel, the major import partner of Palestine is China (with 27% share), followed by Turkey (20%) and Jordan (10%).

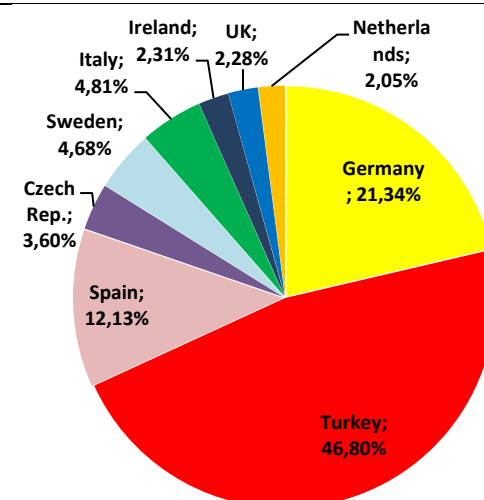
310. **When we look at Palestine's trade with only the EU countries and Turkey, we see that most of the Palestinian exports go to Germany and Netherlands.** These two countries have close to 60 percent share among the group of EU member states and Turkey. When we look at Palestine's imports for the same country group, Turkey appears to have the largest share in the Palestinian domestic market, followed by Germany.

Figure A6 2: Shares of EU-27 Countries & Turkey in Palestinian Trade

Shares of EU-27 Countries&Turkey in Palestinian Exports, 2010



Shares of EU-27 Countries&Turkey in Palestinian Imports, 2010

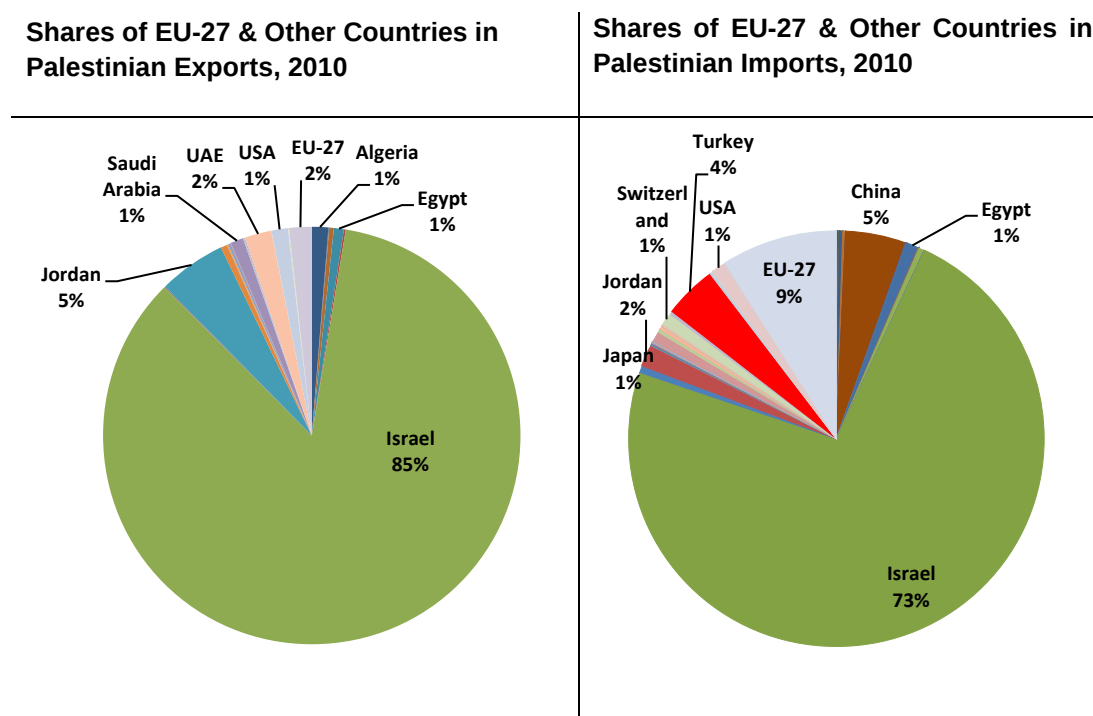


Source: UN COMTRADE

311. **When we look at Palestine's trade flows with all countries, we clearly see that lack of market diversity and dependence on Israel, as a result of Israel's**

closure policies appear to be a critical issue for Palestine. 85% of Palestine's exports were addressed to Israel whereas only 15% of them were addressed to the other countries. Similarly, Israel has a 73% share in the imports of Palestine. The total export values of EU-27 countries are behind those of Palestine's neighbours such as Israel and Jordan as shown below. EU's import share is similarly low and corresponds to 9% of total. Turkey was not a major export partner of Palestine in 2010, as only less than 1% of exports were sent to Turkey; while 4% of imported goods came from Turkey.

Figure A6 3: Shares of EU-27 Countries & Other Countries in Palestinian Trade



Source: UN Comtrade

312. In terms of the sectoral composition of Palestinian exports we see a mixed story regarding diversification. The non-metallic minerals sector, which includes cement, glass and other related products, appears to dominate Palestinian exports, with stone and marble products making up the majority. The rest of the products are well diversified and includes a wide variety ranging from metal manufacturing, controlling instruments, pharmaceutical to plastics, footwear, tobacco and furniture.

Table A6 2: Palestinian Exports, 2000, 2006 and 2009: Product groups based on SITC-3, (volume in USD and shares in %)²⁶

Division	2000	%	2005	%	2009	%
Non-metallic mineral manufactures, n.e.s.	90,852	22.66%	74,795	22.30%	109,491	21.12%
Professional scientific and controlling instruments and apparatus, n.e.s.	1,121	0.28%	816	0.24%	51,754	9.98%

²⁶ United Nations Commodity Trade Database. Web. See <<http://comtrade.un.org/db/dqBasicQueryResults.aspx?>>

Division	2000	%	2005	%	2009	%
Manufactures of metals, n.e.s.	10,830	2.70%	10,076	3.00%	38,052	7.34%
Plastics in primary forms.	644	0.16%	166	0.05%	31,817	6.14%
Footwear	18,446	4.60%	15,927	4.75%	25,434	4.91%
Cork and wood manufactures (excluding furniture).	12,534	3.13%	14,081	4.20%	21273	4.10%
Non-ferrous metals.	5,023	1.25%	5,772	1.72%	19,988	3.86%
Medicinal and pharmaceutical products.	10,774	2.69%	12,351	3.68%	18445	3.56%
Vegetables and fruit.	60,003	14.97%	13,651	4.07%	18246	3.52%
Tobacco and tobacco manufacture.	10,126	2.53%	9,851	2.94%	17201	3.32%
Miscellaneous manufactured articles, n.e.s	14,390	3.59%	12,781	3.81%	15,965	3.08%
Animal oils and fats.	0	0.00%	0	0.00%	14426	2.78%
Essential oils and resinoids and perfume materials, toilet, polishing and cleansing preparations.	6,840	1.71%	5,695	1.70%	13,707	2.64%
Paper paperboard and articles of paper, pulp of paper or of paperboard.	6,718	1.68%	4,875	1.45%	13,194	2.55%
Dairy products and birds eggs.	3,437	0.86%	4,636	1.38%	11,921	2.30%
Telecommunications and sound- recording and reproducing apparatus and equipment.	1,938	0.48%	770	0.23%	11,373	2.19%
Power-generating machinery and equipment.	252	0.06%	213	0.06%	10,267	1.98%
Road vehicles (including air-cushion vehicles).	5,485	1.37%	4,652	1.39%	9,092	1.75%
Coffee, tea, cocoa, spices and manufactures thereof.	6,286	1.57%	4,702	1.40%	9084	1.75%
Sugar, sugar preparations and honey.	2,799	0.70%	2,584	0.77%	8,204	1.58%

313. **When energy imports are excluded, Palestinian imports appear to be well-diversified across both capital-intensive and consumption-related goods.** The three most important groups of imports are mineral fuels (petroleum, electricity and gas), food and live animals, and manufactured goods. Together they made up about 64.4% of Palestinian imports in 2006. Turkey's exports to Palestine amount to around USD 200 million. Turkey's main export products include metals (25%), textiles (%17), food (%12), chemical (10%), machinery (9%) and furniture (%7).

Table A6 3: Palestinian Imports, 2000, 2006 and 2009: Product groups based on SITC-3, (volume in thousand USD and shares in %)²⁷

Divisions	2000	%	2005	%	2009	%
Petroleum, petroleum products and related materials.	263,247	11.05%	467,420	17.52%	1,141,345	31.7%
Road vehicles (including air-cushion vehicles).	90,700	3.81%	191,956	7.20%	259774	7.2%
Cereals and cereal preparations	130,447	5.47%	97,657	3.66%	218,938	6.1%
Power-generating machinery and equipment.	8,766	0.37%	5,388	0.20%	168,736	4.7%
Manufactures of metals, n.e.s.	79,768	3.35%	42,547	1.59%	142632	4.0%
Telecommunications and sound- recording and reproducing apparatus and equipment.	46,534	1.95%	55,728	2.09%	142606	4.0%
Crude mineral (excluding, petroleum and precious stones).	24,703	1.04%	22,512	0.84%	125,806	3.5%
Feeding stuff for animals(not including unmilled cereal)	59,286	2.49%	74,547	2.79%	113,836	3.2%
Beverages.	53,413	2.24%	57,080	2.14%	90,801	2.5%
Medicinal and pharmaceutical products.	49,594	2.08%	57,988	2.17%	85927	2.4%
Essential oils and resinoids and perfume materials, toilet, polishing and cleansing preparations.	44,474	1.87%	48,996	1.84%	84,114	2.3%
Miscellaneous manufactured articles, n.e.s	53,099	2.23%	43,370	1.63%	74,657	2.1%
Plastics in non primary forms.	16,597	0.70%	18,392	0.69%	72,697	2.0%
Cork and wood manufactures (excluding furniture).	40,061	1.68%	37,474	1.40%	71356	2.0%
Paper paperboard and articles of paper, pulp of paper or of paperboard.	43,214	1.81%	55,466	2.08%	67,081	1.9%
Photographic apparatus, equipment, supplies and optical goods, n.e.s., watches and clocks.	14,170	0.59%	5,847	0.22%	61933	1.7%
live animals other than animals of fish Division .	40,396	1.70%	43,885	1.65%	52,793	1.5%
Vegetables and fruit.	75,651	3.17%	52,513	1.97%	52574.00	1.5%
Sugar, sugar preparations and honey.	41,738	1.75%	41,590	1.56%	49,566	1.4%
Non-ferrous metals.	34,441	1.45%	32,038	1.20%	49,101	1.4%

314. Palestine's education performance creates a significant potential for the development of information and communication technologies (ICT) sector and its related industries and service providers. Indeed according to a number of

²⁷ United Nations Commodity Trade Database. Web. See <<http://comtrade.un.org/db/dqBasicQueryResults.aspx?>>

recent industry reports, ICT is already on the rise in Palestine. Especially, given the existing barriers to movement and access for industrial goods, through the use of fiber-optic cables, ICT industry may create employment opportunities for the well-educated Palestinian youth.

315. **Competitive labor costs, language skills relevant for most countries in the region as well as good level of English are critical assets for a thriving ICT sector in Palestine.** In addition, political problems may not impede growth of the ICT industry because of its borderless nature. Lack of international mobility and Isolation can be considered as the major disadvantages. According to recent ICT sector studies, Palestine presents competitive advantages especially in commercial applications development and management, web applications, web development and mobile applications. Furthermore, outsourcing opportunities involve the entire Arab speaking MENA market as well as the Israeli market.
316. **Taking these factors into account, a component may be added to Jenin project to turn some part of industrial estate into a hub for EU and Turkish companies that are interested in tapping into the potential of the Palestinian ICT sector.** In this regard, Turkey-based offices of large European ICT companies present a concrete opportunity, in addition to growing Turkish ICT firms, which are faced with the challenge of rising labor costs.

A 6.3. Conclusion & Identified Value Chains

317. **The market analysis section tried to identify the type of industrial activity to be implemented in the Jenin Industrial Estate by merging the analyses of local industrial capacity and regional industrial value chain trends.** The estate will be open to investments from all parts of the world. In its initial states, it will focus the marketing efforts on Turkish investors that have the capacity to move parts of their value chains into the region.
318. **Figures point out that Palestine has a decent level of manufacturing activity in a number of labor-intensive industries.** Export figures however, do not reflect Palestine's potential because of its closure problems. Possible contributions of the Palestinian Diaspora will also lead to a sophisticated manufacturing export structure at the Estate.
319. **In addition to demand from regional countries, Israel's import basket is also a critical determinant that is taken into account concerning the sectoral mix for Jenin.** The industrial activity in the settlements, which are boycotted by the PA, may especially affect the sectoral structure of the industrial estate.
320. **Based on these findings and results, we propose that main value chains in which Turkish and EU companies can invest in Jenin are the following:**
- a. **ICT related businesses:** An educated workforce and competitive labor costs, independence from logistical constraints, and strong competitiveness in in web and applications development makes Palestine an attractive location for the European businesses that aim at expanding into Arabic-speaking countries, or "Arabize" their software.

- b. Tourism:** Being home to the most important religious and historical sites of the world, Palestine carries a great potential for tourism related trilateral undertakings. A direct approach to involve Palestinian travel agents and tour operators to form program packages such as combined visits e.g. from EU tourists to Israel, Palestine and Turkey could provide many business opportunities.
- c. Food and beverages:** The growing local demand can be better leveraged particularly in the dairy products, cereals and processed vegetables & fruits. The caveat of this sector is the relatively small domestic market, logistical constraints and possible export constraints that may be imposed by Israel in competing sectors. The products in this sector would need to have high value added per weight, export oriented and not competing with Israeli goods in the export markets.
- d. Construction related materials, including project development and furniture):** Stone and marbles has a strong presence in Palestinian economy, with a 27% share of exports and it is likely to expand with the local construction boom. EU countries whose exports are declining can take advantage of pairing with Turkish firms already active in Palestine to benefit from the booming local demand. In addition Palestine is an important market for the Turkish furniture manufacturers, and is an exporter of furniture at the same time. Turkish and EU businesses can produce for the local and regional markets here. Again, logistical constraints and locally available raw materials need to be prioritized in the choice of goods to produce.
- e. Other / self discovery**

 - i. Local operations: companies serving the local market
 - ii. Regional operations: companies targeting Arab countries
 - iii. Global operations: companies targeting EU and US markets

Annex 7: Key Existing Regulatory Barriers in Egypt and Tunisia and Major Government Support Programs

321. A selection of widely employed indexes has helped us to identify the specific positions of the pilot countries' as determined by trade, entrepreneurship and investment, governance and human development indicators. These indicators demonstrate the position of Egypt and Tunisia in the region and the world and enable us to compare the pilot countries with Turkey and the EU Member States. In this section we first provide an overview of the key existing regulatory and market barriers in Egypt and Tunisia. In the end, we provide information regarding the major government support programs for private sector investments in Egypt and Tunisia.

322. We use the following Indices to benchmark Egypt and Tunisia's economic environment:

- a. Global Competitiveness Index (GCI), (World Economic Forum)
- b. Logistics Performance Index (LPI), (World Bank)
- c. Doing Business Index (DBI), (World Bank)
- d. Worldwide Governance Indicators (WGI), (World Bank)
- e. Human Development Index (HDI), (United Nations Development Program)

Based on the results of the country assessments, which we present in Annex 2, we identified the most important economic partners of the pilot countries as Turkey, Spain, France, Italy and Germany. We use these countries in this benchmarking exercise.

A7.1. Competitiveness – General Assessment and The Global Competitiveness Index:

323. **The Global Competitiveness Index is widely recognized and used as an important benchmarking tool by public sector, private enterprises and academic communities alike.** Based on the GCI results, the annually published report by the World Economic Forum identifies the advantages and bottlenecks as well as improving areas and declining areas in the business environments of over 140 countries. The index has three main components. The first component is related to basic competitiveness requirements such as infrastructure and macroeconomic environment.²⁸ The second focuses on the so-called efficiency enhancers which include higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness and market size²⁹. The last component consists of the factors of innovation and sophistication which are crucial for innovation-driven economies in the last stages of development³⁰. According to their level of competitiveness, countries are classified as factor-driven, efficiency-driven and innovation-driven. Egypt is classified as a transitory economy between factor-driven and efficiency-driven stages whereas Tunisia is an efficiency-driven economy. Turkey is a transitory economy between the efficiency-driven and innovation-driven stages.

²⁸ The indicators are infrastructure and macroeconomic environment. Detailed information about the subcomponents can be retrieved from "The Global Competitiveness Report 2011-2012." World Economic Forum, 2011.

²⁹ The indicators are higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness and market size. Detailed information about the subcomponents can be retrieved from "The Global Competitiveness Report 2011-2012" World Economic Forum, 2011.

³⁰ The methodology of Doing Business Index can be viewed at <<http://www.doingbusiness.org/methodology/>>

324. **Both pilot countries suffer from low competitiveness in most of the indicators of the Global Competitiveness Report.** Although Tunisia's performance is much better than that of Egypt, it is characterized by instability of the business environment. The biggest setback was experienced in terms of security and its lowest general rating is in labor market efficiency. The unfavorable areas for Tunisia are institutions which are more prone to government corruption and favoritism, and a less independent judiciary. The strong areas for Tunisia are health, education and macroeconomic policy. Egypt faces several economic challenges in terms of competition and ranks worse compared to Tunisia. The unfavorable areas for Egypt are its inefficient labor market and weak educational system together with its macroeconomic situation³¹.
325. **Barriers to business entry and strong competition are high in both pilot countries.** This lack of sound competition is strongly due to the discriminatory ways in the rules that are implemented and the government policies. Thus, the uncompetitive environment can be seen as the result of partly the unfavorable policies and partly the unsuccessful implementation of these policies. Regulatory reforms were implemented at later points than the macroeconomic and trade reforms, in both cases only after 2005³².
326. **Both countries have established agencies to promote fair competition and a level playing field for all, although their effectiveness remains questionable.** Independence of the Competition Authority is specified in the law in Tunisia, yet has not always been provided in practice. Furthermore, there is a settled bias in the private sector regarding the lack of government credibility for the implementation of the rules. Investors lack confidence that the reforms which may be in favor of them, will also be applied to them fairly, predictably, and equitably. In order to improve the coordination and comprehensiveness in competition policy making and implementation, Egypt has established Egyptian Regulatory Reform and Development Activity (ERRADA) for the design and monitoring of investment climate reforms³³.
327. **This mismatch between the legal framework and its implementation is strongly due to lack of strong, effective, and credible institutions able to enforce rules. This constraint has detrimental effects on trade and FDI.** Although the legal and administrative provisions necessary for good institutions are present in the pilot countries, they are undermined by lack of enforcement. A lack of committed institutions to enforce rules has detrimental effects on manufactured exports and FDI in MENA countries. Improving the quality of institutions is necessary to accelerate the effects of trade opening and also increase the ratio of FDI inflows to GDP³⁴.
328. **Innovation policies are at an early stage in the pilot countries, leading to limited outcomes in terms of both R&D results and growth of innovative businesses.** Most of the MENA countries have generally given little priority to R&D, except Tunisia, which has devoted 1.3 percent of its GDP to research and development in 2009. Furthermore, Tunisia increased the density of researchers

³¹ "From Political to Economic Awakening in the Arab World: The Path of Economic Integration" Deauville Partnership Report on Trade and Foreign Direct Investment (In Two Volumes) Volume II: Main Report, May 2012.

³² *ibid*

³³ *ibid*

³⁴ *ibid*

from 708 to 1,863 per million inhabitants, more than doubled. However, these values are still much lower than the OECD average (2.3 percent in 2007 for spending and 3,493 for density). Also, the number of patents granted remains low, indicating a low level of research efficiency. The production of technical and scientific articles is around half the world average³⁵.

