



Foreign &
Commonwealth
Office

Continuing the United Kingdom's Trade Relationship with Egypt

Agreement establishing an Association between the United Kingdom of Great Britain
and Northern Ireland and the Arab Republic of Egypt

December 2020



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Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and the Arab Republic of Egypt

Presented to Parliament

by the Secretary of State for Foreign, Commonwealth and Development Affairs

by Command of Her Majesty

December 2020



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Introduction

1. This report explains the Government's approach to delivering continuity in the trade relationship of the United Kingdom of Great Britain and Northern Ireland (the "UK") with the Arab Republic of Egypt ("Egypt") now that the UK has left the European Union (the "EU").
2. With our exit from the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no one's interests to disrupt existing trade flows.
3. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the trade and association agreements the UK has with existing partners. . The UK-Egypt Agreement is intended to take effect on the date the EU-Egypt Agreement ceases to apply to the UK (or, if later, when both parties have notified to the other the completion of their ratification procedures). The bilateral agreements will form the starting point for the UK's future trade arrangements with its partners.
4. Wherever possible, the Government has sought a technical replication of the existing EU agreements through these new bilateral 'continuity trade agreements', but in some cases, it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect in a bilateral context.
5. This report gives details of, and explains the reasons for, any significant differences between:
 - a. the Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and the Arab Republic of Egypt (the "UK-Egypt Agreement" or "the Agreement"); and
 - b. the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part, done at Luxembourg on 25 June 2001 (the "EU-Egypt Agreement").
6. This report first sets out the general drafting changes necessary across all the UK's short form continuity trade agreements and which have no significant impact on the UK's current trade relationships. It then considers provisions of the UK-Egypt Agreement, in turn explaining any significant differences between the UK-Egypt Agreement and the corresponding provisions of the EU-Egypt Agreement. To assist the reader, the report includes some discussion of the economic impacts as appropriate. This report focuses on the changes made to the trading arrangements between the UK and Egypt in preparation for the UK ceasing to be bound by the EU-Egypt Agreement and the entry into force of the UK-Egypt Agreement. Any wider economic impacts resulting from the UK's exit from the EU or the nature of the future relationship between the UK and the EU have been excluded from this report.

Legal approach

7. The UK has agreed with many third countries that the most appropriate and proportionate form of legal instrument to ensure continuity is a short form agreement, which incorporates by reference the relevant provisions of the relevant EU-third country agreement with relatively few but necessary modifications. The advantages of the short form approach are set out below. Other agreements have been drafted in long form to reflect the wishes of the partner countries in question.
8. The UK and Egypt have agreed that using a short form agreement was the most pragmatic and sensible approach in the circumstances. The approach taken is similar to that used in the

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the “CPTPP”), where Article 1 of the CPTPP incorporates (save for a small number of articles) by reference the provisions of the Trans-Pacific Partnership Agreement into and makes them part of, *mutatis mutandis*, the CPTPP. The advantages of this approach include that:

- a. the short form agreement can be drafted in such a manner as to accommodate different scenarios, such as the various possible outcomes of the UK’s ongoing negotiations with the EU regarding the future of the UK-EU relationship;
 - b. the format itself will send a clear message to businesses, consumers and investors in both the UK and Egypt that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the Agreement; and;
 - c. the approach provides a clear legal text, making rights and obligations unambiguous where they have by necessity changed.
9. The UK-Egypt Agreement replicates the effects of the EU-Egypt Agreement as closely as possible, including the establishment of institutional arrangements between the UK and Egypt based on existing structures (such as the Association Council) that allow for the ongoing management and updating of the Agreement.
10. Many of the general changes to the EU-Egypt Agreement (such as replacing “EU” with “UK”) are applied by reading the incorporated text of the EU-Egypt Agreement *mutatis mutandis*, that is, with the technical changes necessary to apply the EU-Egypt Agreement as if it had been concluded between the UK and Egypt in the first instance. This has avoided the need to reproduce every page of the EU-Egypt Agreement and has significantly reduced the volume of text required.
11. Where more substantive amendments were required to ensure operability in a bilateral context, or where the UK and Egypt jointly agreed that *mutatis mutandis* would not deliver adequate certainty over rights and obligations, detailed amendments have been included in the Annexes to the UK-Egypt Agreement.

