



VEGETABLES AND FRUITS IN EGYPT: FACILITATING EXPORTS

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VEGFTNT – SECTOR DESCRIPTION

- 0.7% of total output, 1.8% of merchandise exports
- Very small share of global exports
- Major export destinations: EU (50%), Other Middle East (34%)
- ESUBM=3.5 (regional), ESUBD=1.85

Vegftnt trade costs structure, %	
UnSkLab	50.7
Capital	28.8
Land	10.1
Chemical	4.8
Other	5.6



EXPORT PROCEDURES IN EGYPT

Nature of Export Procedures	Duration (days)	US\$ Cost
Documents preparation	9	85
Customs clearance and technical control	1	182
Ports and terminal handling	2	170
Inland transportation and handling	2	300
Totals:	14	737

Source: World Bank, Doing Business 2010 report

- 4 days are spent on customs clearance, technical control, ports and inland handling
- Vegetables are highly perishable commodities, so I assume that these 4 days are equivalent to 8% of trade costs



EXPERIMENT FORMULATION

- Experiment: reduce time from 4 days to 1 day (shock *ams* - by 6%), use standard closure
- *ams* - import *i* from region *r* augmenting tech change in region *s*

- **Equation** IMPORTDEMAND

(all,i,TRAD_COMM)(all,r,REG)(all,s,REG)

qxs(i,r,s)

= -**ams**(i,r,s) + qim(i,s)

- ESUBM(i) * [pms(i,r,s) - **ams**(i,r,s) - pim(i,s)];

- **Equation** DPRICEIMP

(all,i,TRAD_COMM)(all,s,REG)

pim(i,s) = **sum**(k,REG, MSHRS(i,k,s) * [pms(i,k,s) -

ams(i,k,s)]);



RESULTS: VEGFTNT IN EGYPT

- $qo = 0.8\%$; contribution of export demand is 86%
- $qxs = 15.7\%$ - primarily due to substitution effect
- pmi in export destinations are negative very small (XME – -0.35% , rest – negligible changes)
- $ps = 0.27\%$ - primarily due to endowments prices (pfe) effects
- Land (sluggish factor) makes the biggest contribution to ps (67%); UnSkLab accounts for 24%
- $pfactreal$ for Land increases by 1.1%, for UnSkLab – by 0.4%; for other primary factors real returns decrease
- Demand for Capital, UnSkLab, SkLab (qfa) increases by 0.9%, for Land – by 0.5%.
- (Other sectors very slightly decrease their output and exports)



RESULTS: VEGFTNT IN EGYPT - II

- EV increases by USD 16.9 mln
- Primarily through TOT effects (USD 10.7 mln)
- The biggest contribution to TOT improvement comes from transportation services, financial services, other services, and Vegftnt (66%)



EXPERIMENT WITH AN ALTERNATIVE CLOSURE

- Allowing for unemployment in UnSkLab and fixing real wages
- $\text{swap } qo(\text{"Unsklab"}, \text{"Egypt"}) = \text{pfactreal}(\text{"Unsklab"}, \text{"Egypt"})$
- Changes in qo , qxs , qfe , ps – negligible as compared with the standard closure scenario
- *pfactreal* (UnSkLab) is zero, slightly higher growth in return to Land (1.2% vs 1.1%)
- Significant change in EV though – USD 31 mln vs USD 17 mln.
- Extra welfare increase due to better endowments allocation



SOME CONCLUSIONS

Change in exports of Vegftnt and Egypt's welfare						
	Doha		ams6veg		ams6veg - unempl	
	%	\$ mln*	%	\$ mln*	%	\$ mln*
Exports	7.8	18.4	15.7	40.1	15.8	40.9
Welfare change		11		16.9		30.9

*In 2001 constant prices

- Improving exports procedures just in one sector might bring higher welfare improvements than partial liberalization under Doha