329. **Challenges for the labor markets of the pilot countries are significant in terms of flexibility and skills.** The demand for skilled workers has grown more rapidly than the ability and responsiveness of the educational system to supply them. Annual changes in the total factor productivity remained among the lowest for the MENA countries during the four decades from 1960 to 2000. However, an increase was seen in the last decade due to the productivity gains. Employers emphasize lack of both technical skills such as relevant professional experience and soft skills such as language and communication skills. The mismatch between the skills needs of the economy and the quality of the education and the training system constitute one of the most important constraints for business development in the pilot countries³⁶.
330. **There is still room for the improvement of the broadband capacity and spread of ICT usage in more productive industries.** A considerable progress has been achieved by the MENA countries in order to catch up in ICT diffusion, especially through mobile telecommunications, often with FDI. This improvement accelerated especially after the mid-1990s due to liberalization reforms. Telecommunications penetration enjoyed a significant increase, though still lowest in Egypt. The lack of competition in some services, such as international long-distance telecommunications in Egypt and Tunisia, and fixed broadband can be considered among the bottlenecks³⁷.

A7.1.1. GCI Results for Egypt

331. **Egypt's performance is the worst among Tunisia and other benchmarked countries such as Turkey, Germany, France, Spain and Italy.** This is apparently due to poor performance on most of the GCI indicators. There are very few areas in which Egypt demonstrates a better performance than the other countries. Moreover, this outcome is negatively affected by the domestic political unrest. The political dynamics have worsened the economic environment and led to Egypt's ranking decrease by 13 places.³⁸ Political instability, an inadequately educated workforce, restricted access to finance, an inefficient government bureaucracy, and restrictive labor regulations are factors that create an unfertile ground for businesses.
332. **Egypt is relatively successful at providing some of the basic requirements of competitiveness, but does not display the same performance for most of the more advanced requirements.** GCI considers basic requirements essential to forming the backbone of competitiveness. The study shows that Egypt performs relatively well in basic requirements. The institutions perform better than Italy's and similar to those of Turkey. Nevertheless, infrastructure problems such as overall

³⁵ *ibid*

³⁶ *ibid*

³⁷ *ibid*

³⁸ In fact, the full extent of the impact of the Arab Spring could not be assessed this year because of lags in data.

infrastructure quality (railroads, port and air transport development) and quality of electricity supply establish barriers that impede the competitiveness and openness of the country. Fortunately, energy and construction costs are so low that Egypt has become an attractive investment hub for the related sectors. Nevertheless, subsidies are expected to be removed in the short to medium term. Some other macroeconomic problems are high government debts and low levels of foreign exchange reserves.

333. **GCI benchmarking reveals that Egypt should set priorities with a view to enhance the level of overall factor productivity, before channeling scarce resources to other areas.** As mentioned above, Egypt must boost the qualifications of its workforce and create a competitive environment. This can be achieved by improving the quality of higher education and the training of the labour force. Egypt shows a better performance than Tunisia in market size. However, current unemployment leads to low levels of domestic and foreign consumption which impedes the advantage. Financial development also has a significant impact on competitiveness. To increase competitiveness financially, the access to loans and venture capital must be eased and the soundness of banks and local banks' equity need to be improved. One of the main advantages for doing business is the presence of low investment costs. Another complementary factor to the micro-level of competitiveness is the technological readiness of population. Policymakers and businesspeople think that Egypt has a competitive advantage in innovation-based high tech industries due to its abundance of young, qualified and low-cost labor.

Table A7 1: Egypt with Tunisia, Turkey and Selected EU Member States' GCI, 2012³⁹

The figure below provides two layers of information. Firstly, it illustrates each countries' ranking in numbers. Secondly, through a colour coding scheme, it illustrates Egypt's performance in relation to the country in question. Green coding indicates that Egypt has a better performance relative to that country, while red means Egypt performs worse than that country. Yellow indicates that Egypt is similar in terms of performance.

Better	Similar	Worse
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	Tunisia	Turkey	Germany	Spain	Italy	France	Egypt
2011-2012 Overall Rank (out of 142)	40	59	6	36	43	18	94
Institutions	41	80	19	49	88	28	74
Infrastructure	52	51	2	12	32	4	75
Macroeconomic environment	38	69	30	84	92	83	132
Health and primary education	38	75	23	44	20	16	96
Higher education and training	44	74	7	32	41	20	107
Goods market efficiency	44	47	26	66	59	38	118
Labor market efficiency	106	133	64	119	123	68	141
Financial market development	76	55	39	64	97	18	92
Technological readiness	58	55	14	28	42	13	95
Market size	63	17	5	13	9	7	27
Business sophistication	52	58	4	34	26	14	72
Innovation	37	69	7	39	43	17	103

³⁹ Schwab, Klaus, Xavier Sala-i-Martin, and Robert Greenhill, eds. "The Global Competitiveness Report 2011-2012." *World Economic Forum*, 2011.

A7.1.2. GCI Results for Tunisia

334. **In the 2011 GCI figures, Tunisia had better results than Egypt and Turkey, although Turkey belongs to a higher income country group.** Compared to Egypt, Tunisia has a solid educational background and healthier macroeconomic conditions. Despite these strengths, there are negative factors in doing business such as the inefficient government bureaucracy, access to finance, government instability, policy instability, and restrictive labor regulations. One reason for the current instabilities in policy and government is that Tunisia's institutional and judicial structures were exposed to political unrest during the revolution.
335. **Despite the political situation, Tunisia's macroeconomic environment sustains its competitiveness.** Tunisia has the most successful scores among the selected MENA countries in terms of macroeconomic environment and health and primary education. Higher education and training, especially the quality of math and science education, signal transition to an innovation driven and sophisticated market. Furthermore, the quality of management schools, availability of research and training services, and the extent of staff training seem to be thriving. Brain drain, however, acts against the advantageous position of Tunisia.
336. **Efficiency enhancers demonstrate a promising business environment, but more measures are needed to improve competitiveness.** FDI regulations and the effectiveness of anti-monopoly policies support the business environment. Total tax rate on profits and trade tariffs are deterrent factors for potential investors and SMEs. On the labor side, redundancy payments (weeks of salary) are favorable but most complaints arise from the non-flexibility of wage determination and the low ratio of women to men in the labor force. The financial aspect of doing business is not as conducive as the labor market. Due to the volatile and scattered nature of the banking system, foreign capital inflows cannot be harmonized. On the other hand, the availability of venture capital is a good signal for competitiveness and FDI. The last criteria, technological readiness, is not better than most benchmarked countries as a result of restrictions on internet usage, unavailability of the latest technologies and the lack of access by firms to technological improvements.

Table A7 2: Tunisia with Egypt, Turkey and Selected EU Member States' GCI, 2012⁴⁰

The figure below provides two layers of information. Firstly, it illustrates each countries' ranking in numbers. Secondly, through a colour coding scheme, it illustrates Tunisia's performance in relation to the country in question. Green coding indicates that Tunisia has a better performance relative to that country, while red means Tunisia performs worse than that country. Yellow indicates that Tunisia is similar in terms of performance.

Better	Similar	Worse
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	Egypt	Turkey	Germany	Spain	Italy	France	Tunisia
2011-2012 Overall Rank (out of 142)	94	59	6	36	43	18	40
Institutions	74	80	19	49	88	28	41
Infrastructure	75	51	2	12	32	4	52
Macroeconomic environment	132	69	30	84	92	83	38
Health and primary education	96	75	23	44	20	16	38
Higher education and training	107	74	7	32	41	20	44
Goods market efficiency	118	47	26	66	59	38	44
Labour market efficiency	141	133	64	119	123	68	106
Financial market development	92	55	39	64	97	18	76
Technological readiness	95	55	14	28	42	13	58
Market size	27	17	5	13	9	7	63
Business sophistication	72	58	4	34	26	14	52
Innovation	103	69	7	39	43	17	37

⁴⁰ Schwab, Klaus, Xavier Sala-i-Martin, and Robert Greenhill, eds. "The Global Competitiveness Report 2011-2012." World Economic Forum, 2011

A7.2. The Logistics Performance Index (LPI)

337. **The efficiency of trade performance is related directly to the efficiency of logistics.** A country's ability to trade globally depends on the access of its traders to global freight and logistics networks. LPI makes a multidimensional assessment of logistics performance in which the components are customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness⁴¹. Better logistics performance is associated with greater openness, trade diversification, attractiveness for FDI as well as economic growth.⁴²

A7.2.1. LPI Results for Egypt

338. **Although Egypt has a large market size and proximity to Europe and the Middle East, its ranking is worse than all of the selected countries and except Tunisia in terms of international shipments.** However, Egypt upgraded its overall logistics performance between 2007 and 2010. Considering the domestic LPI results for export, the distance⁴³ between port/airport is 280 km and 2 days are required to deliver the freight to domestic port/airport with a cost⁴⁴ of US \$773. For the land supply chain, the distance increases to 578 km and duration to 4 days with a cost of US \$ 1,097. Import facilities seem poorer. Importing the freight via the land supply chain is more difficult, with a distance of 1,024 km and a 6-day lead time with a cost of US \$ 1,392. The performance of international shipments has decreased significantly in 2011, possibly as a result of the political turmoil.

339. **When asked, the respondents reported that 70 % of the shipments meet the quality criteria.** However, only four import agencies and two export agencies took part in the survey. Five forms are required in order to complete the shipments in imports and three forms are required in terms of exports. The duration of clearance without physical inspection takes two days while this number is four days with physical inspection. 25% of imported shipments are exposed to physical inspection and 7% of physically inspected shipments are exposed to multiple inspections.

340. **Egypt has sought to overcome these trade barriers by building free zones.** These are Special Investment Zones that aim to establish clusters and have the advantage of common logistics and infrastructure and less sophisticated business procedures. The zones are modeled after the Chinese Special Economic Zones and have major tax, licensing, and trading advantages over the other zones. The government offers geographic incentives in Upper Egypt (South), such as free land and technical assistance to investors. In addition to the Qualified Industrial Zones (QIZ), another category engages in preferential trade with the United States in a limited number of areas and industries. There is a condition that a certain percentage of the product must be sourced from Israel and locally manufactured goods.

⁴¹ Customs, infrastructure, shipment, logistics competence, the ability to track and trace, timeliness. The explanation of these dimensions are explained at <<http://info.worldbank.org/etools/tradesurvey/mode1b.asp>>

⁴² "Connecting to Compete: Trade Logistics in the Global Economy 2012." The Logistics Performance Index and Its Indicators. World Bank, 2012.

⁴³ All distances reflect the aggregates of the distance indicator for port and airport.

⁴⁴ Typical charge for a 40-foot dry container or a semi-trailer total freight including agent fees, port, airport and other charges.

Table A7 3: Benchmarking Egypt's Logistics Performance Index with Tunisia, Turkey and Selected EU Member States, 2012⁴⁵

The figure below provides two layers of information. Firstly, it illustrates each countries' ranking in numbers. Secondly, through a colour coding scheme, it illustrates Egypt's performance in relation to the country in question. Green coding indicates that Egypt has a better performance relative to that country, while red means Egypt performs worse than that country. Yellow indicates that Egypt is similar in terms of performance.

Better	Similar	Worse
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	Tunisia	Turkey	Germany	Spain	Italy	France	Egypt
2012 Overall Rank (out of 155)	41	27	4	20	24	12	57
Customs	33	32	6	25	27	14	69
Infrastructure	54	25	1	24	23	14	45
International Shipments	65	30	11	10	29	5	51
Logistics Competence	40	26	4	19	21	14	50
Tracking & Tracing	40	29	7	23	20	12	66
Timeliness	35	27	2	22	18	23	64

A7.2.2. LPI Results for Tunisia

341. **According to the results of the evaluation of logistics performance, Tunisia outweighs Egypt in the overall ranking.** Despite having heavy tariffs, its customs score is very close to those of Turkey, Spain, and Italy. Logistics competence also shows a pattern similar to that of Egypt and a timeliness performance similar to that of Turkey. The adverse environment of the Arab Spring also has reflected on logistics competence regarding the crucial decline in the performance of international shipments. Still, Tunisia has managed to be the most successful country in the MENA region overall. Proximity to Spain and other EU Member States is an advantage that should be appraised in the future. It also has managed to improve its rankings from 2007 to 2010.

342. **According to the domestic LPI results, the distance between port/airport facilities is 300 km with a duration of 2 days and cost of US \$ 250 for the export of freight.** Exporting via a land supply chain is not available. Importing via the port/airport supply chain requires a 300 km distance in a-day at a cost of US \$ 250. However, the land supply chain information for imports is not yet available. According to the available information, we can easily surmise that Tunisia's domestic

⁴⁵ Arvis, Jean-François and et al. "Connecting to Compete: Trade Logistics in the Global Economy 2012." . The International Bank for Reconstruction and Development/World Bank, 2012.

environment for trade is more suitable than that of Egypt. Evaluating the domestic facilities and conditions, 88% of shipments met the quality criteria.⁴⁶

343. **Both Tunisia and Egypt have a natural advantage in terms of geographical position. However, inefficient policies and the heavy trade regulations hold them back in openness and thus economic growth.** Therefore, we believe that although the blurred outcomes in trade may frighten potential investors, trilateral business initiatives could overcome the domestic and international challenges.

Table A7 4: Benchmarking Tunisia's LPI with Egypt, Turkey and Selected EU Member States, 2012⁴⁷

The figure below provides two layers of information. Firstly, it illustrates each countries' ranking in numbers. Secondly, through a colour coding scheme, it illustrates Tunisia's performance in relation to the country in question. Green coding indicates that Tunisia has a better performance relative to that country, while red means Tunisia performs worse than that country. Yellow indicates that Tunisia is similar in terms of performance.

Better	Similar	Worse
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	Egypt	Turkey	Germany	Spain	Italy	France	Tunisia
2012 Overall Rank (out of 155)	57	27	4	20	24	12	41
Customs	69	32	6	25	27	14	33
Infrastructure	45	25	1	24	23	14	54
International Shipments	51	30	11	10	29	5	65
Logistics Competence	50	26	4	19	21	14	40
Tracking & Tracing	66	29	7	23	20	12	40
Timeliness	64	27	2	22	18	23	35

⁴⁶ Sub-factors of shipments meeting the quality criteria such as number of agencies, number of forms, clearance time and aspects of inspections are not available in the LPI Results(2012) of Tunisia.

⁴⁷ Arvis, Jean-François and et al. "Connecting to Compete: Trade Logistics in the Global Economy 2012." . The International Bank for Reconstruction and Development/World Bank, 2012.

A7.3. Business Climate – General Assessment and Doing Business Index (DBI):

344. **Compiled by the World Bank, DBI measures the quantity and quality of business regulations and their enforcement across 183 economies.** The outcomes are highly beneficial for SMEs and potential foreign investors as they provide objective data about whether the regulations are market effective. The regulations have to do with starting a business, protecting investors, dealing with construction permits, paying taxes, employing workers, trading across borders, registering property, enforcing contracts, getting credit, and closing a business. Generally, these indicators aim to reflect the number of procedures, duration of completion, and obtained cost to start and run a business in given macro and microeconomic conditions.⁴⁸
345. **SMEs constitute the bulk of enterprises in the pilot countries. According to the World Bank's 2012 Doing Business index, SMEs are especially exposed to significant barriers or burdens by the regulations implemented.** The performance of the pilot countries is mixed in terms of ease of doing business. For instance Egypt provides a favorable environment in starting a business but an unfavorable environment in terms of getting construction permits, getting credit, enforcing contracts, and resolving insolvency. Tunisia performs well for instance in terms of trading across borders, resolving insolvency, getting electricity, and protecting investors. The lack of confidence and a strong tendency for risk aversion are more visible when one considers the low level of private sector share in total investment and the high level of home ownership in Tunisia (above the levels in Germany)⁴⁹.
346. **In addition to the significant barriers and burdens because of the regulations implemented on the SMEs, the financial sector in the MENA region is not adequate to serve the financial needs of SMEs⁵⁰.** This is characterized by the low share of total lending going to SMEs based on the observations of the recent MENA financial sector flagship report from the World Bank⁵¹.
347. **Some sectors in the pilot countries are still dominated by state-owned and quasi-state-owned enterprises.** The ownership structure differs as some of these enterprises are state owned and others are owned by government-related interests, such as the military. One point that needs to be emphasized is that such enterprises have enjoyed preferential treatment, thereby introduced distortions in the markets and crowded out domestic and foreign private enterprises.
348. **The investment priorities stated by the respondents in the pilot countries point out the priority problems of political instability and policy uncertainty.** In Egypt, inefficient bureaucracy and corruption, worker training and labor regulations, access to finance, and informal competition are emphasized as constraining. On the other hand, Tunisian firms emphasize government bureaucracy, access to finance, political and policy instability, and restrictive labor markets as obstacles. However, it

⁴⁸ "Doing Business 2012: Doing Business in a More Transparent World." Doing Business: Measuring Business Regulations. World Bank, 2012.

⁴⁹ "From Political to Economic Awakening in the Arab World: The Path of Economic Integration" Deauville Partnership Report on Trade and Foreign Direct Investment (In Two Volumes) Volume II: Main Report, May 2012.

⁵⁰ "From Political to Economic Awakening in the Arab World: The Path of Economic Integration" Deauville Partnership Report on Trade and Foreign Direct Investment (In Two Volumes) Volume II: Main Report, May 2012.

⁵¹ "Financial Access and Stability: A Roadmap for the Middle East and North Africa" World Bank, 2011.

should be noted that the bottlenecks stated by domestic investors may not always be in line with the bottlenecks stated by foreign investors. For instance in the Egypt 2008 enterprise survey, customs, trade regulations and electric supply were more emphasized as constraining by foreign (FDI) manufacturing companies than the domestically owned firms⁵².

A7.3.1 DBI Results for Egypt

349. **Interpreting the results, Egypt may need to overhaul its regulatory structure to attract SMEs and rejuvenate its economic environment.** It lags behind Tunisia as the difficulty of doing business is greater. In spite of its poor overall ranking, starting a business is one of Egypt's significant comparative advantages when compared to the other MENA countries. In order to start a business, 6 procedures are necessary that require 7 days to complete and 5.6% of GDP per capita spent. This is directly related to the 2006-2011 reforms, through which the procedures and fees were decreased and starting capital costs were removed.
350. **Dealing with construction permits is a major challenge.** Egypt ranks 154th among 183 economies in this dimension. Another comparative weakness that has to be improved in favor of SMEs is paying taxes. The main reason behind the high tax rates is the absence of tax reform since 2008. Also, resolving insolvency is a solid weakness compared to the other selected countries. Getting electricity and enforcing contracts are deterrent factors for SMEs, too. On the other hand, the trade across borders is more viable due to the results. Interestingly, Egypt performs well in trading across borders, getting credit and protecting investors.

⁵² "From Political to Economic Awakening in the Arab World: The Path of Economic Integration" Deauville Partnership Report on Trade and Foreign Direct Investment (In Two Volumes) Volume II: Main Report, May 2012.

Table A7 5: Benchmarking Egypt's Doing Business Index with Tunisia, Turkey and Selected EU Member States, 2012⁵³

The figure below provides two layers of information. Firstly, it illustrates each countries' ranking in numbers. Secondly, through a colour coding scheme, it illustrates Egypt's performance in relation to the country in question. Green coding indicates that Egypt has a better performance relative to that country, while red means Egypt performs worse than that country. Yellow indicates that Egypt is similar in terms of performance.

Better	Similar	Worse
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	Tunisia	Turkey	Germany	Spain	Italy	France	Egypt
2012 Overall Rank (out of 183)	46	71	19	44	87	29	110
Starting a Business Score (Ranking)	56	61	98	133	77	25	21
Obtaining Construction Permits (Ranking)	86	155	15	38	96	30	154
Registering Property (Ranking)	65	44	77	56	84	149	93
Getting Credit (Ranking)	98	78	24	48	98	48	78
Protecting Investors (Ranking)	46	65	97	97	65	79	79
Paying Taxes (Ranking)	64	79	89	48	134	58	145
Trading Across Borders (Ranking)	32	80	12	55	63	24	64
Resolving Insolvency (Ranking)	38	120	36	20	30	46	137

A7.3.2. DBI Results for Tunisia

351. Tunisia is a high performer in regulatory system and investment environment.

Trade across borders, resolving insolvency, paying taxes and protecting investors are well maintained by regulations. On the other hand, regulations on the acquisition of credit and construction permits should be enhanced in favor of SMEs to attract them. Although easiness of starting a business is advantageous, Tunisia still lags behind Egypt. Fortunately, entry fees have been removed. Settled regulations provide better solutions in dealing with construction permits. Registering property is

⁵³ "Doing Business 2012: Doing Business in a More Transparent World." The International Bank for Reconstruction and Development/World Bank, 2012.

relatively easy in Tunisia and the country seems to be more successful in this area than Egypt, Germany, Italy, and France. Protecting investors is one of the key achievements in the Tunisian market. Tax collection is also regulated in a successful manner. Additionally, trade across borders is an advantageous factor for SMEs in Tunisia. Lastly, Tunisia is well structured in resolving insolvency.