Resources

12. This report is intended to aid businesses, consumers, and parliamentarians in understanding any significant changes made to the UK's trade, political, economic, or social cooperation relationship with Egypt by the UK-Egypt Agreement and the reasons for any changes, and their impact.
13. Should you wish to view the EU-Egypt Agreement as originally published, it can be found online on the [EU Commission's Website](#).
14. More detail, including decisions of the Association Council and Association Committee established under the EU-Egypt Agreement for the purpose of administering the EU-Egypt Agreement, can be found on the EUR-Lex website. A consolidated version of the EU-Egypt Agreement can also be found on the [EUR-Lex website](#). The consolidated text is not an authoritative version of the EU-Egypt Agreement but will assist readers to understand how the EU-Egypt Agreement has been amended since its entry into force.
15. Should you wish to view the full text of the UK-Egypt Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010 (the "CRaG Act"). The text will also be available on GOV.UK.

Economic Background

16. This section provides a country-specific background analysis of trade between the UK and Egypt.

Trade between the UK and Egypt

17. Egypt is the UK's 48th largest trading partner,¹ accounting for 0.3% of total trade. Total trade in goods and services between the UK and Egypt was £3.6 billion in 2019.²

18. In 2019, UK exports to Egypt were £2.3 billion, making it the UK's 45th largest export market (accounting for 0.3% of all UK exports). UK imports from Egypt were £1.3 billion, making it the UK's 53rd largest import source (accounting for 0.2% of all UK imports).

Table 1: Trade between the UK and Egypt, 2019 (£ billion)

	Trade in goods	Trade in services	Total trade
UK exports to Egypt	1.5	0.8	2.3
UK imports from Egypt	0.9	0.4	1.3
Total trade	2.4	1.2	3.6

Source: [ONS, \(2019\). UK total trade: all countries, non-seasonally adjusted](#) (accessed 25th August 2020).

19. Using data from HMRC for trade in goods only, Table 2 shows in 2019 the top goods exported to Egypt were machinery and mechanical appliances (HS84, £222 million), and iron and steel (HS72, £215 million), together representing just under a third of the total value of goods exported to Egypt. The UK's top goods imported from Egypt were in electrical machinery and equipment (HS85, £204 million), and mineral fuels and oils (HS27, £124 million), together representing over a third of the total value of goods imported from Egypt.

¹ EU Member States are treated as individual trading partners with the UK.

² [ONS \(2019\), UK total trade: all countries, non-seasonally adjusted](#) (accessed 25th August 2020).

Table 2: Top 5 UK goods exports to and imports from Egypt, 2019 (HS2³, £ million)

Top 5 UK goods exports to Egypt	Value	Top 5 UK goods imports from Egypt	Value
Machinery and mechanical appliances	222	Electrical machinery and equipment	204
Iron and steel	215	Mineral fuels and oils	124
Electrical machinery and equipment	113	Edible fruit and nuts	88
Pharmaceutical products	104	Edible vegetables	69
Optical, photographic, cinematographic and medical equipment	98	Plastics and articles thereof	51

Source: [HMRC trade statistics by commodity code](#) (accessed 15th September 2020). Sectors classified according to Harmonised System chapters. Data presented is recorded on a physical movement basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

20. In 2019, the UK exported £826 million in services to Egypt and imported £399 million in services. Table 3 shows that in 2019 'other business services' (comprised of sectors including legal, accounting, management consulting and others) was the largest UK service exported to Egypt, valued at £170 million, with financial services following as the second largest export (£138 million). 'Other business services' was the largest UK service imported from Egypt, valued at £123 million, with travel services following as the second largest import (£109 million).

Table 3: Top UK services exports to and imports from Egypt, 2019 (£ million)

Top 5 UK services exports to Egypt	Value	Top 5 UK services imports from Egypt	Value
Other Business Services	170	Other Business Services	123
Financial	138	Travel	109
Travel	115	Transportation	55
Transportation	106	Telecommunications, computer and information services	21
Government	70	Government	18

Source: ONS, (2019). UK trade in services: service type by partner country, non-seasonally adjusted (accessed 22nd January 2020).

Source: [ONS, UK trade in services by partner country: July to September 2019](#) (accessed 25th September 2020)

³ The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

Import data for 'transportation', 'insurance and pension', 'financial', 'intellectual property' and 'government' sectors have been omitted by the ONS as the data might be disclosive, but the values are included in the overall totals.

ONS data is recorded on a 'Balance of Payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.

