

COMMERCIAL RELATIONS BETWEEN TURKEY AND EGYPT

Turkey and Egypt have long-standing cultural and historical ties hailing back from the days of the Ottoman Empire. The economic relations between them, however, had a positive turning point in 2005 following the conclusion of the Agreement Establishing a Free Trade Area Between the Republic of Turkey and the Arab Republic of Egypt. From 2005 until 2013, the two countries remained close to each other, both in political and commercial terms, and concluded several cooperation agreements in very distinct areas, including education, health, civil aviation, information, road transport and natural gas, etc. Following the government change in Egypt in 2013, the diplomatic negotiations between the two countries slowed down. Nevertheless, Egypt has remained one of the Turkey's biggest trade partners in the Arab world.

Legal Framework of Commercial Relations Between Turkey and Egypt

The legal framework of commercial relations between Turkey and Egypt are mainly based on the following five bilateral agreements: **(i)** Agreement Between the Republic of Turkey and the Arab Republic of Egypt for the Avoidance of Double Taxation with Respect to Taxes on Income signed on 26 December 1993; **(ii)** Trade Agreement Between the Republic of Turkey and the Arab Republic of Egypt signed on 4 October 1996; **(iii)** Agreement Between the Republic of Turkey and the Arab Republic of Egypt Concerning the Reciprocal Promotion and Protection of Investments signed on 4 October 1996; **(iv)** Agreement Between the Republic of Turkey and the Government of the Arab Republic of Egypt on Co-operation and Mutual Assistance in Customs Matters signed on 26 July 1999; and **(v)** Agreement Establishing a Free Trade Area Between the Republic of Turkey and the Arab Republic of Egypt signed on 27 December 2005.

The most current agreement that is the Agreement Establishing a Free Trade Area Between the Republic of Turkey and the Arab Republic of Egypt (the "**Free Trade Agreement**") constitutes the backbone of the commercial relations between Turkey and Egypt. It aims to increase and

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enhance the economic co-operation between Turkey and Egypt by eliminating difficulties and restrictions on the trade in goods, and by creating conditions for further encouragement of investments, particularly for the development of joint investments in both countries. It is important to mention that the Free Trade Agreement's scope covers the products originating from the territory of each country falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System with certain exceptions.¹ The Free Trade Agreement includes a "most favoured nation" clause so that the duty applied to the products that is subject to successive reductions set out in the Free Trade Agreement shall be the most favoured nation clause duty that is in force between the parties since 1 January 2005. Furthermore, it abolishes all quantitative restrictions on imports and measures that have the equivalent effect between the two countries and dictates that no new quantitative restriction or measure on imports that would have an equivalent effect may be introduced in trade between the two countries.

Other than the bilateral agreements mentioned above, the two countries concluded several agreements, some of which are very comprehensive. For example, both countries are members to the General Trading Agreement for Electrical Interconnection, whose current members are Egypt, Iraq, Jordan, Syria, Lebanon, Libya and Turkey. In this regard, Turkey and Egypt aim to work jointly to promote investments in the electricity and energy fields in both countries by reinforcing partnerships between public and private institutions and encouraging their respective companies to invest in the electricity and energy sectors.

Commercial Relations Between Turkey and Egypt in Numbers

Turkey and Egypt became strong trade partners after the execution of the Free Trade Agreement. The trade rate experienced a backlash after 2013; however, the overall trade volume remained at almost the same level as shown in the table below:

YEAR	IMPORTS TO TURKEY FROM EGYPT (IN USD)	EXPORTS FROM TURKEY TO EGYPT (IN USD)
2002	118,172,738	326,389,041
2003	189,396,996	345,778,773
2004	255,241,798	473,145,309
2005	267,245,816	687,299,362
2006	392,523,769	709,353,121
2007	652,987,552	902,702,916
2008	886,237,269	1,426,449,760
2009	641,551,791	2,599,030,331
2010	926,476,321	2,250,576,879
2011	1,382,216,480	2,759,311,302
2012	1,342,050,598	3,679,194,873
2013	1,628,868,451	3,200,362,079

¹ Products listed in Annex I of the Free Trade Agreement

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2014	1,434,472,432	3,297,538,386
2015	1,215,905,245	3,124,876,188
2016	1,443,397,200	2,732,926,423
2017	1,997,503,294	2,360,734,145
2018	2,190,936,767	3,053,534,780
2019	1,812,286,696	3,316,666,729
2020	1,634,903,063	2,949,179,471
2021	1,297,678,117	2,401,607,184

Trade volumes between Turkey and Egypt during the specified years²

According to the Turkish Statistical Institute's data for 2020, Egypt is among Turkey's first 20 trade partners in the world. Furthermore, it is the third country to which Turkey exports goods and services in the Arab Peninsula. As well, there are currently more than 1400 companies with foreign capital in Turkey that have been established by Egyptian investors whereas, more than 200 Turkish companies are currently carrying out activities in Egypt.

In 2021, Turkey and Egypt resumed diplomatic negotiations between them after an eight-year lull. Considering that there has been a significant political change in the Arab Peninsula in the last few years, diplomatic communications may be the first step for both parties to establish new policies and offer solutions for the delicate issues in the Arab Peninsula, as well as in the East Mediterranean. It may further provide new investment opportunities especially in the energy sector.

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² The data in the table are provided by Turkish Statistical Institution and the data provided for the years 2020 and 2021 is temporary.