Table A7 6: Benchmarking Tunisia's Doing Business Index with Egypt, Turkey and Selected EU Member States, 2012⁵⁴

The figure below provides two layers of information. Firstly, it illustrates each countries' ranking in numbers. Secondly, through a colour coding scheme, it illustrates Tunisia's performance in relation to the country in question. Green coding indicates that Tunisia has a better performance relative to that country, while red means Tunisia performs worse than that country. Yellow indicates that Tunisia is similar in terms of performance.

Better	Similar	Worse
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	Egypt	Turkey	Germany	Spain	Italy	France	Tunisia
2012 Overall Rank (out of 183)	110	71	19	44	87	29	46
Starting a Business Score (Ranking)	21	61	98	133	77	25	56
Obtaining Construction Permits (Ranking)	154	155	15	38	96	30	86
Registering Property (Ranking)	93	44	77	56	84	149	65
Getting Credit (Ranking)	78	78	24	48	98	48	98
Protecting Investors (Ranking)	79	65	97	97	65	79	46
Paying Taxes (Ranking)	145	79	89	48	134	58	64
Trading Across Borders (Ranking)	64	80	12	55	63	24	32
Resolving Insolvency (Ranking)	137	120	36	20	30	46	38

⁵⁴ "Doing Business 2012: Doing Business in a More Transparent World." The International Bank for Reconstruction and Development/World Bank, 2012.

A7.4. Worldwide Governance Indicators:

352. **Worldwide Governance Indicators enable us to compare and contrast the governance⁵⁵ conditions of the countries in terms of six criteria⁵⁶: Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption.** These indicators are closely related to the economic performance of a country. For example, poorly informed economic decisions and irrational policy choices caused by the lack of voice and accountability create poor economic competitiveness. Lack of voice and accountability is proved to cause less effective and competitive economic institutions (Bellver and Kaufmann 2005). For instance, although a vast amount of resources were devoted to Tunisia's efforts to develop a knowledge-based economy, its dismal governance regime undermined this strategy. Although 1.3 percent of GDP was devoted to research and development in 2009 in Tunisia, only 26 international patents were registered.

A7.4.1 WGI Results for Egypt

353. **Poor enforcement of law and corruption appear to be Egypt's main bottlenecks.** Egypt's performance in WGI is worse than other countries as a result of the rising of political unrest. Since the dissolution of Mubarak regime in February 2011, temporary governments could not effectively maintain the governance of the country. In such an environment, regulatory progress and judiciary system has also been strained; hence corruption in doing business has been a major obstacle for investors. Law enforcement has to be strengthened and informality problem has to be overcome as soon as possible.

⁵⁵ Governance consists of the traditions and institutions by which authority in a country exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

⁵⁶ An explanation of the dimensions is given at <<http://info.worldbank.org/governance/wgi/index.asp>>

Table A7 7: Benchmarking Egypt's World Governance Index with Tunisia, Turkey and Selected EU Member states, 2010⁵⁷

The figure below provides two layers of information. Firstly, it illustrates each countries' percentile ranks in numbers. Secondly, through a colour coding scheme, it illustrates Egypt's performance in relation to the country in question. Green coding indicates that Egypt has a better performance relative to that country, while red means Egypt performs worse than that country. Yellow indicates that Egypt is similar in terms of performance.

Better	Similar	Worse
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2010 Percentile Ranks(0:lowest rank-100:highest rank) (out of 212)	Tunisia	Turkey	Germany	Spain	Italy	France	Egypt
Voice and Accountability	10.4	43.1	92.9	85.8	75.8	89.1	13.3
Political Stability	50.5	16	74.1	39.2	62.3	70.8	17.9
Government Effectiveness	63.2	66	91.9	79.4	67.9	89.5	40.2
Regulatory Quality	53.1	61.2	93.8	84.2	77	87.1	46.9
Rule of Law	59.2	58.3	92.4	86.7	62.6	90.5	51.7
Control of Corruption	55	57.9	93.3	80.9	57.4	89	34.4

A7.4.1 WGI Results for Tunisia

354. **Tunisia is more likely to recover its problems against the good governance after the political unrest.** Tunisia is better than Egypt in terms of most indicators as shown below (see Table A7 8). However, lots of improvements have to be realized to increase the attractiveness of doing business in the country. For example, score of Tunisia at voice and accountability performance is far below scores of the selected EU Member States and Turkey. Second, poor regulatory quality and enforcement of law in accordance with high rates of corruption are particular concerns of the country. Although, the large-scale corruption has been overcome since Ben-Ali regime was dissolved, small-scale corruption is still an impediment for doing business. If the new government demonstrates a sustainable performance in fighting against corruption, Tunisia can be expected to recover faster than Egypt due its more stable political environment.

⁵⁷ Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi. "Worldwide Governance Indicators: Egypt." World Bank, Sep 2010.

Table A7 8: Benchmarking Tunisia's World Governance Index with Egypt, Turkey and Selected EU Member States, 2010⁵⁸

The figure below provides two layers of information. Firstly, it illustrates each countries' percentile ranks in numbers. Secondly, through a colour coding scheme, it illustrates Tunisia's performance in relation to the country in question. Green coding indicates that Tunisia has a better performance relative to that country, while red means Tunisia performs worse than that country. Yellow indicates that Tunisia is similar in terms of performance.

Better	Similar	Worse
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2010 Percentile Ranks(0:lowest rank-100:highest rank) (out of 212)	Egypt	Turkey	Germany	Spain	Italy	France	Tunisia
Voice and Accountability	13.3	43.1	92.9	85.8	75.8	89.1	10.4
Political Stability	17.9	16	74.1	39.2	62.3	70.8	50.5
Government Effectiveness	40.2	66	91.9	79.4	67.9	89.5	63.2
Regulatory Quality	46.9	61.2	93.8	84.2	77	87.1	53.1
Rule of Law	51.7	58.3	92.4	86.7	62.6	90.5	59.2
Control of Corruption	34.4	57.9	93.3	80.9	57.4	89	55

A7.5. Human Development Index

355. **The UN's HDI comparison enables the measurement of the extent of economic and social development in each country by combining the indicators of health, education and living standards.**⁵⁹ Health is comprised of life expectancy, whereas the subcomponents of education are mean years of schooling and expected years of schooling. Living standard is measured as GNI per capita.⁶⁰ The HDI is the ultimate criteria for assessing the development of a country, not economic growth alone. It also can be effective in questioning national policy choices.

A7.5.1. HDI Results for Egypt

356. **According to the results, Egypt's overall HDI score is very close to those of Tunisia and Turkey despite the fact that Egypt is considered a lower middle income country.** Yet, EU Member States place far higher in the overall index. Looking at the history, Egypt's HDI score has been improving since 1980, but still has a long way to go to catch up with them.

⁵⁸ Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi. "Worldwide Governance Indicators: Tunisia." World Bank, Sep 2010.

⁵⁹ Indicators are explained at <<http://hdr.undp.org/en/statistics/>>

⁶⁰ "Human Development Reports." Human Development Index. UN, 2012.

Table A7 9: Benchmarking Egypt's Human Development Index with Tunisia, Turkey and Selected EU Member States, 2011⁶¹

The figure below provides two layers of information. Firstly, it illustrates each countries' values in numbers. Secondly, through a colour coding scheme, it illustrates Egypt's performance in relation to the country in question. Green coding indicates that Egypt has a better performance relative to that country, while red means Egypt performs worse than that country. Yellow indicates that Egypt is similar in terms of performance.

Better	Similar	Worse
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2011 HDI Values (0:lowest-1:highest) (out of 187)	Tunisia	Turkey	Germany	Spain	Italy	France	Egypt
HDI	0.69	0.69	0.9	0.87	0.87	0.88	0.644
Health	0.86	0.85	0.95	0.97	0.98	0.97	0.84
Education	0.64	0.58	0.92	0.87	0.86	0.87	0.56
Income	0.61	0.68	0.83	0.8	0.8	0.82	0.568

A7.5.2. HDI Results for Tunisia

357. **Although Tunisia has followed a pattern similar with to that of Egypt, there is some room for better performance.** For instance, Tunisia's education system is more advanced and income is higher than that of Egypt. Also there are similarities to Turkey in terms of health and income. However, the EU Member States cannot be caught up with in the short run in terms of these dimensions of development.

⁶¹ Klugman, Jeni. "Human Development Report 2011 Sustainability and Equity: A Better Future For All." *Human Development Reports*. UNDP, 2011.

Table A7 10: Benchmarking Tunisia's Human Development Index with Egypt, Turkey and Selected EU Member States, 2011⁶²

The figure below provides two layers of information. Firstly, it illustrates each countries' values in numbers. Secondly, through a colour coding scheme, it illustrates Tunisia's performance in relation to the country in question. Green coding indicates that Tunisia has a better performance relative to that country, while red means Tunisia performs worse than that country. Yellow indicates that Tunisia is similar in terms of performance.

Better	Similar	Worse
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2011 HDI Values (0:lowest-1:highest) (out of 187)	Egypt	Turkey	Germany	Spain	Italy	France	Tunisia
HDI	0.644	0.69	0.9	0.87	0.87	0.88	0.698
Health	0.84	0.85	0.95	0.97	0.98	0.97	0.86
Education	0.56	0.58	0.92	0.87	0.86	0.87	0.645
Income	0.568	0.68	0.83	0.8	0.8	0.82	0.614

⁶² Klugman, Jeni. "Human Development Report 2011 Sustainability and Equity: A Better Future For All." *Human Development Reports*. UNDP, 2011.

A7.6. Major Government Support Programs for Private Investments

Egypt	Tunisia
• Tax exemptions - o Five Years Exemption: Projects financed by the Social Development Funds - o Ten Years Exemption: ▪ Reclamation and cultivation of barren and desert lands. ▪ Animal production & bee-keeping. ▪ Fish farms and fishing boats • Simplified procedures via one-stop-shop administration • Investment Zones - o Industrial infrastructure - o Unified application system - o No capital or legal restrictions - o Streamlined customs system • Special Economic Zones (SEZ) - o 5% flat rate on personal income tax - o Integrated customs and tax administration - o Dispute settlements - o Licensing services - o General investor services - o 10% corporate tax rate on all activities - o Egyptian certificates of origin • Qualifying Industrial Zones - o Preferential access to the United States for certain goods based on the rules of origin requirement • Free Zones - o Life-time exemption from all taxes and customs - o Exemption from import/export regulations - o Option to sell a certain percentage of production domestically if custom duties are paid - o Limited exemptions from labour provisions - o Competitive utility prices - o Low rental prices	• Tax incentives - o 10% corporate tax for companies operating in agriculture, handicrafts and small trades, education, training, environmental protection - o Exemption of dividends paid by Tunisian companies - o Tax relief on reinvested profits and income up to 35% of taxable income or profit - o Customs duties exemption for capital goods that have no locally made counterparts - o Total tax exemptions for: ▪ exports-derived income ▪ agricultural projects ▪ Projects located in zones promoting regional development - o Further various and specific tax exemptions and support mechanism in the following cases: ▪ Fully exporting companies ▪ Tourism ▪ Cultural production ▪ Health ▪ Research and Development ▪ Transport • Simplified procedures via one-stop-shop administration • Specific Zones - o Over 100 Industrial Zones - o Two special economic parks for trading, oil, high-tech, textiles, metallurgy, plastics and pharmaceuticals - o 6 Technoparks, 2 in construction

Sources: GAFI Egypt, FIPA Tunisia

Annex 8: Overview of Women and Youth Employment and Entrepreneurship in Egypt and Tunisia

358. In this Annex we provide an overview of employment and entrepreneurship issues in Egypt and Tunisia, from the perspective of women and youth. We attach particular importance to these issues for the GBB Initiative. If the Initiative is to have a transformative function, going beyond triggering simple business deals but rather help transform the local economies, encouraging female and youth entrepreneurship and employment will come to the fore as critical issues. In this annex, we aim to shed light on employment and entrepreneurship realms separately. We first assess the situation in Egypt and then present our assessment for Tunisia.

Women & Youth Employment in Egypt

359. Egypt has the second highest female unemployment rate after the Palestinian Territories, which signals an urgent need for a comprehensive employment generation push. Unfortunately, the unemployment rate among young females was the highest in the region at 54%⁶³ in 2010. The long term unemployment rate is also high among women, calling for a long-lasting and stable policy to activate the potential of educated female population. As Egypt has a large population, the contribution of females to the general economic activity is very crucial in order to recover from the negative impacts of the political unrest and boost the economy as soon as possible.

360. In Egypt, the rate of young literate women to men is 93%⁶⁴, which is only above the level of Morocco across the region in 2006. Net enrolment rate of women at lower secondary education (ISCED 2⁶⁵) is a useful indicator demonstrating the extent of specialized education. In 2007, around 72%⁶⁶ of female population had lower secondary education, whereas Tunisia and Palestinian territories demonstrate much better performance in this area. Even though the country has managed to reverse its position across the region by raising the enrolment rate to around 80%⁶⁷ throughout the 3 years period, Egypt has to advance its enrolment rate furthermore.

361. One of the accomplishments regarding the level of educated female population is in the area of enrolment rate in tertiary education (ISCED 5-6⁶⁸). Egypt has managed to increase the ratio of female students per 100,000 inhabitants who enrolled in tertiary education by 21% within a decade. The results are better than Algeria and Syria but worse than Lebanon, Palestinian Territories and Israel (no available data for Tunisia). In the same period, the number of female students who graduated in mathematics, science and technology increased by 45%, which means that Egyptian education policy has succeeded in establishing a skilled female labor force, but labor market has failed to absorb them.

⁶³ Eurostat

⁶⁴ ibid

⁶⁵ According to the OECD education diversification, ISCED 2(lower secondary education) generally continues the basic programmes of the primary level, although teaching is typically more subject-focused, often employing more specialised teachers who conduct classes in their field of specialisation.

⁶⁶ Eurostat

⁶⁷ ibid

⁶⁸ According to the OECD education diversification, ISCED 5-6 levels comprise of tertiary education. ISCED 5 is first stage and ISCED 6 is the second stage.

362. Technical and Vocational education (TVET – ISCED 3⁶⁹) is one of the more career-focused areas for women. Across the region, average gross enrollment rate of women in TVET education is quite high, despite the fact that the rate is declining continuously from 2000 up to 2010⁷⁰.

363. Unfortunately, Egypt has failed to use effectively the potential of its female labor force. In this regard, the number of female employment is very low in contrast with other countries across the region. The employment figures demonstrate a net employment-to-population ratio of only 19%⁷¹, well below than the results of Tunisia, Israel and Morocco. It is worth pointing out to an insufficient policy implementation with respect to integration of women into economic development. The net economic activity rate of young female population aged between 15 and 24 is around 20%⁷², while it is 24.3% for aged between 25 and 64⁷³. Egypt's proportion of women in wage employment in the non-agriculture sectors is by far the lowest in the region with 17.4%. This ratio is 84.7% in Palestine territories and 47.6% in Israel, while 19.9% in Algeria, and 17.8% in Morocco⁷⁴.

364. Share of women in total labor force in the agricultural sector is 46%; the same ratio for the services sector is 49% while in the industrial sector it is only 6% in 2008⁷⁵. The excessive share of female employment in the agricultural sector needs to be shifted into industrial sectors with effective policies. Second, the share of Egyptian female legislators, senior officials and managers is very low and equals to 11% of total employees in 2007⁷⁶. Third, the share of female professional and technical workers corresponded to 32%⁷⁷ of total in 2006. Similarly, the shares of female teachers are also lower than male teachers in both primary and secondary levels⁷⁸. To sum up, the weight of female employees have been allocated to less-sophisticated, instead of more value-added work branches.

Entrepreneurship in Egypt

365. According to Global Entrepreneurship Monitor (GEM) 2010 Women's Report, despite the high rates of perceived capabilities and perceived opportunities of women, entrepreneurial intentions in the female population (18-64) are at low rates in Egypt. This notion is caused by the fear of failure among the sampled group in spite of perceiving good opportunities for entrepreneurship. The rate of fear of failure in the female population is considerably higher than that in the male population.

366. However, perception of entrepreneurship as a career is increasingly popular among women. Almost 80% of women regard entrepreneurship as a good career choice; almost all of the women believe that high status is attributed to successful entrepreneurs⁷⁹. In addition, the more media draws attention to the status and achievements of entrepreneurs, the higher rate of entrepreneurship among women

⁶⁹ According to the OECD education diversification, ISCED 3 (upper secondary education) generally begins at the end of compulsory education. The entrance age is typically 15 or 16 years. The typical duration of ISCED level 3 varies from two to five years.

⁷⁰ Eurostat

⁷¹ ibid

⁷² ibid

⁷³ ibid

⁷⁴ ibid

⁷⁵ World Bank Database

⁷⁶ ibid

⁷⁷ ibid

⁷⁸ ibid

⁷⁹ "GEM 2010 Women's Report" .Babson College, 2010

is observed in general. 70% of women are informed about entrepreneurship by media sources⁸⁰.

367. Accordingly, total participation rate in early-stage entrepreneurial activity is a serious problem for both sexes as Egypt has one of the lowest rates among of all the comparable factor-driven economies. Only 5% of female population participates in early stage entrepreneurial activities while the rate is 10% for the male population⁸¹. Egyptian men usually see entrepreneurial activities at early-stage as a line of work for making a living. On the other hand, most women participate in entrepreneurial activities with opportunity-driven motives. Almost 60% of male population, one of the highest across the world, engages in entrepreneurial activities at early stage with necessity-driven motives whereas only 48% of female population engages in entrepreneurial activities at early stage with a similar motive⁸². This is a good indicator for development of the country because generally, it is the innovation-driven countries that have high amounts of opportunity-driven early stage entrepreneurs.
368. Furthermore, early-stage entrepreneurial activities are not long-lasting as the rates of established business ownership rates are moderately low. Women are even more unlikely to advance their businesses as only 2% of women are classified as established business owners⁸³. A low rate in this category is also observed among the male population. The aggregate rate of discontinuance to total business ownership reaches to approximately 62%, of which 32% belongs to women and 36% belongs to men⁸⁴.
369. The job growth expectations are also at moderate levels. Only 4% of female entrepreneurs at early-stage expect that they will have 20 or more employees within 5 years. 32% of them expect to employ 5 to 20 persons after 5 years⁸⁵. Between the years of 2008-2010, according to GEM's approach to innovation⁸⁶, Egypt is not successful at all considering the female entrepreneurs. Only 14% of women entrepreneurs at early stage meet the full innovativeness criteria and 30% of the same group was able to offer products that are new to some/all customers or non-produced by rivals⁸⁷.
370. The internationalization of entrepreneurial business is also low. Women generally lack internationalization in business, and were outpaced by men in these efforts between the years of 2008-2010. Only 18% of female entrepreneurs have more than 25% of their customers in markets abroad while 22% of the same group has fewer customers in markets abroad⁸⁸. This means that 60% of women entrepreneurs are not open to international markets yet.
371. Overall, Egypt demonstrates low rates of entrepreneurial activity at early stage and low participation rates of women in entrepreneurship. Men become entrepreneurs when there is lack of job opportunities, whereas women are not motivated to take part in entrepreneurship process and are not well informed about the opportunities.

⁸⁰ "GEM 2010 Women's Report". Babson College, 2010

⁸¹ *ibid*

⁸² *ibid*

⁸³ *ibid*

⁸⁴ *ibid*

⁸⁵ *ibid*

⁸⁶ Full innovativeness criteria requires an entrepreneur who has to introduce a product which is new to all/some customers and few/no competitors offer the same product

⁸⁷ "GEM 2010 Women's Report". Babson College, 2010

⁸⁸ *ibid*

This is common in most of MENA countries. As a result, cooperative business initiatives need to be considered as a catalyst to accelerate entrepreneurship in Egypt.