UK businesses exporting to and importing from Egypt

21. In 2018, HMRC estimated that around 2,600 VAT registered UK businesses exported goods to Egypt and around 800 imported goods from Egypt.⁴ As these figures only include businesses trading in goods, they are likely to underestimate the total number of businesses trading with Egypt.
22. For context, provisional survey data from the ONS shows that around 340,500 (non-financial) registered businesses in the United Kingdom traded in either goods or services or both in 2018 with another country.⁵ This was just under 15% of all VAT/PAYE registered businesses. There were around 211,100 (non-financial) registered businesses in the UK engaged in goods trade with another country and 188,400 (non-financial) registered businesses trading in services in 2018. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

Economic impact of the EU-Egypt Agreement

23. The EU-Egypt Agreement, which established a free trade area, liberalising two-way trade in industrial products and progressively liberalising two-way trade in agricultural, agri-food and fisheries products, was signed in 2001 and entered into force in 2004. The EU-Egypt Agreement also contains provisions on quotas, movement of capital, competition, and intellectual property. Egypt is also part of the Euro-Mediterranean Partnership between the EU and a number of other Mediterranean countries which aims to create a Euro-Mediterranean free trade area (EUMFTA).⁶
24. A 2018 European Commission report looking at implementation of EU free trade agreements included information on the EU-Egypt Agreement.⁷ It highlighted that between 2002 and 2017 EU goods exports to Egypt had increased by 193% and EU goods imports from Egypt by 142%, although it must be noted that trade would have been likely to expand in the absence of the agreement.

⁴ HMRC, (2018). [Regional trade statistics interactive analysis: second quarter 2018](#) (accessed 25th September 2020)

⁵ ONS, (2019). [Annual Business Survey exporters and importers](#) (accessed 25th September 2020)

⁶ For more on the [EU-Egypt Agreement and Euro-Mediterranean Partnership](#).

⁷ European Commission (2018), '[Individual reports and info sheets on Implementation of EU Free Trade Agreements](#)'.

Potential loss to the UK if the UK-Egypt Agreement is not brought into effect

25. The UK-Egypt Agreement not being applied would result in UK businesses losing the preferences negotiated in the EU-Egypt Agreement. This would include the re-imposition of many tariffs, returning to World Trade Organization Most-Favoured-Nation (“MFN”) tariff treatment with Egypt. Any benefits derived from trading under preferences within the EU-Egypt Agreement, such as increases in trade flows, may then be reversed.
26. It is unlikely that the entire effect of the EU-Egypt Agreement would diminish. Tariffs would revert to MFN rates, discussed in further detail below, but it could take longer for some of the other benefits to be lost. Some gains might endure even in the long run. For example, the UK might still benefit from any regulatory arrangements agreed because of the EU-Egypt Agreement. Business connections formed because of the EU-Egypt Agreement might also endure.
27. The size of the impact of not bringing into force or applying the UK-Egypt Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of access to the preferences provided under the Agreement.⁸

Immediate impact if not brought into effect

Impact of tariffs under current MFN and GSP rates⁹

28. Much international goods trade takes place in products for which MFN rates are already zero. However, trade and association agreements provide additional opportunities by reducing tariffs on products where this is not the case. If the UK-Egypt Agreement is not brought into effect, tariffs between the two countries would revert to MFN rates, other than where Egypt benefitted from preferential access to the UK market under a unilateral preference scheme that the UK is implementing after EU exit (the “UK GSP” (Generalised Scheme of Preferences), see paragraph 33). This would lead to an increase in duties on some UK exports to, and imports from, Egypt.
29. To estimate the potential impact of losing tariff preferences, assumptions have to be made. It is assumed all current trade between the UK and Egypt occurs at the negotiated preferential tariff rate and current patterns of trade remain unchanged in the future. Without taking into account the effect of unilateral preferences other than the UK’s GSP tariff rates, reverting to Egypt’s current MFN tariff rates and the UK’s GSP tariff rates would result in an annual increase in total duties of around £130 million. This would predominately consist of duties on UK exports increasing by around £112 million, with duties on imports increasing by around £18 million.¹⁰

⁸ Head K and Mayer T (2014), '[Gravity Equations - Workhorse, toolkit and cookbook](#)', *Handbook of International Economics*, 4, pp. 131-195.

Dhingra S, et al. (2018), '[Beyond Tariff Reductions: What Extra Boost From Trade Agreement Provisions?](#)' *CEP Discussion Paper No 1532*, LSE, pp. 1-38.

⁹ Tariff schedules used in this impact assessment are the applied tariff rates, not bound tariff rates.

¹⁰ DIT calculations using tariff data from ITC Market Access Map ([MAcMap](#)) and trade data from [ITC TradeMaps](#) for exports calculations. DIT calculations using tariff data from the European Commission and Eurostat trade data (accessed August 2020) for imports. Implied additional duties are calculated using the difference in MFN and preferential tariff rates (simple average tariffs at CN8 level) and the value of trade for each product at CN8 level (2019 for imports, 2018 for exports). Different approaches and data sources for this analysis are likely to yield different results. Calculations on export duties also assume trade is not eligible

30. However, these estimates assume that all tariff preferences offered under the current EU-Egypt Agreement are fully utilised by exporters. This is unlikely to be true. For example, evidence suggests that in 2016, 48% of the UK's eligible goods exports to Egypt (defined as those which occurred under tariff lines where a preferential rate was offered under the EU-Egypt Agreement) actually utilised the tariff preferences.¹¹ DIT estimates suggest that 92% of the UK's eligible goods imports from Egypt in 2019 were imported utilising the preferences under the EU-Egypt Agreement.¹² This means that the actual increase in duties could be lower than the estimates above.
31. The total duty which would in fact be charged on exports and imports would also depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
32. The indicative estimates show that the largest implied increases in UK export duties would be for railway or tramway equipment (HS86) of around £41 million, articles of iron or steel (HS73) of around £20 million, and nuclear reactors, boilers, machinery and mechanical appliances or parts thereof (HS84) of around £6 million.
33. The UK is implementing a unilateral preferences scheme, the UK GSP, as it leaves the EU. It is the Government's intention that countries that currently benefit from preferential access to the EU through the EU Generalised Scheme of Preferences ("EU GSP") would continue to receive the same access through the UK GSP¹³. At the end of the transition period, the UK will follow the EU GSP eligibility criteria. As Egypt is classified as a Lower-Middle Income Country by the World Bank, Egypt would be eligible for unilateral preferences under the UK GSP (see also Schedule 3 of the Taxation (Cross-border Trade) Act 2018). This approach will provide tariff reductions, but not the same level of access as that offered by the UK-Egypt Agreement.
34. Accounting for unilateral preferences, the largest implied increases in import duties would be in apparel and clothing accessories (not knitted) (HS62) of around £5 million and edible fruits and nuts (HS8) of around £4 million.

for duty relief under inward/outward processing rules, nor under specific plurilateral agreements such as those covering civil aviation and pharmaceuticals, nor WTO or preferential quotas. Calculations on import duties take into account inward/outward processing rules and trade which is eligible for relief under specific plurilateral agreements but not any WTO or preferential quotas.

¹¹ Nilsson L and Preillon N. (2018). ['EU Exports, Preferences Utilisation and Duty Savings by Member State, Sector and Partner Country'](#). *European Commission*, pp. 1-17. This report uses data collected by EU Delegations from relevant authorities in countries with which the EU has bilateral reciprocal Association Agreements in place.

¹² DIT calculations using data from [Eurostat](#) (accessed June 2020). Note that using a single year does not account for fluctuating trends in bilateral trade flows, which can be significant. In general, data on the preference utilisation of trade deals is not readily accessible and should be treated with caution. They indicate whether businesses trading in goods are benefitting from negotiated preferences, but do not tell us which or how many businesses are using these preferences. Nor do they cover services trade.

¹³ The Taxation (Cross-border Trade) Act 2018 enables the UK to put in place a UK trade preferences scheme for developing countries. The Government intends to put in place a trade preference scheme which maintains the preferential market access we currently offer to around 70 developing countries under the EU GSP. This will grant duty-free, quota-free access to developing countries which is a target in the UN's Sustainable Development Goals and is in line with our commitments in the WTO.

35. Indicative estimates of implied additional tariff duties are provided above to give a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and Egyptian Government. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare. Estimates of implied additional duties do not therefore constitute an estimate of the impact.

Businesses

36. Additional duties could be absorbed by either UK or Egyptian businesses (depending on whether it is the importer or exporter paying the duty), passed on to consumers, or existing trade patterns could be interrupted. This could impact on the competitiveness of UK businesses, leading to disruptions in supply chains and job losses in the short term.

37. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Egyptian inputs to export goods to the rest of the world. In 2016 (latest data), around 15.4% of the value added in UK's gross exports reflected imports from abroad, though the data does not provide how much of this added value comprises imports from Egypt.¹⁴ UK companies which rely on Egyptian imports would also become less competitive. Given the small share of UK trade under the EU-Egypt Agreement, it is expected that any impacts would be relatively small but could be noticeable for some specific companies.

Consumers

38. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in the choice of products and services available. Given the small share of UK-Egypt trade under the EU-Egypt Agreement, this impact may be relatively small overall but could be noticeable on specific product lines.