Women & Youth Employment in Tunisia

372. The literacy rate of women in Tunisia has not reached the level of European countries. Adult literate women corresponded to around 65% of females with ages 15 and above, in 2004, and it rose to 71% in 2008⁸⁹. Still, literacy rate of young females from 15 to 24 has been significantly high around 92% in 2004 and rose to 96% in four years⁹⁰. The ratio of young literate women to men on the other hand was 98%⁹¹ in 2008, illustrating the importance given to female education in recent years.

373. 9 years of schooling is compulsory in Tunisia. Women's expected years of schooling including tertiary education is 15 years while men's expected years of schooling stands at 14 years⁹². This means that women are enjoying access to education without major problems. This is also confirmed by the net enrolment rates of women at ISCED 1 & ISCED 2⁹³ levels. Given the available data, net enrolment rates among females correspond to 97% at a constant rate during 2001 to 2007 for ISCED 1 level, and increased to 97% from 76% during the same period for ISCED 2 level⁹⁴. A high proportion of female students have completed their education at ISCED 1 level and the rate of progression to secondary level education among women was 87% in 2008⁹⁵.

374. Women are also active in higher education, and demonstrate even higher attainment than men do. The ratio of female to male primary enrolment is 96%, secondary enrolment is 106% and tertiary enrolment is 151%⁹⁶. However, in absolute terms, the rate of women enrolled to tertiary education was 41% in 2009⁹⁷.

375. Even though the education attainment of women is an accomplishment, this is not reflected in the female employment figures. The participation rate of females aged between 15 and 64 in the labor force did not go over 30% until 2010⁹⁸. In terms of ratio of female to male labor force participation, the result corresponds to just 36%⁹⁹. In addition to these, net employment to population ratio of female in Tunisia was only 23%¹⁰⁰. Although having one of the highest rates among its neighbors, Tunisia has to make the female population engage more actively in value-added jobs if it aims to close the income gap between itself and the EU countries.

376. The unemployment rates are relatively high in Tunisia. The rate of unemployed women has been increasing from 2001 until 2008. In 2001, 16.2% of female population was unemployed whereas the number increased to 18.6% in 2008¹⁰¹ and

⁸⁹ World Bank Database

⁹⁰ *ibid*

⁹¹ *ibid*

⁹² Eurostat

⁹³ According to the OECD education diversification, ISCED 1 (primary education) begins between 5 and 7 years of age, is the start of compulsory education where it exists and generally covers six years of full-time schooling. For ISCED 2 see 3.

⁹⁴ Eurostat

⁹⁵ World Bank Database

⁹⁶ *ibid*

⁹⁷ *ibid*

⁹⁸ *ibid*

⁹⁹ *ibid*

¹⁰⁰ Eurostat

¹⁰¹ Eurostat

it increased further after the political unrest. The proportion of young unemployed women is much higher, corresponding to 26.5% in 2001 and 31.5% in 2008¹⁰². The share of illiterates among unemployed women has decreased during this period from 9.82% to 6.3%; in contrast, the share of well-educated (ISCED 5-6 level) unemployed women significantly increased from 13.4% to 31.4%.

Entrepreneurship in Tunisia

377. The entrepreneurial intentions of female adults in Tunisia are not parallel to their education levels. The levels are low for both perceived capabilities and perceived opportunities¹⁰³. This means that women are unlikely to transform their capacities and market opportunities into entrepreneurial businesses. Similar to Egypt, fear of failure among female adults with good opportunities for entrepreneurship is much higher than among male adults. On the contrary, perceptions about entrepreneurship as a good career choice among female adults and media attention for female adults are one of the highest within a sample of 59 economies¹⁰⁴. It can be inferred that entrepreneurship is better perceived in Tunisia than in most countries.

378. Although entrepreneurship is well perceived in Tunisia, low societal attributes in terms of entrepreneurial activities directly reflect on the participation rates of early stage activities. The overall participation rate in early stage activities is one of the lowest among selected 59 economies. Both male and female population participating in early stage activities are under of 10%¹⁰⁵. This also points to an unused potential: Entrepreneurship is likely to fill the unemployment gap if the right incentives and ecosystem is provided. Male population is more eager to act entrepreneurial due to necessity-driven motives than female population. Yet, women are more likely to engage in early stage entrepreneurship activities with opportunity motives; in this sense, Tunisia has one of the highest rates with almost 90% among the selected economies¹⁰⁶.

379. Tunisia is more successful in continuance of early stage activities than Egypt. Both male and female population can better manage to develop their business and gain ownership of established business, even though the continuation rates are lower for women than for men. Overall rate of job growth expectations of early stage female entrepreneurs are lower than in Egypt, but they anticipate employing 5 or more employees in 5 years, similar to their Egyptian counterparts¹⁰⁷.

380. The level of innovativeness is also lower than Egypt among female early stage entrepreneurs. The aggregate number of innovative¹⁰⁸ women entrepreneurs does not go beyond 40%¹⁰⁹. The proportion of innovative women who could meet innovativeness criteria introduced by GEM is almost same as the ones who could not do. Development policies have to be implemented further with an aim of enhancing the innovativeness of women entrepreneurs.

381. One of the critical obstacles against the development of entrepreneurship in Tunisia is the internationalization of female entrepreneurs. Only 2% of female entrepreneurs

¹⁰² Eurostat

¹⁰³ "GEM 2010 Women's Report" .Babson College, 2010

¹⁰⁴ ibid

¹⁰⁵ ibid

¹⁰⁶ ibid

¹⁰⁷ ibid

¹⁰⁸ To what extent a person is innovative has been explained in the evaluation of entrepreneurship section related to Egypt.

¹⁰⁹ "GEM 2010 Women's Report" .Babson College, 2010

have more than 25% of their customers outside the country, whereas 8% of them have fewer customers outside the country¹¹⁰. Unfortunately, the rest of women entrepreneurs which equals to 90% have no business relations in markets abroad.

382. In conclusion, if right measures are provided (such as quotas for female-run businesses), the GBB Initiative has the potential to contribute to the internationalization process of female entrepreneurs from both Egypt and Tunisia.

The Impact of Selected Value Chains on Female Employment

383. There is a different gender aspect of each sector in the economy. In order to determine how our selected value chains will affect the female employment in our pilot countries, we need to look at the employment of women in those sectors. Below are the female employment ratios in each of the relevant value chains in Turkey in April 2012. For comparison, the national average is given at the bottom of the table.

Figure A8 1: The Shares of female workers by sector in Turkey, April 2012

Sector	Share of Women
Clothing Manufacture	45.9%
Travel Services	38.9%
Retail	33.5%
Textiles Manufacture	29.0%
Hospitality	28.4%
Food Retail	24.4%
Food Manufacture	23.3%
Fisheries and Aquaculture	19.0%
National Average	24.3%

Source: TUIK

384. Overall, the sectors that we have selected have higher levels of female workers than the national average. Clothing manufacture, travel services and retail are the top three sectors of the Initiative where the share of women is the highest. On the other hand, food manufacture and aquaculture are slightly below the average of all sectors in terms of employing women. Assuming that our pilot countries have similar sectoral employment structures to Turkey, we can argue that trilateral joint ventures founded through the Initiative will contribute to increasing the female labor participation in the pilot countries.

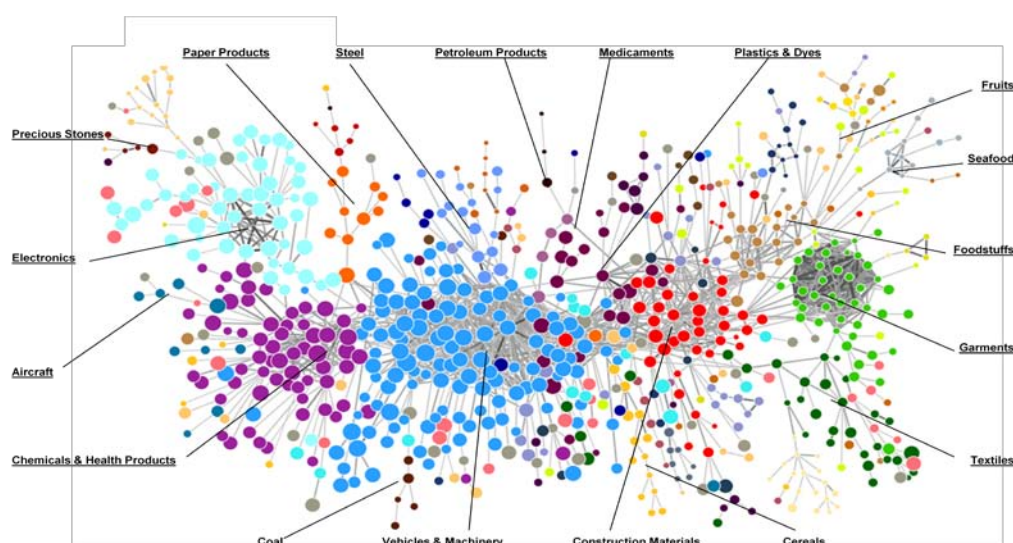
¹¹⁰ "GEM 2010 Women's Report" .Babson College, 2010

Annex 9: An assessment of structural transformation potential in Egypt and Tunisia, using product space methodology

385. In this Annex section, we aim to provide a brief assessment of structural transformation potential of Egyptian and Tunisian economies. For this we mainly use the product space methodology, as recently developed by a team of researchers led by Ricardo Hausmann at Harvard University. This methodology not only helps us understand the current positioning of countries in terms of their productive capabilities and skill sets, but also it gives us hints about the potential direction of these economies with regard to structural transformation. In other words, using this methodology, we can speculate about which products are likely to emerge in the pilot countries, given that supportive institutional conditions are in place. We first start with a brief definition of the methodology and then assess Egypt, Tunisia and Turkey's product space positioning, along with those of Germany, France and Italy, which may be considered as frontier cases, given their advance economic structures.

386. **Product Space is a network that consists of goods that a country can produce.** The goods in the network are linked through their similarities and the capabilities required for producing them (C.A. Hidalgo, B. Klinger, A.-L. Barabási, R. Hausmann. 2007). If the capabilities required for producing two products are very similar, then it is easy for a country that produces one of them to start producing the other. The network is sparsely populated in the outskirts and dense in the core, where a country has access to the widest set of products, including those in the periphery. Countries need a different set of capabilities to produce each product, and countries with larger capacities can produce a larger set of goods not accessible to others (Hausman, R. Hidalgo, C. 2010). Please refer to the figure below for the visualization of a full product space.

Figure A9 1: The Product Space

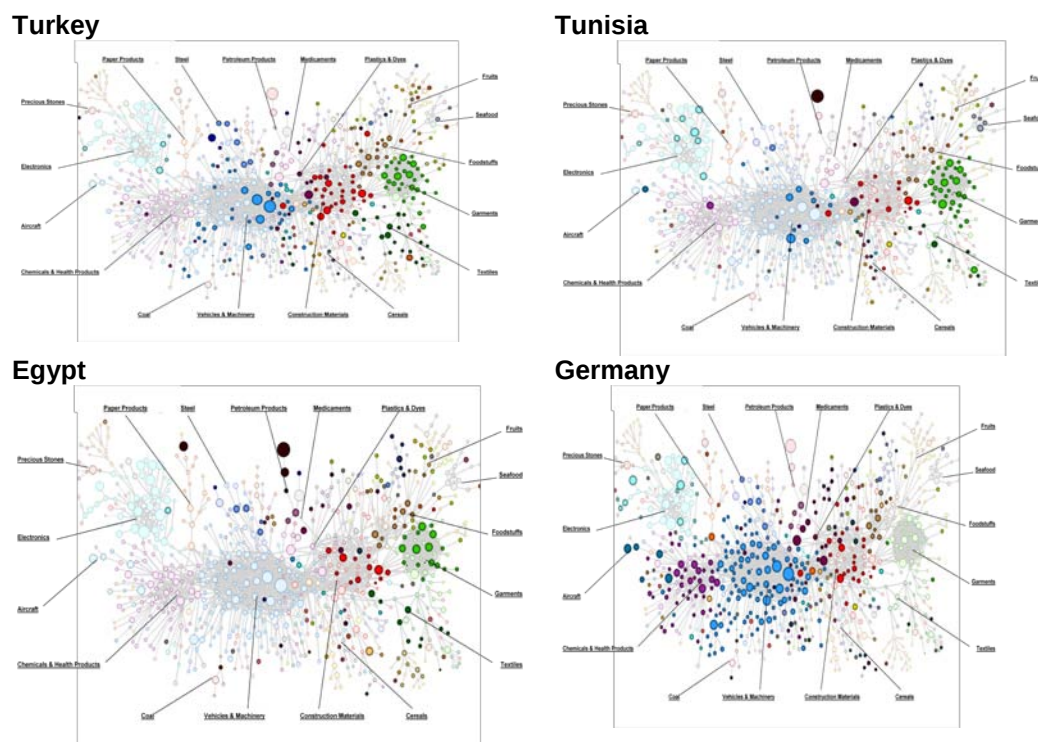


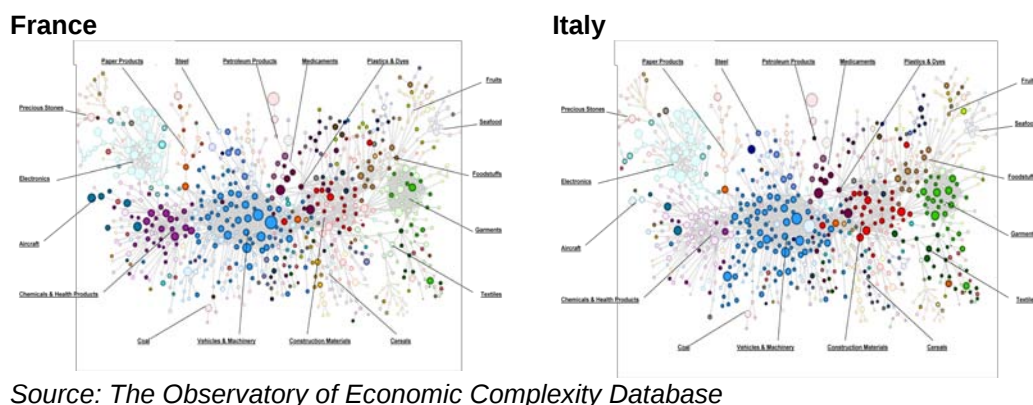
Source: The Observatory of Economic Complexity Database

387. **Countries with high presence in the core of the product space have more complex economies and have better growth prospects in the long term.** The density of the product space and the distance between different products is an important determinant of the economic transformation of a country (Hausman, R & Klinger B. 2006). Countries with peripheral product spaces such as Chile face long-term growth challenges due to their inability to diversify (Hausman, R. & Klinger B. 2007). Nevertheless, since the product space only covers goods, it cannot forecast economic growth through services, which Chile is known for. Another limitation to this methodology is the value added level to the products. Countries that specialize in high quality production of fewer goods tend to have higher growth prospects than those which have more dispersed but low value added production (Hausman R., Hwang J & Rodrik D. 2007).

388. **Below are the product spaces for Turkey, pilot countries, and their three major trading partners from the EU in 2009.** Each dot represents a product in SITC Rev. 4 classification, the sizes of the dots are the global trade volumes of those products, and the lines between them indicate the relatedness of each of the products. Darker dots mean that the country has a Revealed Comparative Advantage (RCA) value that is higher than 1.00 for that product. RCA is an indicator measuring the advantage of a country in exporting a certain set of goods and is obtained by the division of the proportion of goods in a country's exports by the proportion of those goods in the world exports.

Figure A9 2: The Product Spaces of Turkey, Tunisia, Egypt and selected EU countries





A9.1. Product Space Analysis by Country

Egypt:

389. With the exception of a small number of agricultural products and a few clothing articles, Egypt's product space was largely empty and stagnant from 1960's until late 1980's. The picture started to change in 1990, when several items in the garments cluster became competitive. During the 2000's there is a continued expansion in building materials and a small withdrawal from garments and textiles cluster. Currently, Egypt's product space shows concentrated competitiveness in the textiles and garments, foodstuffs and vegetables, petrochemicals and building materials clusters. Nevertheless, Egypt has not managed to develop completely in any of these clusters. Also, these clusters are relatively far from others in terms of shared capabilities.
390. With the current set of capabilities, Egypt carries potential to expand further in the building materials cluster to goods such as furniture and metal articles, as well as to plastics and medicaments. Both of these groups enable the development of skills necessary for producing machinery and vehicles, which have better linkages. Moreover, several products in the textiles and garments cluster such as outerwear and footwear are easily accessible with the current skill set, but do not offer linkages to more sophisticated products.

Tunisia:

391. Similar to Egypt, Tunisia had a largely empty product space until 1980's. The year 1984 was a turning point where several goods in the textiles and garments cluster as well a small number of machinery articles and chemical products become competitive. In the course of next few years, Tunisia secured its competitiveness in the garments cluster by expanding to footwear and covering most of the products in this group. During the 2000's, the product space of Tunisia expanded further into machinery and construction materials. At the same time, Tunisia started exporting products in the previously inaccessible clusters of electronics and chemicals.

392. As of 2010, Tunisia has competitive exports in almost all of the products in the garments cluster, and has partially expanded into textiles, building materials, machinery, chemicals, aircraft and electronics clusters. More or less all the central product groups except for medicaments are accessible with the current set of capabilities of Tunisia. The best opportunities for expansion lie in the machinery and electronics sectors. Cars, vehicle parts, trucks and vans, parts of electronic circuits and computer hardware are the best linked goods with the largest export markets. Foodstuffs and textiles are easily expandable areas where linkages to new products are relatively constrained, while building materials open the way for a higher number of products.

Turkey:

393. In the early 1960's, Turkey had a highly similar product space to Egypt and Tunisia; no competitive exports but a few agricultural and mining products. Nevertheless, Turkey starts its expansion into textiles as early as 1967, which is followed by a gradual expansion into clothing articles and foodstuffs in the 1970's. While 1980's see the rise of competitiveness in steel products, the year 1984 is a similar turning point for Turkey, when several products in the garments, building materials and machinery clusters become competitive exports. From the year 2000 on, Turkey rapidly and continuously expands in the building materials and machinery cluster and starts to lose competitiveness in a number of textiles and garments.

394. Turkey has a more diverse but also consolidated product space than the pilot countries examined. Turkey has a very strong presence in the clusters of textiles, garments, foodstuffs, construction materials, plastics, steel products, and petrochemicals. Turkey also has a strong presence in the machinery and shipbuilding clusters. There is also a small number of competitive electronics and chemicals products, chiefly in the home electronics and dyes. Expansion opportunities with the current set of capabilities for Turkey are largely in the machinery and chemicals sectors. In the machinery sector, auto parts, valves and switchboards, and mechanical building tools offer a high number of linkages and large markets. A diverse set of chemicals products such as polymerization products and petroleum oils is available for Turkey in the near term and offer linkages within the chemicals cluster.

France:

395. France has a diverse product space with a high concentration of competitiveness in the machinery, aerospace, chemicals, medicaments and steel clusters. There is also a partial presence in building materials, foodstuffs, garments and paper products. The competitiveness of France in the electronics and white goods is very weak, with a low number of products marked in the product space.

Germany:

396. Germany's product space looks like the inverted product space of Egypt, and is very similar to that of France. Textiles and garments are completely absent while there is a partial presence in foodstuffs and building materials. On the other hand, Germany has a comprehensive presence in the chemicals and machinery sectors. Germany has high competitiveness for almost all of the products in the machinery and aerospace cluster and most of the products within the chemicals cluster. Electronics is an area where Germany has good linkages but is relatively undiversified.

Italy:

397. Italy's product space resembles that of Turkey, but with a higher presence in Machinery and aerospace. Italy has achieved high competitiveness in most of the products within the clusters of textiles, garments, foodstuffs, building materials, medicaments, petrochemicals, steel, aerospace and machinery. In contrast with the rest of the product space, the clusters of chemicals and electronics are relatively empty for Italy.