Longer term impact if not brought into effect

39. In the long run, the UK would forgo the longer-term benefits that the UK-Egypt Agreement would have brought to the UK. This could result in the long-term UK Gross Domestic Product ("GDP") marginally decreasing if the Agreement is not brought into effect. Given the small share of UK trade under the EU-Egypt Agreement, it is expected that any impact on UK GDP would be relatively small.

¹⁴ OECD, 2018. [Trade in Value Added \(TIVA\): Origin of value added in gross exports, December 2018](#). Experimental statistics.

Explanation of the UK-Egypt Agreement, including Significant Differences between the Agreement and the EU-Egypt Agreement

40. The UK-Egypt Agreement follows the short form approach, explained above in paragraphs 8 to 11 of this report. Beyond the general *mutatis mutandis* changes explained above, this section describes global changes made to continuity free-trade agreements following the short form approach and goes on to provide a detailed discussion of the UK-Egypt Agreement.

Nature of the EU-Egypt Agreement and the UK-Egypt Agreement

41. Technical transition of the EU-Egypt Agreement with few changes means that the substance of the UK-Egypt Agreement is broadly the same. This includes on those issues of particular importance, such as human rights and democratic principles.

General Provisions

Removal and replacement of references to the EU

42. Where necessary, any references to the “European Union”, “the European Community”, the “EU”, and “Member States” are either not incorporated into the UK-Egypt Agreement or replaced by “the United Kingdom”. Similarly, references to EU institutions have either not been incorporated or replaced with appropriate references to the equivalent institutions in the UK. All other references to the “European Union”, the “European Community”, the “EU”, “EU Party” and “Member States” that are not explicitly deleted are read, *mutatis mutandis*, as references to the UK.

Territorial Application

43. Territorial application provisions set out the territories to which the agreement in question applies, and how it applies to them. The territorial application of the EU-Egypt Agreement to the EU is defined by reference to the Treaties establishing the European Community and the European Coal and Steel Community.¹⁵ The UK-Egypt Agreement retains this provision and includes an additional article, Article 6, which clarifies that the UK-Egypt Agreement applies to the UK and the territories listed in Article 6 to the extent that and under the conditions which the EU-Egypt Agreement applied immediately before it ceased to apply to the UK. The Agreement will apply to Gibraltar and the Crown Dependencies (Isle of Man, Bailiwick of Jersey, Bailiwick of Guernsey) from the date of written notification by the UK to Egypt of the application of the Agreement to those territories. The territories, other than the UK itself, to which the UK-Egypt Agreement applies are separated into the following categories based upon the application of EU law to date:

- a. the Crown Dependencies (Isle of Man, Bailiwick of Jersey, Bailiwick of Guernsey), to which, broadly, provisions relating to trade in goods and customs apply; and
- b. Gibraltar, to which, broadly, provisions not relating to trade in goods or customs apply.

Continuation of Time Periods

44. Provisions of the EU-Egypt Agreement that require an action within a certain time period which has not yet ended under that agreement become part of the UK-Egypt Agreement reflecting only the remaining time in which the action must occur. Where time periods in such provisions of the EU-Egypt Agreement have ended, any ongoing right or obligation continues to apply between the UK and Egypt (the “Parties”) and the time period is not incorporated into the UK-Egypt Agreement.

45. These outcomes are provided for by Article 7 of the UK-Egypt Agreement, which also sets out an exception for time periods that relate to a procedure or other administrative matter, such as a review, committee procedure or notification. These periods are not affected and therefore ‘start again’ when the UK-Egypt Agreement enters into force . .

Institutions and Committees

46. Most of the institutional provisions and bodies provided for in the EU-Egypt Agreement have been incorporated, *mutatis mutandis*, into the UK-Egypt Agreement. The primary bodies responsible for overseeing the operation and implementation of the UK-Egypt Agreement are

¹⁵ The Treaty establishing the European Coal and Steel Community is no longer in force.

the Association Council (the “Council”) and the Association Committee (the “Committee”). The Council and Committee are comprised of representatives of the UK and Egypt. Article 8 of the UK-Egypt Agreement confirms that the Committee, established under incorporated Article 77, is responsible for ensuring the Agreement operates properly. Article 8(2) further provides that the Council and the Committee are deemed to have adopted the decisions of the Association Council and Association Committee established under the EU-Egypt Agreement before the EU-Egypt Agreement ceased to apply to the UK, to the extent those decisions relate to the UK and Egypt, *mutatis mutandis*. This approach provides for continuity of effect as it ensures that the decisions in force when the EU-Egypt Agreement ceases to apply to the UK continue to apply under the UK-Egypt Agreement, and subject to the provisions of the UK-Egypt Agreement. Where appropriate, the Council or the Committee may make decisions which modify, are different to, revoke or supersede those decisions they are deemed to have adopted (see Article 8(3)).

Amendment Provisions

47. Amendment provisions set out the process to be followed if the parties agree to amend the provisions of an agreement after it enters into force. Although parties to an agreement are generally free to amend it as they deem necessary, amendment provisions serve to make the process clearer, more streamlined, and transparent.
48. Article 10 of the UK-Egypt Agreement is an amendment provision which outlines the process to be followed if the Parties agree to amend the Agreement after it enters into force. Article 10 provides that the Parties may agree, in writing, to amend the Agreement. Such amendments shall enter into force on the first day of the second month following the date of receipt of the later of the Parties’ notifications confirming that they have completed their internal procedures, or on such date as the Parties agree. In the UK, amendments to the UK-Egypt Agreement that are, pursuant to Article 10(1) of the Agreement, expressly subject to a formal exchange of notes to confirm completion of internal procedures would engage the Parliamentary scrutiny process set out in the CRaG Act.
49. Except where otherwise provided in the UK-Egypt Agreement, the Council (or Committee insofar as such powers are delegated to it by the Council) may also decide that the annexes, appendices, protocols, joint declarations, and footnotes to the Agreement should be amended. The Parties may adopt the Council or the Committee’s decision subject to their own internal procedures. It is in the UK’s interests for the Council and the Committee to have this function to ensure continuity of effect of the EU-Egypt Agreement, as far as possible, and to streamline the process of making changes to the UK-Egypt Agreement where required.
50. The inclusion of an amendment provision in the UK-Egypt Agreement does not commit the UK to making any changes to the Agreement once it enters into force. It simply sets out a process which may be used if needed. Therefore, the inclusion of an amendment provision is not expected to have an impact on the operability of the Agreement in a bilateral context.

Entry into Force

51. Entry into force provisions specify the date from which the provisions of an agreement will bind the parties. Existing entry into force provisions in the EU-Egypt Agreement have been replaced with new provisions to ensure that the UK-Egypt Agreement is able to enter into force as swiftly as possible once the EU-Egypt Agreement ceases to apply to the UK.
52. Article 11 of the UK-Egypt Agreement provides that the Agreement shall enter into force on the later of:
 - a. the date on which the EU-Egypt Agreement ceases to apply to the UK; and

- b. the date of the later of the notifications by which the UK and Egypt notify each other that they have completed their respective legal procedures.

53. For the UK-Egypt Agreement to enter into force, both Parties must first complete their domestic legal procedures required for entry into force. In UK domestic law, before an agreement subject to ratification (as the term is defined in domestic law) may be brought into force, it must be laid before Parliament for scrutiny in accordance with the CRaG Act.
54. Pursuant to Article 6(2) of the UK-Egypt Agreement, the Agreement will apply to Gibraltar and the Crown Dependencies (Isle of Man, Bailiwick of Jersey, Bailiwick of Guernsey) from the date of written notification by the UK to Egypt of the application of the Agreement to those territories.
55. The UK is required to submit notifications under Article 11 to the Ministry of Foreign Affairs of Egypt or its successor. Egypt is required to submit notifications of Egypt under Article 11 to the UK's Foreign, Commonwealth and Development Office or its successor.

Trade Remedies

56. Trade remedies provide a safety net for domestic industry against injury caused by dumped, subsidised or unexpected surges of imports of goods. All major WTO Members have a trade remedies system. The UK will operate its own system once outside the EU.
57. The UK-Egypt Agreement replicates the effects of the trade remedies provisions in the EU-Egypt Agreement *mutatis mutandis*.

Dispute Settlement

58. The economic benefits of trade and association agreements can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties' intention to abide by the agreement, thereby increasing business and stakeholder confidence that the commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism therefore provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes arising under the agreement in question.
59. The UK-Egypt Agreement replicates the effects of the dispute settlement provisions in the EU-Egypt Agreement *mutatis mutandis*.
60. One of the impacts of transitioning the dispute settlement provision in the existing EU trade and association agreements is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

Annexes and Protocols

Goods

61. Goods chapters in trade and association agreements set out the treatment and the level of access to the domestic market granted to the goods of each of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and Egypt have, other than in those cases detailed below, been transitioned without changes. This means that, under the UK-Egypt Agreement, tariff preferences applied by the UK for products from Egypt will remain the same as those applied by the EU on the date the UK ceases to be bound by the EU-Egypt Agreement, and, likewise, Egypt will continue to apply the same tariff preferences to products from the UK that it is applying to products from the EU covered by the EU-Egypt Agreement.
62. The only exception to tariff commitments being transitioned without modifications relates to the size of tariff-rate quotas (see below), which can be found in Sections 8 and 9 of Annex I to the UK-Egypt Agreement (concerning Protocols 1 and 2 of the EU-Egypt Agreement, as incorporated) where these have to be resized to deal with the fact that the UK is no longer a member of the EU. These changes are detailed further below.