Annex 10: An Overview of the Existing EU Initiatives and Programs relevant for the GBB Initiative

398. The GBB Initiative complements two EU policy lines as well as existing “Union for the Mediterranean” (UfM) activities. The two policy lines are i) EU 2020 growth strategy and ii) European Neighbourhood Policy (ENP). These policy lines and projects implemented within their framework also enforce the objectives of the GBB initiative by reducing the risks posed to its feasibility.

I. EU 2020 Growth Strategy

399. The GBB Initiative can be expected to have a positive impact on three of five headline EU 2020 Growth Strategy targets; employment, research and development (R&D) and poverty/social exclusion. As the Initiative aims to create business opportunities, this may imply additional employment generation. The Initiative, through measures such as those promoting female participation and youth entrepreneurship as well as SME internationalization, aims to also promote a business model that would assist the sustainable development of the countries involved. These measures could be expected to have a positive impact on the social exclusion EU 2020 reduction target.

EU 2020 Headline Targets

Employment: 75% of the 20-64 year-olds to be employed.

R&D: 3% of the EU's GDP to be invested in R&D.

Poverty / social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion.

II. European Neighbourhood Policy (ENP)

400. On a macro level, the GBB Initiative would contribute to the ENP aim of promoting economic prosperity and development in the region. On a micro level, the Initiative would contribute to the implementation of the mutual commitments and objectives in the social and economic sector as set out in the country specific Action Plans such as increasing the economic growth, competition level, SME development and employment rate. Existing ENP initiatives also complement the GBB Initiative and increase its feasibility.

European Neighbourhood Policy (ENP) – Through ENP, EU supports economic and political reforms in its neighbourhood as a means of promoting peace, stability and economic prosperity.

Through ENP, the EU and each partner country reach agreements on reform objectives. To support the partner countries' own efforts in the implementation of these objectives, the EU provides financial and technical assistance.

401. Country based projects to which GBB is relevant are as follows:

Egypt

402. Developing the competitiveness and improving the productivity of the economy is one of three priority areas identified for EU-Egypt financial cooperation. 42.2% of the 2011-13 budget is allocated for this priority area. It includes projects supporting the

reform in the transport and energy sectors and trade enhancement measures. A number of ongoing projects are described below:

- a. **Education Sector Policy Support Programme (EPSP):** It is one of the most comprehensive programmes introduced in Egypt by EU with a budget of € 140 million. The programme focuses on increasing the participation of young population to pre-university education in compliance with the ongoing National Strategic Plan developed by Ministry of Education. Accordingly, a significant contribution is imposed to establish a decentralised, school based education and qualified educational services available for the whole community through an effective public budget allocation¹¹¹.
- b. **Energy Sector Policy Support Programme:** Similar to the previous programme, this project aims to conduct efficiency reforms in the field of energy sector and enhance administrative management accordingly. The total cost is calculated as € 60 million. Due to the availability of abundant energy reserves in Egypt, EU efforts are on working cooperatively to reach long-lasting energy reforms and protecting the strategic partnership with the aim of achieving energy security and sustainable development for both sides¹¹².
- c. **EUMED RegNet II:** The project aims to enhance the information networks between EU and Southern Mediterranean partner countries. It also aims to back up the information and communication sectors in Egypt and neighbouring countries in the region for a sustainable development of "Information Society". EU contribution to this project amounts to €3,8 million¹¹³.
- d. **Transport Sector Policy Support Programme:** The main target of the project is to upgrade transport policy and administrative management through nationwide reforms such as National Transport Policy, which was introduced in 2008. Twinning on transportation with several EU countries is also planned. The allocated EU budget is equal to €80 million between the years of 2008-2013¹¹⁴.
- e. **Trade and Domestic Market Enhancement Programme:** It is somewhat similar to "Transport Sector Policy Support Programme" in terms of targeting the administrative policies regarding trade and its management. In this sense, EU's general objective is to assist Ministry of Industry and Trade in enforcing effective trade policies so as to integrate Egypt into the global and regional economy through its sectors with comparative advantage. The specific objective is to implement domestic market reforms to achieve a firm and qualified infrastructural base essential to advance liberalization of Egypt. Total cost of the project is equal to € 20 million¹¹⁵.

¹¹¹ See List of Projects at Delegation of the European Union to Egypt Website
<http://eeas.europa.eu/delegations/egypt/projects/overview/index_en.htm>

¹¹² *ibid*

¹¹³ *ibid*

¹¹⁴ "Available Funds for Transport Cooperation in the Southern Neighbourhood (Draft Document)". EuroMed, Delegation of the European Union to Egypt, 2010

¹¹⁵ See List of Projects at Delegation of the European Union to Egypt
Website<http://eeas.europa.eu/delegations/egypt/projects/overview/index_en.htm>

Tunisia

403. In Tunisia, social (employment) and economic sphere (modernisation of enterprises and support to integration) form 2 of 3 priority areas for the distribution of the budget to finance projects and programmes. In the 2011-13 budget, the economic sector has received the largest allocation. The third priority area, governance sector (Support to Justice) also has positive implications for the country's business environment and in turn the GBB Initiative's feasibility. A number of ongoing projects are described below:

- a. **Agadir Agreement – EU support project (Phase II):** The project aims to contribute to the realisation of a Euro-Mediterranean Free Trade Area and to promote economic integration between countries of the region. Agadir Agreement, is signed by Egypt, Jordan, Morocco and Tunisia, and works to identify the potential for, and removing constraints on, expanded intra-regional trade¹¹⁶. The project is classified under the regional projects in which Egypt is also included.
- b. **Euro-Med Migration III:** The purpose of the project is to contribute to the development of Euro-Med cooperation area on migration and to help Partner countries find solutions to various forms of migration. The budget is €5 million¹¹⁷. The project is classified under the regional projects in which Egypt is also included.
- c. **Euro-Med Transport Project:** The objective of the project is to contribute to the development of an integrated, efficient, safe and secure transport system in the Mediterranean in order to contribute to the development and stability and the increase of intra-regional trade. The budget of the project is €6 million. The project is classified under the regional projects in which Egypt is also included.
- d. **MED-ENEC II - Energy efficiency in construction:** The objective of the project is to increase energy efficiency and use of solar energy in the construction sector by means of capacity building, other economic instruments and pilot projects. Furthermore, the project aims to raise public awareness and involvement in climate-oriented building techniques, energy efficiency and renewable energy use in buildings. The project budget is €5 million¹¹⁸. The project is classified under the regional projects in which Egypt is also included.
- e. **Programme Environnement et Energie (PEE) (Environment and Energy Programme):** The project aims to contribute to the development of a sustainable energy and environment strategy in the country and to improve the living conditions of the population. The budget of the project is €33 million¹¹⁹.
- f. **Renforcement des capacités de l'UTAP dans son rôle d'acteur du développement social en milieu rural (Increasing the Capacity of the**

¹¹⁶ See Project List at Delegation of European Union to Tunisia Website < http://eeas.europa.eu/delegations/tunisia/index_fr.htm >

¹¹⁷ *ibid*

¹¹⁸ See EU Neighbourhood Info Centre Website <<http://www.enpi-info.eu/>>

¹¹⁹ See Project List at Delegation of European Union to Tunisia Website < http://eeas.europa.eu/delegations/tunisia/index_fr.htm >

Union of Agriculture and Fishery Associations as an Actor for Social Development in Rural Areas) : The action proposed to meet the challenges and needs of rural and agricultural governorates of Northwest Tunisia, whose development indicators and access to resources are below the national average. The project budget is €190 thousand.

Palestine

404. In Palestine, the 2011-2013 funding framework is among the key support mechanisms. Existing programmes that support the private sector and trade include the “trade diversification/competitiveness enhancement programme”, “private sector reconstruction in Gaza”, “Palestinian market development programme”, “Gaza private sector revitalisation programme”, “assistance to agricultural private sector in West Bank”, “Implementation of the Palestinian Customs Modernisation Programme” and the “European Palestinian credit guarantee fund”. The content of programmes is explained below:

- a. **Assistance To Agricultural Private Sector In West Bank:** Under PEGASE¹²⁰ framework, agriculture is one of the priority sectors, as it accounts for a large share in the Palestinian GDP. The EU committed to spend € 10 million to support the export orientation of the sector. These plans include land reclaiming projects to increase the area of arable lands and increasing quality of olive oil production for fair trade. Besides, EU launched a programme to bolster the reuse of treated wastewater for agricultural purposes¹²¹.
- b. **Exceptional Assistance Measure under the Instrument for Stability “Support for the upgrading of Kerem Shalom crossing point”:** The purpose of this programme is to facilitate the flow of goods to and from the Gaza Strip in order to encourage stability in the area. The budget of the project is €9 million¹²².
- c. **Infrastructure Facility:** The purpose of the project is to improve public infrastructure in the West Bank and Gaza. The budget of the project is €40 million¹²³.
- d. **PEGASE: PRDP-related Public Infrastructure Development:** The purpose of the project is to support the governmental institutions for financing of infrastructure and sustainable service delivery especially on electricity, water and waste water management¹²⁴.
- e. **Private Sector Reconstruction in Gaza:** The programme is the initial large-scale initiative that focuses on enhancement of private sector in the Gaza-strip. As a result of Israel's “Operation Cast Lead”, businesses whose assets were damaged or destroyed can get access to funds to continue their activities by renovating their damaged assets. The funds are particularly channelled towards assets essential for production such as machinery,

¹²⁰ In 2008, the EU launched the PEGASE mechanism to support the Palestinian Authority in achieving the ambitions of the three-year Palestinian Reform and Development Plan (PRDP). The PEGASE mechanism supports the PA in the four PRDP programme axes: Governance, Social Development, Economic and Private Sector Development and Public Infrastructure Development.

¹²¹ “PEGASE: Providing for Sustainable Economic Growth”, EC Technical Assistance Office for the West Bank and Gaza Strip, 2009.

¹²² See EU Assistance to the Palestinians Website. < http://eeas.europa.eu/occupied_palestinian_territory/index_en.htm >

¹²³ *ibid*

¹²⁴ *ibid*

office furniture and equipment along with building and business premise materials. EU is expected to contribute € 22 million through this programme until the final implementation¹²⁵.

f. **Trade, Competitiveness and Private Sector Development Programme:**

This project aims to assist SME development. It consists of three major stages aiming to promote use of alternative trade corridors for Palestinian trade through neighbouring Arab countries, improve international competitiveness and finally support and develop the services sector within the Palestinian economy¹²⁶.

g. **Trade Diversification/Competitiveness Enhancement Programme:**

The aim of the programme is to increase the percentage of high value added products in the Palestine exports. The private sector, and especially the services sector, is targeted through advisory and technical programmes provided by the EU. Moreover, trade routes that can be an alternative to rather costly Israeli corridor are planned to be constructed to facilitate trade with neighbouring Arab countries. The budget of the project is € 3 million¹²⁷.

405. The GBB Initiative would also benefit from the existing Turkey-EU-MENA trade liberalisation agreements. The Initiative would enable the utilisation of the business potentials that these agreements present. Through the bilateral Association Agreements the EU makes with third parties, trade barriers are reduced. The agreements establish a free-trade area between two partners with the elimination of tariffs on industrial products and significant concessions on agricultural products. This is in force between the EU and Egypt, Tunisia and Palestine.¹²⁸ Egypt has also signed further agreements with the EU increasing market access in bilateral farm trade and agricultural, processed agricultural and fisheries products. These agreements also increase the feasibility of the GBB Initiative.

406. As Turkey is a member of the EU Customs Union, the free trade agreements made by the EU also mean that the a third country is able to export tariff-free (indirectly) to Turkey.¹²⁹ Turkey also concludes free trade agreements with these third parties, as is encouraged by the EU so as to ensure the reciprocity of the reduction of barriers applying to Turkish goods entering these countries. The Pan-Euro-Mediterranean cumulation of origin system is another element that increases the feasibility of the GBB Initiative.

III. Union for the Mediterranean (UfM)

407. The GBB Initiative and some of the projects within the framework of UfM have complementary goals. To begin with, one of the overall objectives of UfM itself is trade liberalisation. In terms of specific projects, “Mediterranean Business Development Initiative”,

UfM - has a total of 43 members (27 EU Member States and 16 Southern Mediterranean, African and Middle Eastern members).

¹²⁵ See EU Neighbourhood Info Centre Website <<http://www.enpi-info.eu/>>

¹²⁶ See EU Assistance to the Palestinians Website. < http://eeas.europa.eu/occupied_palestinian_territory/index_en.htm>

¹²⁷ See EU Neighbourhood Info Centre Website <<http://www.enpi-info.eu/>>

¹²⁸ In Palestine, an Interim Association Agreement is in place. The Palestinian Liberation Organisation signed this on behalf of the Palestinian Authority.

¹²⁹ The scope of the Turkey-EU Customs Union is limited to industrial products and processed agricultural products.

“Facilitating the access of young women to work, by promoting entrepreneurship in universities” and the “LOGISMEDTA” projects are particularly pertinent to GBB. The first and third project covers all MENA countries while the second only covers Palestine from the GBB pilot countries. Both GBB and these UfM projects aim for promoting sustainable development through business development and inclusive measures such as encouraging female participation.

- h. **Facilitating the access of young women to work, by promoting entrepreneurship in universities** promotes self-employment and entrepreneurship among young women university students who are about to graduate in Jordan, Morocco, Palestine and Spain through organising different Women Entrepreneurship Days in these countries and by providing women university students with free advice to create new businesses. The Association of Organisations of Mediterranean Businesswomen (AFAEMME) will promote the project. This is an organisation that the GBB Initiative would also aim to involve in its activities (seminars, workshops).
- i. **The Mediterranean Business Development Initiative** supports small businesses operating in the region by first assessing their needs and then providing technical assistance and access to finance.
- j. **LOGISMEDTA** aims to improve the level of qualifications in the logistics sector by reinforcing logistics training structures in Southern Mediterranean Member countries. More specifically it focuses on the constitution of a network of experts and trainers at various levels who will lead the transformation of the transport and logistics sectors and create a Euro-Mediterranean market of logistic specialists.
- k. UfM's aim of establishing a Free Trade Area in the Euro-Mediterranean region is another factor that complements the GBB Initiative. A Free Trade Area increases the GBB Initiative's feasibility by reducing barriers to trade and creates a more fertile environment for the expansion of the GBB Initiative to other MENA countries.

Annex 11: Country Fact Sheets

A11.1 Economic Profile of Algeria

Table A11 1: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	188.6
GDP per capita (current US\$)	5,244
Exports of goods and services (current US\$ bn.)	49.9
Imports of goods and services (current US\$)	34.8
Current account balance (% of GDP)	7.5
Labor force, million (2010)	11.2
Unemployment rate	11.3 %
Inflation, consumer prices (annual)	4.5%

Table A11 2: Social Indicators, 2010-2011

Population, total	35.9 Million
Population growth rate	1.17%
Urban population ratio	66%
Life expectancy (years)	72.8
Median Age (years)	28.1
Literacy rate, adult total (% of adults)	70%
School enrollment, tertiary (% gross)	30.7%
Mean years of schooling of adults	7.0

Sources: UN, World Bank Development Indicators, CIA World Factbook

Figure A11 1: GDP by Sector

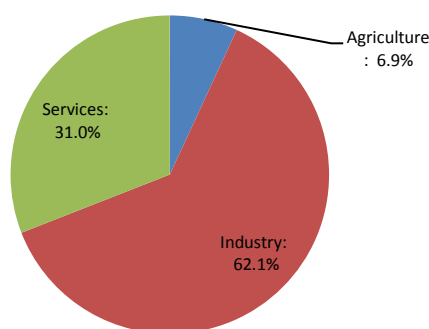
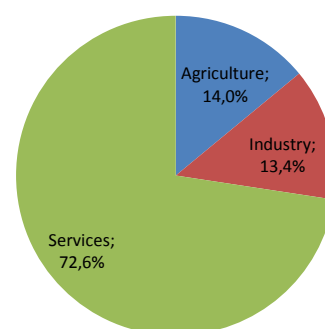


Figure A11 2: Labor Force by Sector



Sources: World Bank-World Development Indicators, CIA World Factbook

Table A11 3: ICT and Research, 2010

Internet users (per 100 people)	12.5
Mobile cellular subscriptions (per 100 people)	92.4
Research and development expenditure (% of GDP)	-
EIU E-Readiness rank (out of 70)	68

Source: World Bank Development Indicators, The Economist Intelligence Unit

Table A11 4: Major Trade Partners, 2010

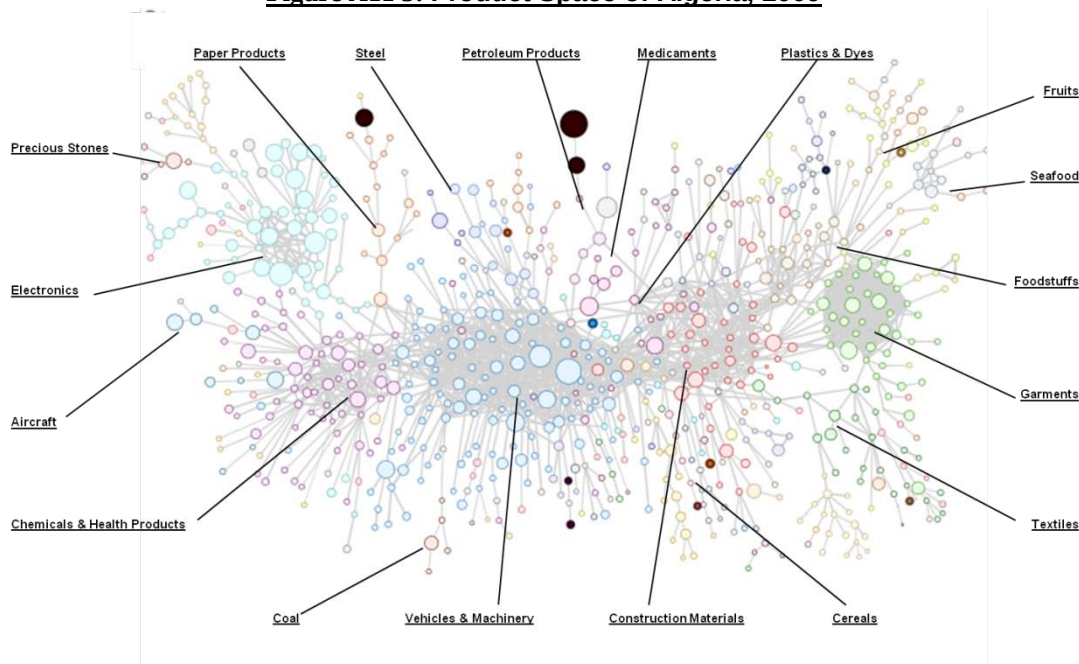
Major Export Partners	Value (million Euros)	Share (%)	Major Import Partners	Value (million Euros)	Share (%)
EU27	21,104.2	49.5%	EU27	15,431.5	50.6%
United States	10,452.0	24.5%	China	3,366.7	11.0%
Canada	2,238.4	5.2%	United States	1,600.3	5.2%
Turkey	2,033.5	4.8%	South Korea	1,495.4	4.9%
Brazil	1,830.3	4.3%	Japan	1,143.6	3.8%

Source: Eurostat

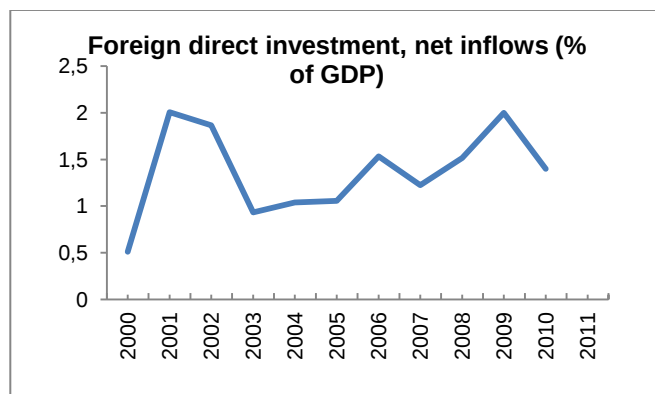
Table A11 5: Trade With the EU, 2009-2011

Algeria with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Exports	17.4	21.0	27.5	Spain	12.2%	France	18.5%
Imports	14.7	15.5	17.2	France	9.5%	Italy	9.5%
Balance	2.6	5.5	10.3	Netherlands	5.4%	Spain	8.0%

Source: Eurostat, CIA World Factbook

Figure A11 3: Product Space of Algeria, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 4: Foreign Direct Investment (FDI)

Source: World Bank- WorldDevelopment Indicators

Table A11 6: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010	
Sub-Indicator	Percentile Rank
Voice and Accountability	18.5
Political Stability/Absence of Violence	11.8
Government Effectiveness	34
Regulatory Quality	10.5
Rule of Law	27
Control of Corruption	37.8

Logistics Performance Index 2012	
Sub-Indicator	Rank
Overall LPI	130
Customs	141
Infrastructure	122
International shipments	98
Logistics competence	129
Tracking & tracing	138
Timeliness	136

Global Competitiveness Index 2011-2012	
Sub-Indicator	Rank
2011-2012 Overall Rank (out of 142)	87
Institutions	127
Infrastructure	93
Macroeconomic environment	19
Health and primary education	82
Higher education and training	101
Goods market efficiency	134
Labor market efficiency	137
Financial market development	137
Technological readiness	120
Market size	47
Business sophistication	135
Innovation	132

Doing Business Index 2012	
Sub-Indicator	Rank
Overall Performance	148
Starting a Business	153
Dealing with Construction Permits	118
Getting Electricity	164
Registering Property	167
Getting Credit	150
Protecting Investors	79
Paying Taxes	164
Trading Across Borders	127
Enforcing Contracts	122
Resolving Insolvency	59

Sources: World Bank, World Economic Forum

Assessment of Trilateral Matchmaking Possibilities

- a. **Algeria is an upper middle income economy that relies heavily on exports of petroleum and natural gas based products.** The key advantages of doing business in Algeria are a stable macroeconomic environment and access to the EU and North African markets. Low flexibility of the labor market, high amount of red tape and logistical problems are the key challenges for investors in Algeria.
- b. **European Union is the most important trade partner of Algeria, and accounts for half of the country's trade.** Algeria buys manufactured goods and food from the EU in exchange of fossil fuels. France is an important investor in Algeria and French companies are investing in the construction and production of public transportation vehicles. Possible complementarity areas between Turkish, EU and Algerian firms would be the production of vehicle parts, agro-food, tourism and logistics.