Tariff Rate Quotas

Justification for policy change

63. Tariff-rate quotas (“TRQs”) allow a certain quantity of a product to enter the market at a zero or reduced tariff rate. Imports above the quota are subject to a higher tariff – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and exports to partner countries, in some of its trade and association agreements. In order for products to continue to benefit from the use of these TRQs bilaterally in trade between the UK and third countries, these quotas need to be present in the new UK agreements with those partners.
64. TRQs administered by the UK and by partner countries have been resized to reflect the fact that the UK is a smaller import and export market than the EU. Solutions were agreed with partner countries to set quotas at a sufficient level that would allow for continuity of historic trade flows, in most circumstances, for importers and exporters from both sides.
65. Where possible, TRQs have been resized based on three years’ worth of customs data, which detail actual usage of the TRQs by importers. This customs data is held by HMRC which records the volume and date of entry of shipments of goods that enter the UK claiming TRQ preferences. Where three years’ worth of customs data is not available, trade flow data has been used instead. In order to address future market access opportunities for UK and Egyptian businesses, it was also agreed that a minimum level of access should be provided for all quotas, based on a proxy measure relevant to UK trade. Doing so allows future market access opportunities for UK and Egyptian businesses using a fair, evidence-based methodology.
66. The agreed share has been applied to the TRQ volume at the time of signature, to account for any increases therein since the EU-Egypt Agreement first entered into force.
67. The TRQs provided in the UK-Egypt Agreement have been calculated using customs and trade flows data.

Impacts

68. Without transitioning the TRQs from the EU-Egypt Agreement into the UK-Egypt Agreement, and without any other mitigating actions, goods imported from Egypt under the TRQs in the EU-Egypt Agreement could face higher MFN tariffs. This could make these imports more expensive. The nature and size of the impact of this change will depend on a number of factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff rates. UK imports from Egypt based on trade data (at HS6 level) of products that are currently covered by TRQs¹⁶ were worth £34.0 million in total in 2019, equivalent to less than 4% of total UK goods imports from Egypt.^{17,18}
69. UK goods exports to Egypt could also be adversely affected if the relevant TRQs are not transitioned. In the absence of a free trade agreement that trade would face MFN tariffs. As explored above for UK imports, the nature and size of the impact of this change would depend on a number of factors.
70. Based on historical usage of the quotas and trade flows in relevant products, it is expected that the overall, immediate impact on UK producers and consumers resulting from this approach to re-sizing TRQs would be limited.

Inward TRQs

Table 4: List of TRQs from Egypt to the EU and new quota volumes in the UK-Egypt Agreement

Quota No. ¹⁹	Product description	New UK quota volume (tonnes, unless otherwise specified)
091712	Garlic, fresh or chilled	732
091783	Cucumbers, fresh or chilled	549
091799	Fresh strawberries	6,000
091796	Husked (brown) rice	3,158
091797	Semi-milled or wholly milled rice, whether or not polished or glazed	11,053
091798	Broken rice	12,631
091785	Chemically pure fructose in solid form	136
091786	Other sugar confectionary, not containing cocoa, containing: 70 % or more by weight of sucrose	219
091787	Sweetened cacao powder, containing: 70 % or more but less than 80 % of sucrose (sugar)	87
091788	Sweetened cacao powder, containing 80 % or more by weight of sucrose (sugar)	87
091789	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars	87

¹⁶ Trade data at HS6 level. Products covered by quotas taken from the EU's [TARIC database](#).

¹⁷ Trade data at HS6 level. Products covered by quotas taken from the EU's [TARIC database](#).

¹⁸ HM Revenue and Customs, UK trade statistics data. <https://www.uktradeinfo.com/trade-data/>. 2019 average. It should be noted that not all commodity codes within the HS product codes will be covered in every TRQ. Further, it is not necessarily the case that all trade in products under the quota will enter under this access commitment. As such, estimates based on HS6 data are likely to give an upper bound to the volume of imports and exports covered by the TRQ.