A11.2. Economic Profile of Azerbaijan

Table A11 7: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	63.4
GDP per capita (current US\$)	6,915
Exports of goods and services (current US\$ bn.)	39.8
Imports of goods and services (current US\$)	15.3
Current account balance (% of GDP)	27
Labor force, million (2010)	4.6
Unemployment rate	1%
Inflation, consumer prices (annual)	7.7%

Table A11 8: Social Indicators, 2010-2011

Population, total	9.1 Million
Population growth rate	1.07%
Urban population ratio	52%
Life expectancy (years)	70.5
Median Age (years)	29.5
Literacy rate, adult total (% of adults)	99%
School enrollment, tertiary (% gross)	19.1%
Mean years of schooling of adults	11.2

Sources: UN, World Bank- World Development Indicators, CIA World Factbook

Figure A11 5: GDP by Sector

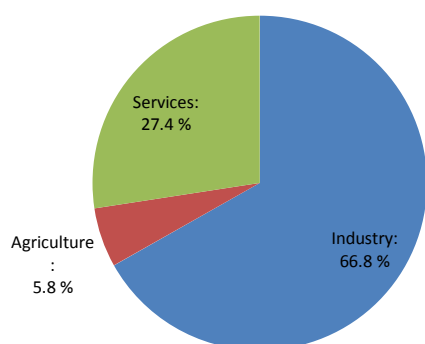
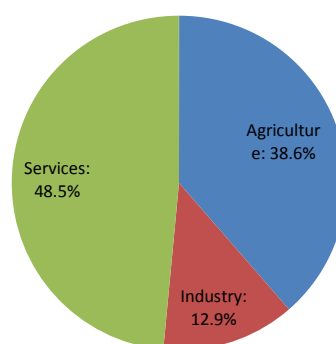


Figure A11 6: Labor Force by Sector



Source: World Bank- World Development Indicators

Table A11 9: ICT and Research, 2010

Internet users (per 100 people)	46.6
Mobile cellular subscriptions (per 100 people)	99
Research and development expenditure (% of GDP)	0.25%
EIU E-Readiness rank (out of 70)	70

Source: World Bank- World Development Indicators, The Economist Intelligence Unit

Table A11 10: Major Trade Partners, 2010

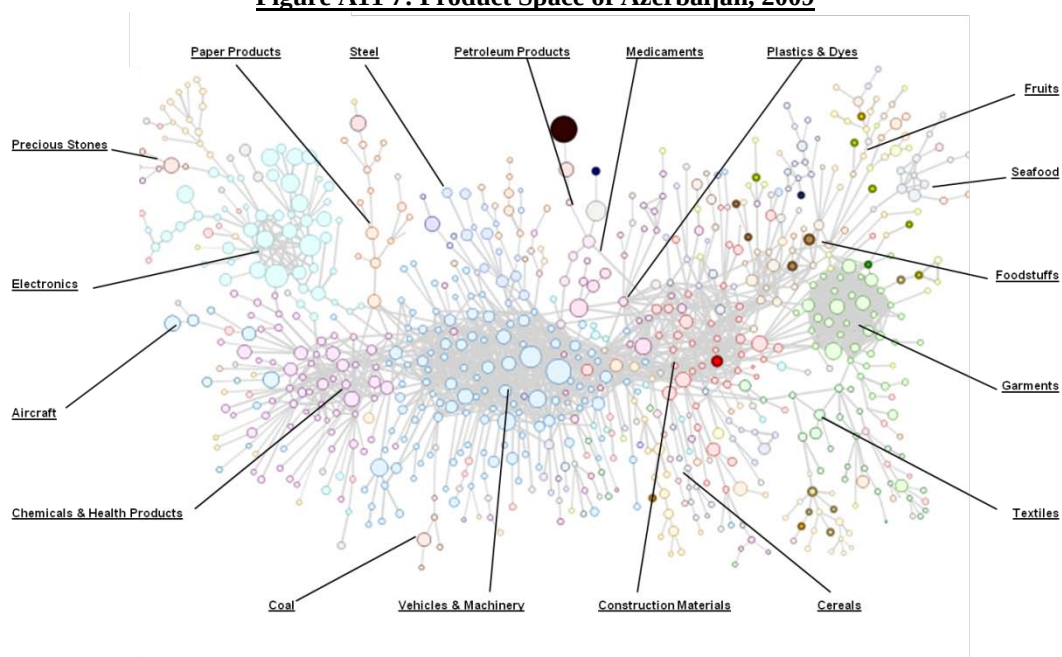
Major Export Partners	Value (million Euros)	Share (%)	Major Import Partners	Value (million Euros)	Share (%)
EU27	7,650.5	47.9%	EU27	1,263.9	25.4%
Israel	1,327.7	8.3%	Russia	865.8	17.4%
United States	1,323.4	8.3%	Turkey	584.6	11.7%
Ukraine	670.1	4.2%	China	442.9	8.9%
Indonesia	592.0	3.7%	Ukraine	352.8	7.1%

Source: Eurostat

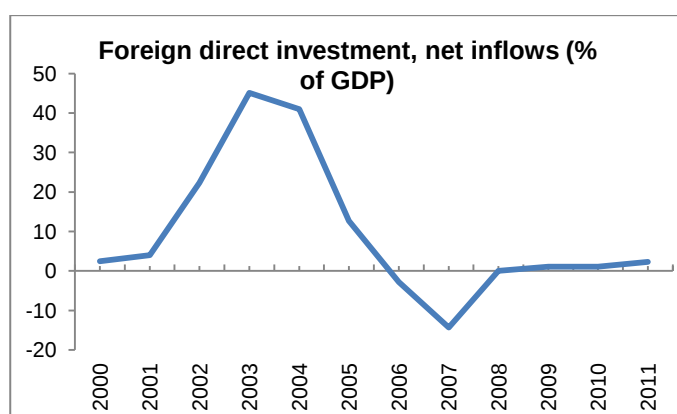
Table A11 11: Trade With the EU, 2009-2011

Azerbaijan with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Exports	7.3	9.7	14.7	Italy	32.4%	Germany	7.2%
Imports	1.6	2.3	2.8	France	13.2%	United Kingdom	6.1%
Balance	5.7	7.3	11.9	Germany	6.2%	Italy	4.2%

Sources: Eurostat, CIA World Factbook

Figure A11 7: Product Space of Azerbaijan, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 8: Foreign Direct Investment (FDI)**Table A11 12: FDI Stocks by Investing Country**

Country	Non-Oil FDI Stock, 2010 (% Total)
Netherlands	26%
Turkey	24%
Great Britain	23%
USA	7%
Germany	3%

Sources: World Bank- World Development Indicators, AZPROMO

Table A11 13: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010	
Sub-Indicator	Percentile Rank
Voice and Accountability	12.3
Political Stability/Absence of Violence	34
Government Effectiveness	22
Regulatory Quality	36.8
Rule of Law	21.8
Control of Corruption	9.1

Logistics Performance Index 2012	
Sub-Indicator	Rank
Overall LPI	89
Customs	117
Infrastructure	104
International shipments	55
Logistics competence	91
Tracking & tracing	91
Timeliness	100

Global Competitiveness Index 2011-2012	
Sub-Indicator	Rank
2011-2012 Overall Rank (out of 142)	55
Institutions	68
Infrastructure	73
Macroeconomic environment	16
Health and primary education	105
Higher education and training	75
Goods market efficiency	79
Labor market efficiency	14
Financial market development	94
Technological readiness	74
Market size	75
Business sophistication	73
Innovation	60

Doing Business Index 2012	
Sub-Indicator	Rank
Overall Performance	66
Starting a Business	18
Dealing with Construction Permits	172
Getting Electricity	173
Registering Property	9
Getting Credit	48
Protecting Investors	24
Paying Taxes	81
Trading Across Borders	170
Enforcing Contracts	25
Resolving Insolvency	95

Sources: World Bank, World Economic Forum

Assessment of Trilateral Matchmaking Possibilities

- a. **Azerbaijan is an upper-middle income economy that experienced very high levels of growth in the past decade, chiefly due to exports of petroleum.** The key advantages Azerbaijan offers to investors are an educated and flexible workforce, low energy prices, and a stable macroeconomic environment. The main disadvantages are problems with corruption and rule of law, logistics and transport and a natural resource oriented export structure. The Azeri government aims at diversifying the economy, and is seeking to attract foreign investments in light manufacturing, construction, tourism, food and agriculture.
- b. **Turkey is one of the top trading and investment partners of Azerbaijan and the two countries have maintained very close political and economic relations since the independence of the latter.** Several Turkish businesses operate in Azerbaijan, the cultural and language similarities facilitate business between the two countries. The booming construction sector points at possibilities in the construction materials and furniture sector, while the priority areas of tourism and food manufacture offer Turkish and EU businesses chances to benefit from each others' comparative advantages. Turkish businesses can contribute with their market expertise while EU businesses can complement this by introducing quality standards and product design and innovation.

A11.3. Economic Profile of Egypt

Table A11 14: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	279.0	Population, total	82.5 Million
GDP per capita (current US\$)	2,700	Population growth rate	1.92%
Exports of goods and services (current US\$ bn.)	53.5	Urban population ratio	42.8%
Imports of goods and services (current US\$)	69.1	Life expectancy (years)	73.2
Current account balance (% of GDP)	-6.8%	Median Age (years)	24.6
Labor force, million (2010)	21.7	Literacy rate, adult total (% of adults)	66.4%
Unemployment rate	12.5%	School enrollment, tertiary (% gross)	32.3%
Inflation, consumer prices (annual)	6.1%	Mean years of schooling of adults	6.4

Table A11 15: Social Indicators, 2010-2011

Sources: UN, World Bank-WorldDevelopment Indicators, CIA World Factbook

Figure A11 9: GDP by Sector

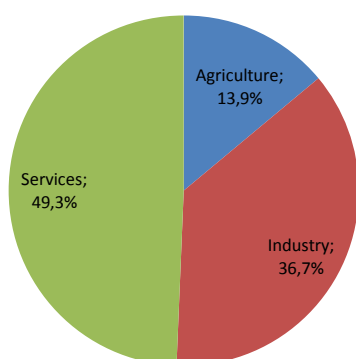
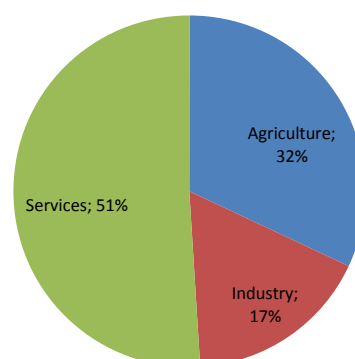


Figure A11 10: Labor Force by Sector



Sources: World Bank-World Development Indicators, CIA World Factbook

Table A11 16: ICT and Research, 2010

Internet users (per 100 people)	26
Mobile cellular subscriptions (per 100 people)	87
Research and development expenditure (% of GDP)	0.2%
EIU E-Readiness rank (out of 70)	57

Source: World Bank- World Development Indicators

Table A11 17: Major Trade Partners, 2010

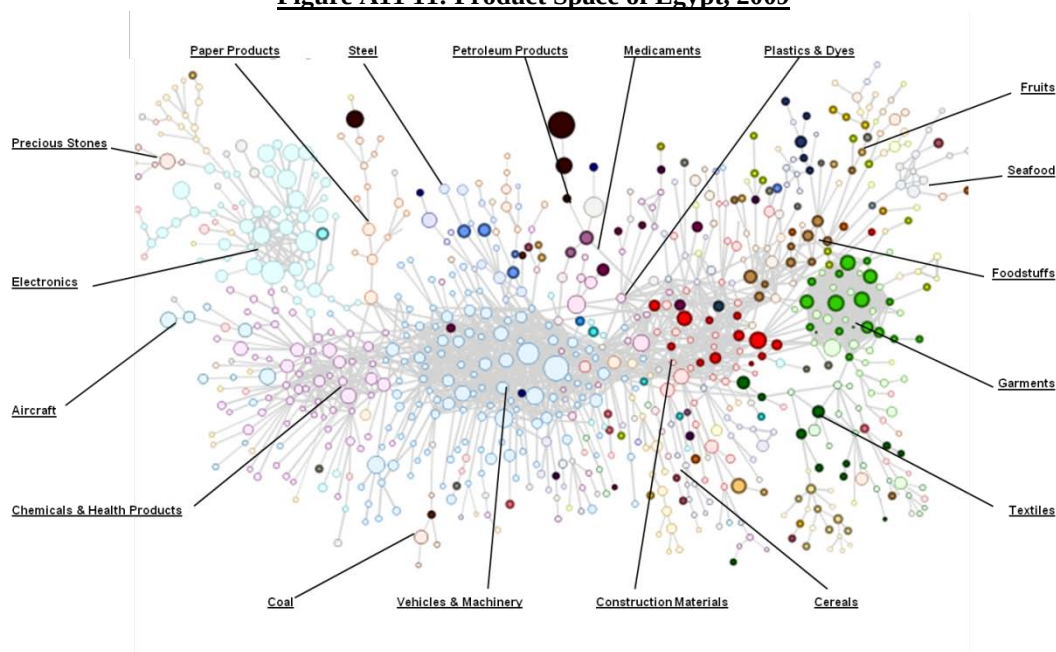
Major Export Partners	Value (million Euros)	Share (%)	Major Import Partners	Value (million Euros)	Share (%)
EU27	6,052.3	30.5%	EU27	12,878.0	32.6%
Saudi Arabia	1,203.1	6.1%	United States	3,719.0	9.4%
United States	1,173.6	5.9%	China	3,700.1	9.4%
Libya	942.0	4.8%	Saudi Arabia	1,596.5	4.0%
India	918.4	4.6%	Turkey	1,417.6	3.6%

Source: Eurostat

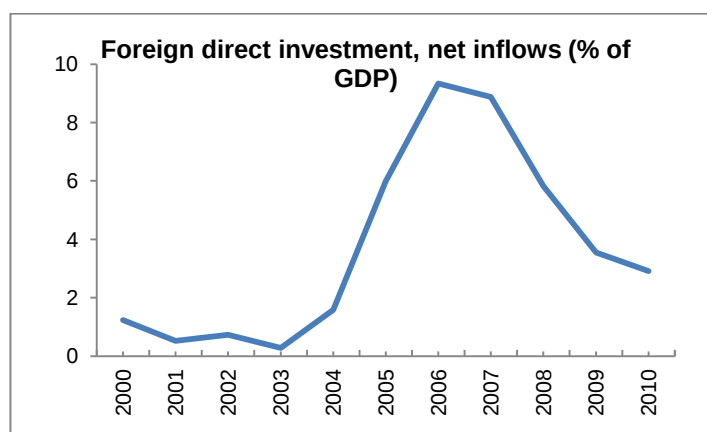
Table A11 18: Trade With the EU, 2009-2011

Egypt with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Exports	6.2	7.2	9.4	Italy	8.8%	Italy	5.6%
Imports	12.6	14.9	13.9	Germany	5.5%	Germany	4.9%
Balance	-6.5	-7.6	-4.5	Spain	4.7%	France	3.5%

Source: Eurostat, CIA World Factbook

Figure A11 11: Product Space of Egypt, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 12: Foreign Direct Investment (FDI)

Source: World Bank- World Development Indicators, GAFI Egypt

Table A11 19: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010	
Sub-Indicator	Percentile Rank
Voice and Accountability	13.3
Political Stability/Absence of Violence	17.9
Government Effectiveness	40.2
Regulatory Quality	46.9
Rule of Law	51.7
Control of Corruption	34.4

Logistics Performance Index 2012	
Sub-Indicator	Rank
Overall LPI	92
Customs	122
Infrastructure	106
International shipments	110
Logistics competence	54
Tracking & tracing	101
Timeliness	81

Global Competitiveness Index 2011-2012	
Sub-Indicator	Rank
2011-2012 Overall Rank (out of 142)	94
Institutions	74
Infrastructure	75
Macroeconomic environment	132
Health and primary education	96
Higher education and training	107
Goods market efficiency	118
Labor market efficiency	141
Financial market development	92
Technological readiness	95
Market size	27
Business sophistication	72
Innovation	103

Doing Business Index 2012	
Sub-Indicator	Rank
Overall Performance	110
Starting a Business	21
Dealing with Construction Permits	154
Getting Electricity	93
Registering Property	78
Getting Credit	79
Protecting Investors	145
Paying Taxes	64
Trading Across Borders	137
Enforcing Contracts	110
Resolving Insolvency	21

Sources: World Bank, World Economic Forum

A11.4. Economic Profile of Iraq

Table A11 20: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	115.4
GDP per capita (current US\$)	3,500
Exports of goods and services (current US\$ bn.)	82.7
Imports of goods and services (current US\$)	53.9
Current account balance (% of GDP)	18%
Labor force, million (2010)	7.5
Unemployment rate	15%
Inflation, consumer prices (annual)	2.8%

Table A11 21: Social Indicators, 2010-2011

Population, total	32.9 Millii
Population growth rate	2.34%
Urban population ratio	66.4%
Life expectancy (years)	68.5
Median Age (years)	21.1
Literacy rate, adult total (% of adults)	78%
School enrollment, tertiary (% gross)	19.5%
Mean years of schooling of adults	5.6

Sources: UN, World Bank- World Development Indicators, CIA World Factbook

Figure A11 13: GDP by Sector

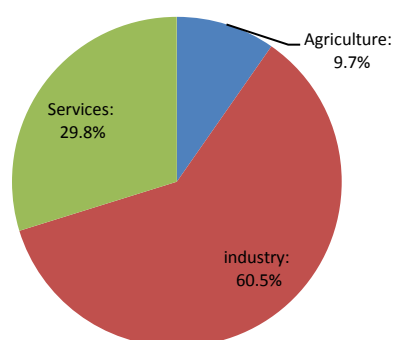
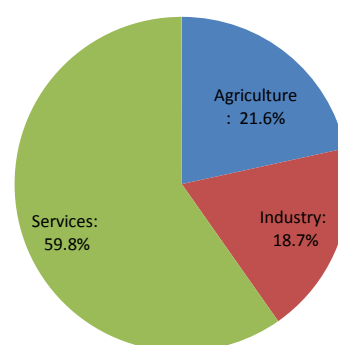


Figure A11 14: Labor Force by Sector



Source: World Bank- World Development Indicators

Table A11 22: ICT and Research, 2010

Internet users (per 100 people)	2.5
Mobile cellular subscriptions (per 100 people)	75.7
Research and development expenditure (% of GDP)	-
EIU E-Readiness rank (out of 70)	-

Sources: World Bank- World Development Indicators, The Economist Intelligence Unit

Table A11 23: Major Trade Partners, 2010

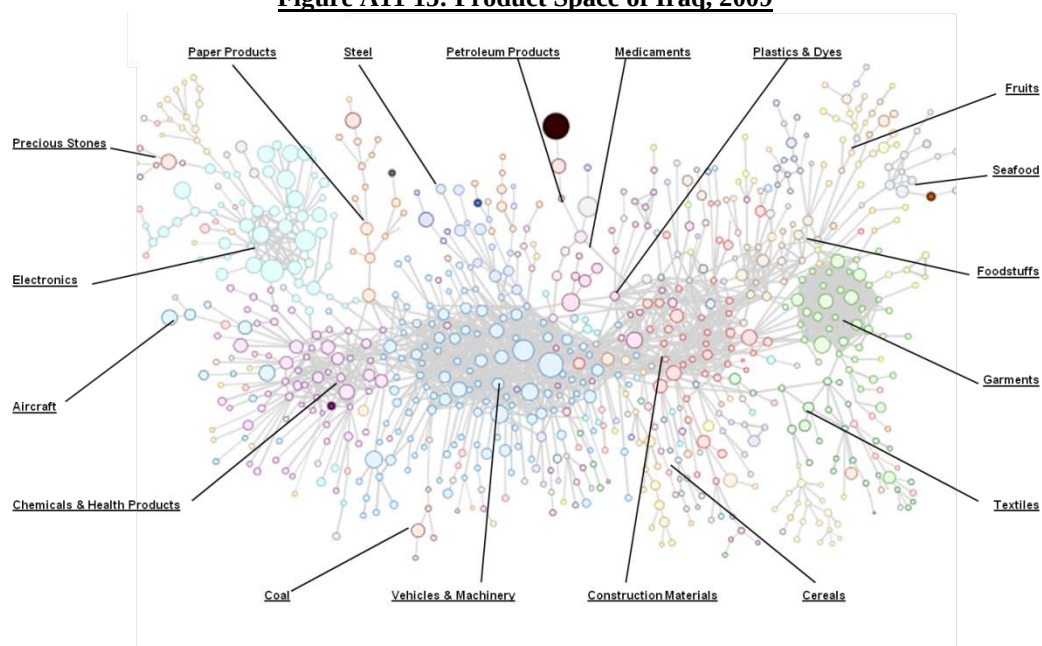
Major Export Partners	Value (million Euros)	Share (%)	Major Import Partners	Value (million Euros)	Share (%)
United States	8,690.2	25.7%	Turkey	5,020.4	23.7%
EU27	6,098.3	18.0%	Syria	3,888.9	18.3%
India	4,997.8	14.8%	China	3,006.9	14.2%
China	4,294.2	12.7%	EU27	2,718.6	12.8%
South Korea	3,005.6	8.9%	United States	1,361.2	6.4%

Source: Eurostat

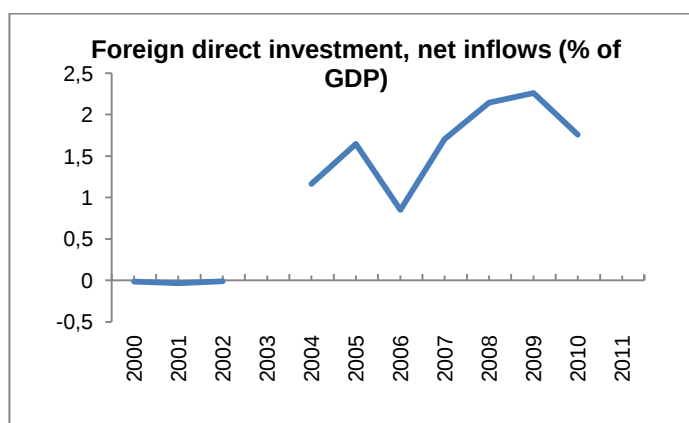
Table A11 24: Trade With the EU, 2008-2011

Iraq with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Exports	6.3	7.1	9.4	Italy	9.1%	Germany	6.7%
Imports	2.6	3.0	3.8	France	2.9%	United Kingdom	1.7%
Balance	3.7	4.1	5.5	Spain	2.5%	Czech Rep.	0.8%

Source: Eurostat, The Observatory of Economic Complexity Database

Figure A11 15: Product Space of Iraq, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 16: Foreign Direct Investment (FDI)

Source: World Bank- World Development Indicators

Table A11 25: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010	
Sub-Indicator	Percentile Rank
Voice and Accountability	17.1
Political Stability/Absence of Violence	1.9
Government Effectiveness	9.1
Regulatory Quality	14.8
Rule of Law	1.9
Control of Corruption	4.8

Logistics Performance Index 2012	
Sub-Indicator	Rank
Overall LPI	148
Customs	131
Infrastructure	147
International shipments	144
Logistics competence	140
Tracking & tracing	150
Timeliness	148

Global Competitiveness Index 2011-2012	
Sub-Indicator	Rank
2011-2012 Overall Rank (out of 142)	94
Institutions	74
Infrastructure	75
Macroeconomic environment	132
Health and primary education	96
Higher education and training	107
Goods market efficiency	118
Labor market efficiency	141
Financial market development	92
Technological readiness	95
Market size	27
Business sophistication	72
Innovation	103

Doing Business Index 2012	
Sub-Indicator	Rank
Overall Performance	164
Starting a Business	176
Dealing with Construction Permits	120
Getting Electricity	46
Registering Property	98
Getting Credit	174
Protecting Investors	122
Paying Taxes	49
Trading Across Borders	180
Enforcing Contracts	140
Resolving Insolvency	183

Sources: World Bank

Assessment of Trilateral Matchmaking Possibilities

- a. **Iraq is undergoing a period of major reconstruction since the war, and is a middle income economy with one of the largest oil reserves in the world.** A young population, growing consumption levels, tax incentives and low wages are the advantages that Iraq can offer to investors while violence, corruption, lawlessness and logistic problems are the main disadvantages.
- b. **Turkey is the most important import partner of Iraq and has played a major role in the reconstruction of the country, with high levels of investments chiefly in the more stable northern region.** There are several areas that the government is prioritizing, including construction, utilities, transportation, vehicles, food and agriculture.

A11.5. Economic Profile of Kazakhstan

Table A11 26: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	186.2
GDP per capita (current US\$)	11,245
Exports of goods and services (current US\$ bn.)	78
Imports of goods and services (current US\$)	46.4
Current account balance (% of GDP)	7.6%
Labor force, million (2010)	8.8
Unemployment rate	6.7%
Inflation, consumer prices (annual)	8.3%

Table A11 27: Social Indicators, 2010-2011

Population, total	16.5 Million
Population growth rate	1.24%
Urban population ratio	58%
Life expectancy (years)	69.6
Median Age (years)	29.3
Literacy rate, adult total (% of adults)	99.7%
School enrollment, tertiary (% gross)	40.0%
Mean years of schooling of adults	10.4

Sources: UN, World Bank-World Development Indicators, CIA World Factbook

Figure A11 17: GDP by Sector

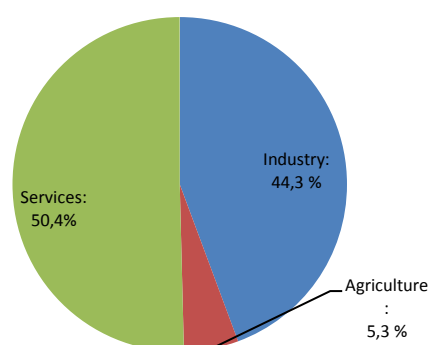
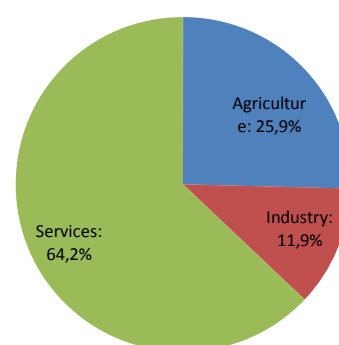


Figure A11 18: Labor Force by Sector



Source: World Bank- World Development Indicators

Table A11 28: ICT and Research, 2010

Internet users (per 100 people)	33.4
Mobile cellular subscriptions (per 100 people)	121.1
Research and development expenditure (% of GDP)	0.22%
EIU E-Readiness rank (out of 70)	67

Sources: World Bank- World Development Indicators, The Economist Intelligence Unit

Table A11 29: Major Trade Partners, 2010

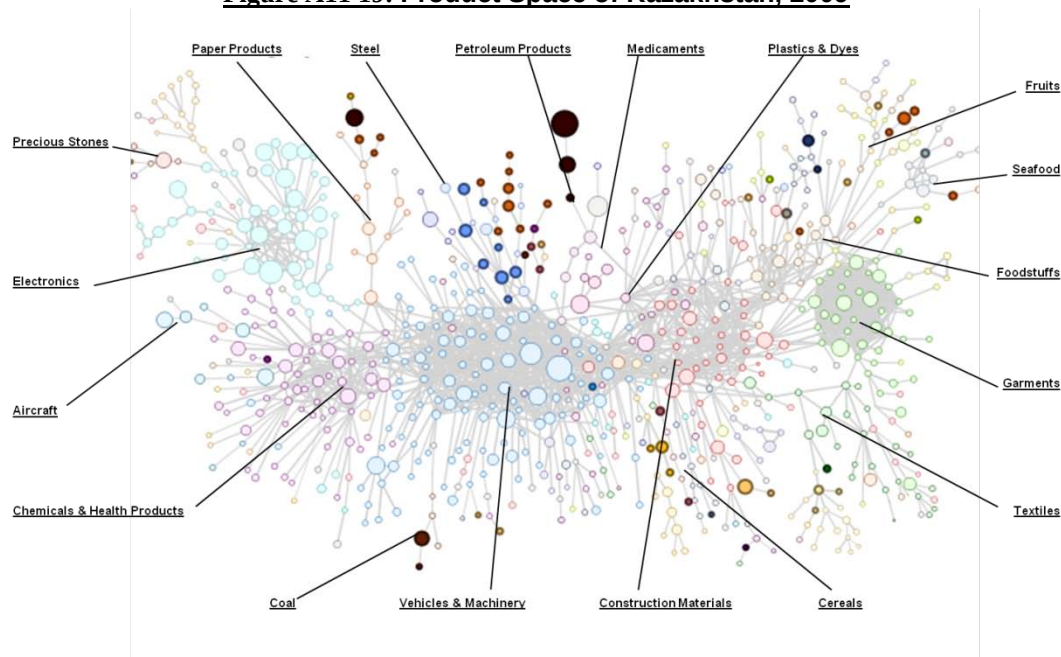
Major Export Partners	Value (million Euros)	Share (%)	Major Import Partners	Value (million Euros)	Share (%)
EU-27	13.6	37.8%	China	7.72	34.1%
China	7.57	21.1%	EU-27	5.38	23.8%
Russia	1.78	4.9%	Russia	4.23	18.7%
Turkey	1.69	4.7%	Ukraine	1.08	4.8%
Canada	1.67	4.6%	Turkey	0.68	3.0%

Source: Eurostat

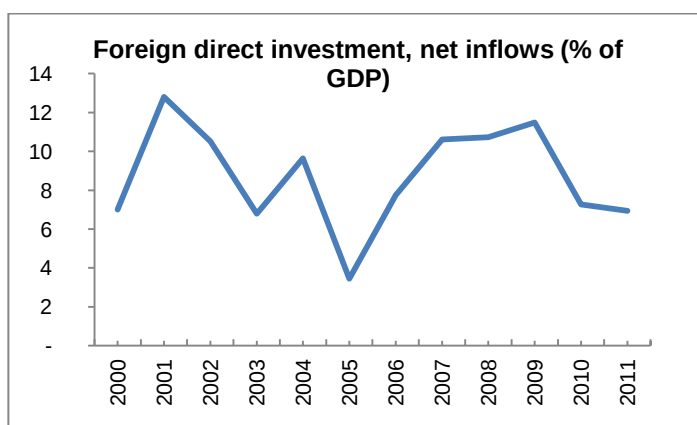
Table A11 30: Trade With the EU, 2009-2011

Kazakhstan with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Exports	10.8	15.9	22.7	Italy	16.7%	Germany	3.2%
Imports	5.3	5.2	6	France	7.7%	Italy	2.8%
Balance	5.5	10.7	16.7	Netherlands	7.3%	United Kingdom	1.3%

Source: Eurostat, UN Comtrade

Figure A11 19: Product Space of Kazakhstan, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 20: Foreign Direct Investment (FDI)**Table A11 31: FDI Stocks by Investing Country**

Country	Total Investment, 1993-2011, (\$ Mn.)
Netherlands	31,361
USA	21,773
Great Britain	17,837
France	8,291
Italy	5,031

Sources: World Bank- World Development Indicators, Ministry of Industry and New Technologies of the Republic of Kazakhstan

Table A11 32: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010	
Sub-Indicator	Percentile Rank
Voice and Accountability	13.7
Political Stability/Absence of Violence	61.8
Government Effectiveness	44.5
Regulatory Quality	42.1
Rule of Law	31.8
Control of Corruption	15.3

Logistics Performance Index 2012	
Sub-Indicator	Rank
Overall LPI	62
Customs	79
Infrastructure	57
International shipments	29
Logistics competence	73
Tracking & tracing	85
Timeliness	86

Global Competitiveness Index 2011-2012	
Sub-Indicator	Rank
2011-2012 Overall Rank (out of 142)	72
Institutions	94
Infrastructure	82
Macroeconomic environment	18
Health and primary education	85
Higher education and training	65
Goods market efficiency	87
Labor market efficiency	21
Financial market development	121
Technological readiness	87
Market size	55
Business sophistication	109
Innovation	116

Doing Business Index 2012	
Sub-Indicator	Rank
Overall Performance	47
Starting a Business	57
Dealing with Construction Permits	147
Getting Electricity	86
Registering Property	29
Getting Credit	78
Protecting Investors	10
Paying Taxes	13
Trading Across Borders	176
Enforcing Contracts	27
Resolving Insolvency	54

Sources: World Bank, World Economic Forum

Assessment of Trilateral Matchmaking Possibilities

- a. **Kazakhstan is a stable upper middle income economy with high levels of resource driven growth.** High levels of education and business friendly regulatory environment are the key advantages that Kazakhstan offers to foreign businesses. High trade costs and corruption are the challenges that businesses need to overcome. In 2004, the Kazakh government has started a major project on diversification of Kazakhstan's economy through cluster development in non-extraction sectors of the economy. The priority sectors in this project include transport, machinery production, pharmaceuticals, space activities, IT, biotechnology, and tourism.
- b. **Already high existing trade and investment links with the EU and Turkey suggest opportunities for businesses from both sides to operate together.** A Turkish-Kazakh organized industrial zone is in the process of development, which could serve as a base for manufacturing companies. A possible sector where the existing links are already strong is construction and construction materials. High numbers of Turkish construction businesses operate in Kazakhstan and Kazakhstan is a major importer of construction materials. Due to Kazakhstan being a major producer of steel and other metals, businesses in this area would have easy access to inputs and supply the booming construction industry. Innovative EU businesses can benefit from the market knowledge of Turkish businesses to supply the market with high value added products such as isolation materials.

A11.6. Economic Profile of Libya

Table A11 33: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	36.8
GDP per capita (current US\$)	5,691
Exports of goods and services (current US\$ bn.)	16.4
Imports of goods and services (current US\$)	10.3
Current account balance (% of GDP)	16.5%
Labor force, million (2010)	2.3
Unemployment rate	-
Inflation, consumer prices (annual)	2.4%

Table A11 34: Social Indicators, 2010-2011

Population, total	6.4 Million
Population growth rate	2.04%
Urban population ratio	78%
Life expectancy (years)	74.7
Median Age (years)	24.8
Literacy rate, adult total (% of adults)	88.8%
School enrollment, tertiary (% gross)	-
Mean years of schooling of adults	7.3

Sources: UN, World Bank- World Development Indicators, CIA World Factbook

Figure A11 21: GDP by Sector

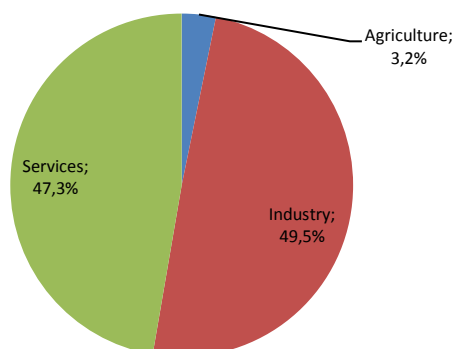
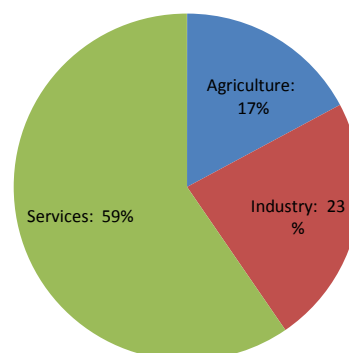


Figure A11 22: Labor Force by Sector



Source: CIA World Factbook

Table A11 35: ICT and Research, 2010

Internet users (per 100 people)	14
Mobile cellular subscriptions (per 100 people)	171.5
Research and development expenditure (% of GDP)	-
EU E-Readiness rank (out of 70)	-

Sources: World Bank- World Development Indicators, The Economist Intelligence Unit

Table A11 36: Major Trade Partners, 2010

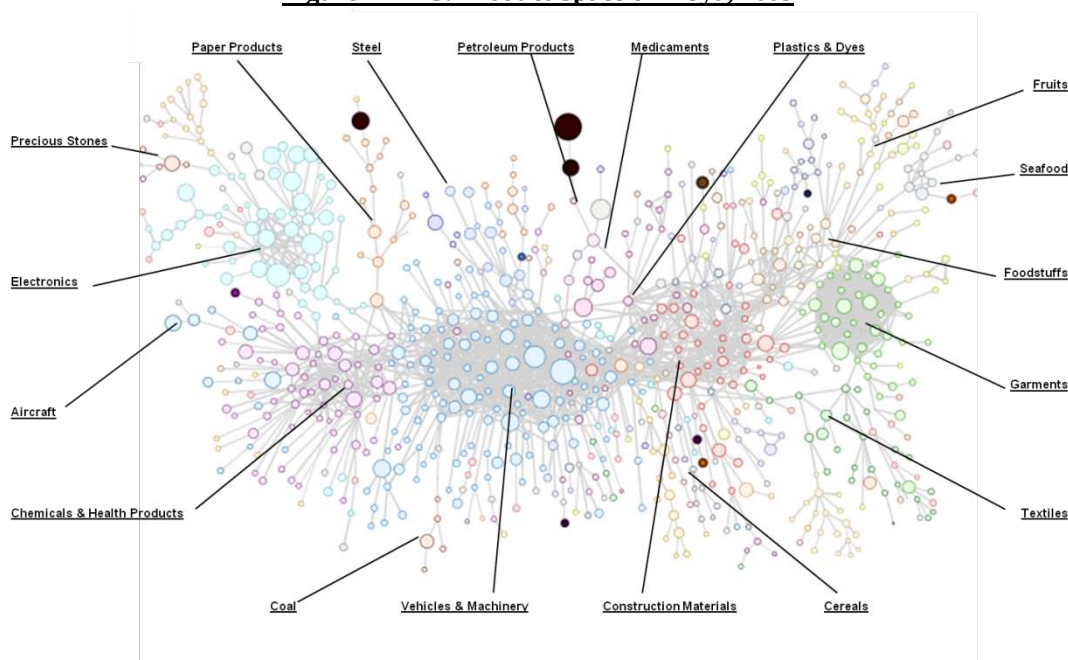
Major Export Partners	Value (million Euros)	Share (%)	Major Import Partners	Value (million Euros)	Share (%)
EU27	25,283.5	76.5%	EU27	6,900.2	41.6%
China	3,074.4	9.3%	China	1,721.5	10.4%
United States	1,512.9	4.6%	Turkey	1,610.9	9.7%
India	533.7	1.6%	South Korea	1,183.0	7.1%
Tunisia	502.9	1.5%	Egypt	1,036.2	6.3%

Source: Eurostat

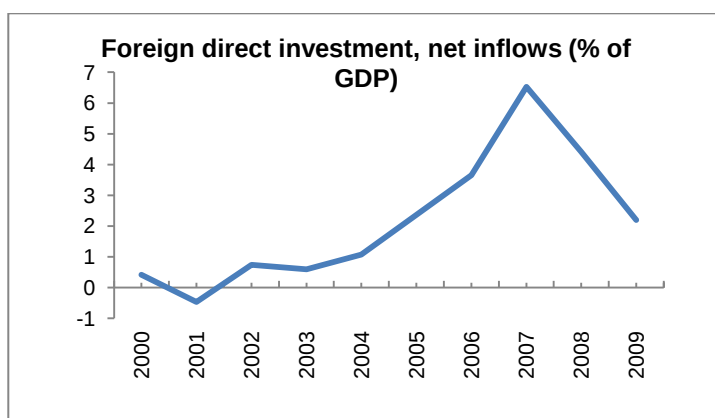
Table A11 37: Trade With the EU, 2009-2011

Libya with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Exports	20.8	29.2	10.4	Italy	21.5%	Italy	7.5%
Imports	6.3	6.7	2.0	Germany	13.5%	France	4.4%
Balance	14.5	22.5	8.3	France	13.4%	Germany	4.3%

Sources: Eurostat, UN Comtrade

Figure A11 23: Product Space of Libya, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 24: Foreign Direct Investment (FDI)

Sources: World Bank- World Development Indicators, Ministry of Industry and New Technologies of the Republic of Kazakhstan

Table A11 38: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010		Logistics Performance Index 2012	
Sub-Indicator	Percentile Rank	Sub-Indicator	Rank
Voice and Accountability	2.8	Overall LPI	132
Political Stability/Absence of Violence	42.5	Customs	116
Government Effectiveness	9.6	Infrastructure	107
Regulatory Quality	10	International shipments	140
Rule of Law	17.5	Logistics competence	121
Control of Corruption	6.2	Tracking & tracing	143
		Timeliness	124

Sources: World Bank

Assessment of Trilateral Matchmaking Possibilities

- a. **Libya is an upper middle income economy that is recovering from the civil war of 2011.** The country's chief exports are oil and gas, which are expected to recover to pre-war levels by the end of 2012 and fuel the reconstruction of the country. Libya offers major opportunities to investors taking part in the reconstruction; nevertheless instability, devastated infrastructure, currently restrictive government regulations and corruption are main concerns that are in the reform agenda of the new government.
- b. **Turkey is one of the most important trading partners of Libya and Turkish construction companies had a major presence in the country before the war.** The construction sector is recovering slowly due to security concerns, but consumption levels are increasing. Possible areas of cooperation include construction materials and furniture that would provide the inputs for the country's reconstruction.

A11.7. Economic Profile of Morocco

Table A11 39: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	100.2
GDP per capita (current US\$)	3,053
Exports of goods and services (current US\$ bn.)	34.6
Imports of goods and services (current US\$)	48.1
Current account balance (% of GDP)	-8.0%
Labor force, million (2010)	11.4
Unemployment rate	8.9%
Inflation, consumer prices (annual)	0.9%

Table A11 40: Social Indicators, 2010-2011

Population, total	32.2 Million
Population growth rate	1.05%
Urban population ratio	57%
Life expectancy (years)	71.8
Median Age (years)	27.3
Literacy rate, adult total (% of adults)	56.0%
School enrollment, tertiary (% gross)	13.2%
Mean years of schooling of adults	4.4

Sources: UN, World Bank- World Development Indicators, CIA World Factbook

Figure A11 25: GDP by Sector

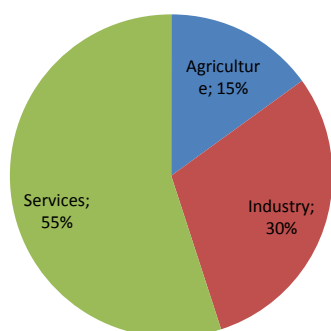
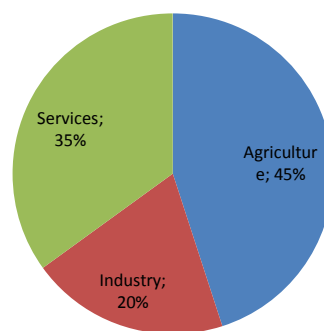


Figure A11 26: Labor Force by Sector



Sources: World Bank- World Development Indicators, CIA World Factbook

Table A11 41: ICT and Research, 2010

Internet users (per 100 people)	49
Mobile cellular subscriptions (per 100 people)	100
Research and development expenditure (% of GDP)	-
EIU E-Readiness rank (out of 70)	-

Source: World Bank- World Development Indicators

Table A11 42: Major Trade Partners, 2010

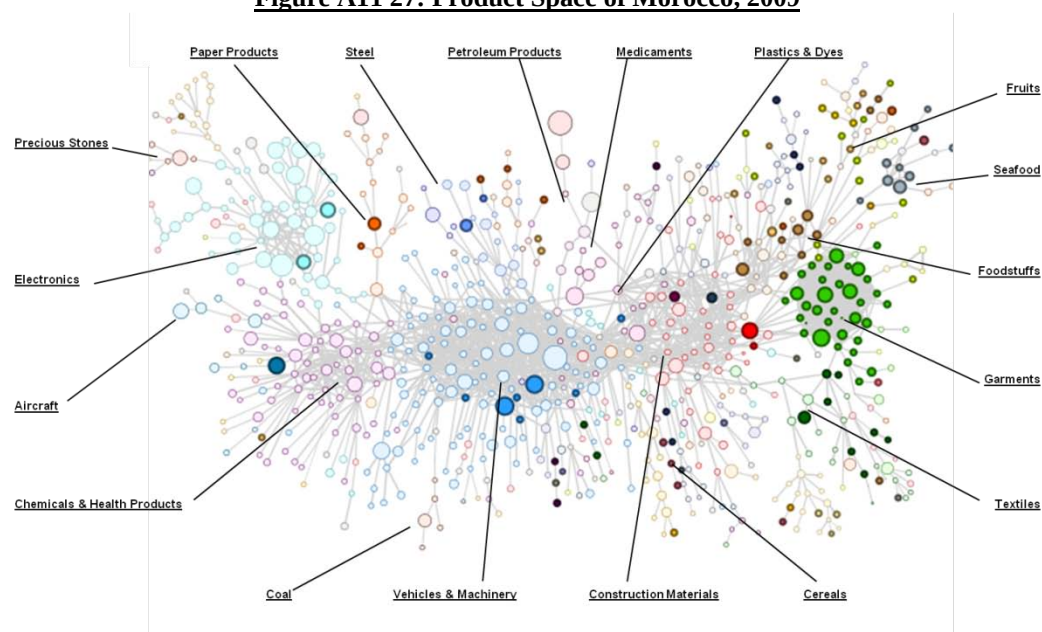
Major Export Partners	Value (million Euros)	Share (%)	Major Import Partners	Value (million Euros)	Share (%)
EU27	7,364.5	59.1%	EU27	13,284.1	50.2%
India	742.4	6.0%	China	2,125.0	8.0%
United States	453.4	3.6%	United States	1,875.6	7.1%
Brazil	414.1	3.3%	Saudi Arabia	1,566.8	5.9%
Switzerland	234.3	1.9%	Russia	940.1	3.6%

Source: Eurostat

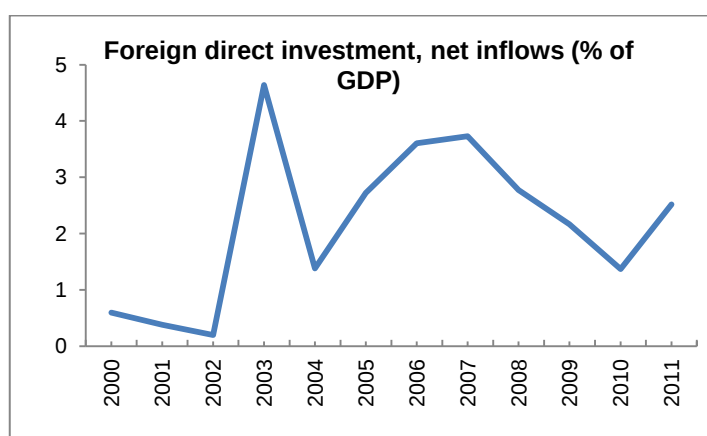
Table A11 43: Trade With the EU, 2009-2011

Morocco with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Exports	6.5	7.7	8.6	Spain	18.6%	France	15.4%
Imports	11.9	13.6	15.1	France	16.9%	Spain	14.4%
Balance	-5.3	-5.9	-6.4	Italy	4.0%	Italy	5.4%

Sources: Eurostat, CIA World Factbook

Figure A11 27: Product Space of Morocco, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 28: Foreign Direct Investment (FDI)**Table A11 44: FDI Inflows by Investing Country**

Country	FDI Net Inflow in 2009 (Share)
France	37%
Kuwait	18%
Spain	8%
Portugal	7%
Switzerland	4%

Sources: World Bank- World Development Indicators, Moroccan Investment Development Agency

Table A11 45: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010	
Sub-Indicator	Percentile Rank
Voice and Accountability	28.4
Political Stability/Absence of Violence	27.8
Government Effectiveness	48.8
Regulatory Quality	49.8
Rule of Law	50.2
Control of Corruption	53.1

Global Competitiveness Index 2011-2012	
Sub-Indicator	Rank
2011-2012 Overall Rank (out of 142)	73
Institutions	59
Infrastructure	69
Macroeconomic environment	25
Health and primary education	93
Higher education and training	98
Goods market efficiency	76
Labor market efficiency	132
Financial market development	62
Technological readiness	66
Market size	57
Business sophistication	80
Innovation	80

Doing Business Index 2012	
Sub-Indicator	Rank
Overall Performance	94
Starting a Business	93
Dealing with Construction Permits	75
Getting Electricity	107
Registering Property	144
Getting Credit	98
Protecting Investors	97
Paying Taxes	112
Trading Across Borders	43
Enforcing Contracts	89
Resolving Insolvency	67

Sources: World Bank, World Economic Forum

Assessment of Trilateral Matchmaking Possibilities

- a. **Morocco is a lower-middle income country with an open and diverse economy.** The key advantages of Morocco as an investment location are a French-speaking and low-cost labor force, access to EU and MENA markets, favorable macroeconomic and regulatory climates and infrastructure. The main difficulties are inflexible labor market regulations and low average levels of education. The Moroccan Government is actively promoting foreign investment, and is focusing on aerospace, textiles, automotive, electronics, offshoring and agro-food sectors.
- b. **Real Estate, Tourism and Telecom are the top sectors that attract foreign investment in Morocco.** France is both the main investor and trade partner of Morocco, while Turkey has a Free Trade Agreement with Morocco. Turkish discounter chain BIM is operating over 80 stores in Morocco, and has become the largest retail chain in the country. In Morocco, Turkish and EU firms can find opportunities to cooperate in the retail, agro-food, tourism and textiles sectors.

A11.8. Economic Profile of Tunisia

Table A11 46: Macroeconomic Indicators, 2010-2011

GDP (current US\$ billion)	45.8
GDP per capita (current US\$)	4,296
Exports of goods and services (current US\$ bn.)	23.3
Imports of goods and services (current US\$)	24.3
Current account balance (% of GDP)	-2.07%
Labor force, million (2010)	3.8
Unemployment rate	18.1%
Inflation, consumer prices (annual)	5.6%

Table A11 47: Social Indicators, 2010-2011

Population, total	10.6 Million
Population growth rate	0.96%
Urban population ratio	67.3%
Life expectancy (years)	74.5
Median Age (years)	30.5
Literacy rate, adult total (% of adults)	77.6%
School enrollment, tertiary (% gross)	34.4%
Mean years of schooling of adults	6.5

Sources: UN, World Bank- World Development Indicators, CIA World Factbook

Figure A11 29: GDP by Sector

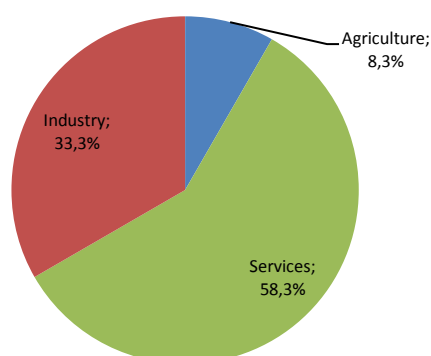
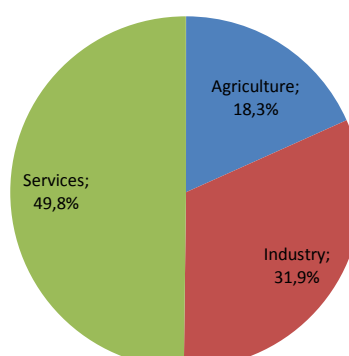


Figure A11 30: Labor Force by Sector



Sources: World Bank- World Development Indicators, CIA World Factbook

Table A11 48: ICT and Research, 2010

Internet users (per 100 people)	36
Mobile cellular subscriptions (per 100 people)	106
Research and development expenditure (% of GDP)	1.1%
EIU E-Readiness rank (out of 70)	-

Source: World Bank- World Development Indicators

Table A11 49: Major Trade Partners, 2010

Major Export Partners	Value (million Euros)	Share (%)
EU27	8,538.3	74.1%
Libya	721.1	6.3%
United States	288.7	2.5%
Algeria	262.6	2.3%
India	211.2	1.8%

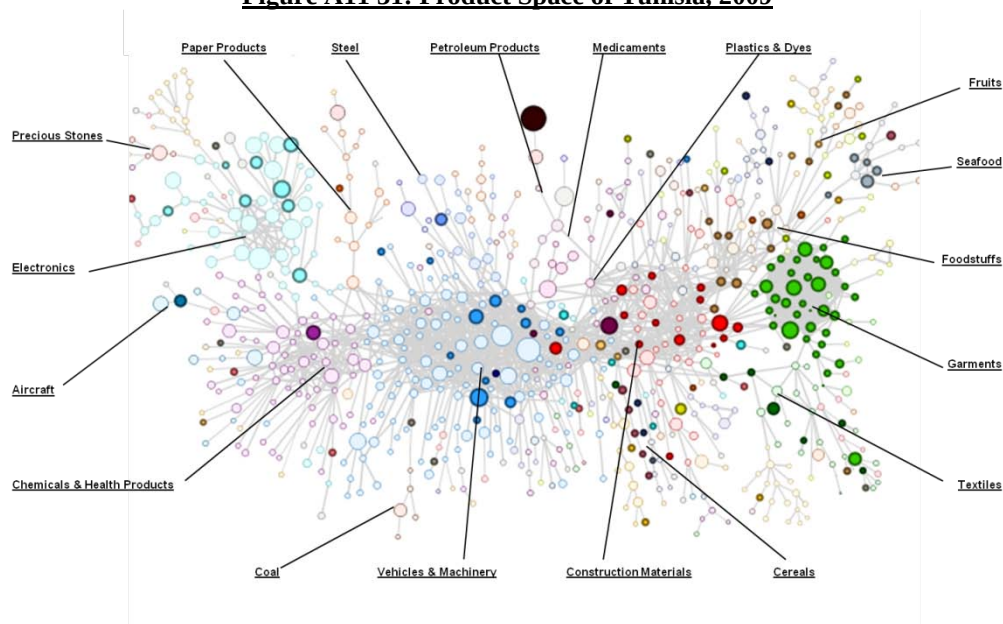
Major Import Partners	Value (million Euros)	Share (%)
EU27	11,879.0	66.9%
China	827.3	4.7%
Turkey	592.9	3.3%
Libya	553.1	3.1%
United States	473.8	2.7%

Source: Eurostat

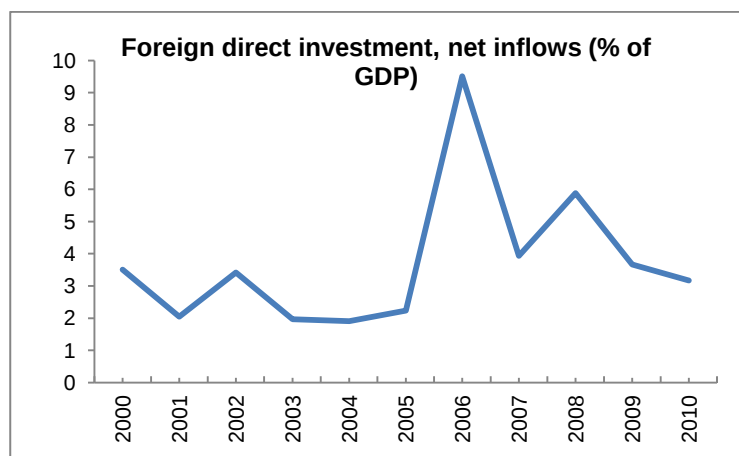
Table A11 50: Trade With the EU, 2009-2011

Tunisia with EU-27(Bn. Euros)	2009	2010	2011	EU Country	Export Share	EU Country	Import Share
Imports	9.0	11.1	10.9	France	29.4%	France	21.0%
Exports	8.0	9.5	9.9	Italy	19.2%	Italy	17.5%
Balance	-1.0	-1.6	-1.1	Germany	10.3%	Germany	8.8%

Sources: Eurostat, CIA World Factbook

Figure A11 31: Product Space of Tunisia, 2009

Source: The Observatory of Economic Complexity Database

Figure A11 32: Foreign Direct Investment (FDI)**Table A11 51: Number of Companies by Investing Country**

Country	Nr. of Companies (2010)
France	1,270
Italy	744
Germany	274
Belgium	217
Great Britain	89

Sources: World Bank- World Development Indicators, FIPA Tunisia

Table A11 52: Business and Regulatory Climate Indicators

Worldwide Governance Indicators, 2010	
Sub-Indicator	Percentile Rank
Voice and Accountability	10.4
Political Stability/Absence of Violence	50.5
Government Effectiveness	63.2
Regulatory Quality	53.1
Rule of Law	59.2
Control of Corruption	55

Logistics Performance Index 2012	
Sub-Indicator	Rank
Overall LPI	61
Customs	73
Infrastructure	65
International shipments	22
Logistics competence	109
Tracking & tracing	102
Timeliness	58

Global Competitiveness Index 2011-2012	
Sub-Indicator	Rank
2011-2012 Overall Rank (out of 142)	40
Institutions	41
Infrastructure	52
Macroeconomic environment	38
Health and primary education	38
Higher education and training	44
Goods market efficiency	44
Labor market efficiency	106
Financial market development	76
Technological readiness	58
Market size	63
Business sophistication	52
Innovation	37

Doing Business Index 2012	
Sub-Indicator	Rank
Overall Performance	46
Starting a Business	56
Dealing with Construction Permits	86
Getting Electricity	45
Registering Property	65
Getting Credit	98
Protecting Investors	46
Paying Taxes	64
Trading Across Borders	32
Enforcing Contracts	76
Resolving Insolvency	38

Sources: World Bank, World Economic Forum

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- International Trade Centre Database

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- United Nations Food and Agricultural Organization (FAO) Database
- United Nations Conference on Trade and Development (UNCTAD) Database
- United Nations Development Programme (UNDP) Database
- World Tourism Organization (UNWTO) Database
- World Bank World Development Indicators Database
- World Economic Forum Database

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