¹⁹ Inward quotas, which are administered by the EU, each have a unique order number. Further information about existing EU quotas can be found on the EU Customs and Taxation website.

http://ec.europa.eu/taxation_customs/dds2/taric/quota_consultation.jsp?Lang=en

	weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form, in containers or immediate packings of a content exceeding 2 kg, containing less than 18 % by weight of cocoa butter, containing 70 % or more by weight of sucrose	
091790	Other food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included, food preparations of goods of headings 0401 to 0404, not containing cocoa or containing less than 5 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included, containing 70 % or more by weight of sucrose/iso- glucose	219
091791	Preparations with a basis of coffee, containing 70 % or more by weight of sucrose/isoglucose	219
091792	Preparations with a basis of tea or mate, containing 70 % or more by weight of sucrose/isoglucose	87
091793	Other flavoured or coloured sugar syrups (excluded isoglucose, lactose, glucose and maltodextrine syrups), containing 70 % or more by weight of sucrose/isoglucose	87
091794	Other food preparations not elsewhere specified or included, of a kind used in drink industries, containing 70 % or more by weight of sucrose/isoglucose	219
091795	Other preparations of a kind used in drink industries, containing all flavouring agents characterising a beverage, of an actual alcoholic strength by volume not exceeding 0,5 %, containing 70 % or more by weight of sucrose/isoglucose	219

Outward TRQs

Table 5: List of TRQs from the EU to Egypt and new quota volumes in the UK-Egypt Agreement

Product description	New Egypt quota volume (tonnes)
Meat and edible offal, of the poultry of heading 0105, fresh, chilled or frozen: - Of fowls of the species <i>Gallus domesticus</i> : - - Not cut in pieces, fresh or chilled - - Not cut in pieces, frozen	681
Fresh (unripened or uncured) cheese, including whey cheese, and curd (less than 20kg)	136

Entry Price System

71. The EU's Entry Price System ("EPS") is a variable tariff mechanism applying to 15 types of fruits and vegetables. The EPS applies to apples, apricots, artichokes, cherries, clementines, courgettes, cucumbers, lemons, mandarins, oranges, peaches/nectarines, pears, plums, table grapes and tomatoes during their respective, approximate European growing seasons.
72. Under the EPS, a specific duty is charged in addition to the *ad valorem* duty, whenever the price at which the goods are imported is below a pre-determined entry price. The specific duty varies depending on the difference between the entry price and the import price of the goods. In most cases, if the import price of the consignment undercuts the entry price by more than 8%, the full bound specific tariff is applied. These entry prices and specific tariffs are provided in the EU's Schedule of Commitments to the WTO General Agreement on Tariffs and Trade ("GATT").

Justification for policy change

73. The UK is retaining the flexibility to implement an EPS following its withdrawal from the EU. Section 8(d) of Annex I to the UK-Egypt Agreement acknowledges the UK's right to introduce and apply an EPS, which replicates (in whole or in part) the EU's EPS, on or after the date on which the UK-Egypt Agreement enters into force but does not have an obligation to do it.
74. This provision provides continuity of effect by ensuring that if the UK applies an EPS, the modifications provided for in incorporated Protocol 1 will continue to apply under the UK-Egypt Agreement. In the event that the UK applies an EPS, the Agreement provides that the *ad valorem* part of the duty will be eliminated, but the specific duty will be retained.

Impact

75. In the case of sweet oranges (0805 10 20), the EU-Egypt Agreement provides a preferential trigger price within a quota limit. In line with the UK's approach to TRQs, this quota has been resized and the preferential trigger price would be available to Egypt for sweet oranges up to a limit of 4,944 tonnes. Outside of this quota, the MFN trigger price would apply. This quota would only apply in the event the UK applied an EPS. This approach is consistent with the preferential terms outlined in the EU-Egypt Agreement. Since the provision merely replicates

one that existed in the EU-Egypt Agreement, its inclusion is not expected to have an economic impact.

76. The UK's GATT Schedule of Commitments (published 24 July 2018) replicates the entry prices and specific tariffs as bound in the EU's GATT Schedule. Any future UK EPS will therefore have entry prices and specific duties no higher than those specified in the UK's GATT Schedule.

Rules of Origin

77. In trade and association agreements, rules of origin ("RoOs") are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good must "originate" in one of the parties to the agreement. Trade and association agreements may also allow materials originating and/or processed in a country other than the exporting party to count towards meeting the specific origin requirements for preferential treatment, a process known as "cumulation".

78. There are two main categories relevant to determining whether goods "originate" in the exporting country for the purposes of a trade or association agreement:

- a. **Wholly obtained** – These goods are wholly obtained or produced entirely in a single country. Examples include: (i) mineral products extracted from the soil; and (ii) live animals born and raised there.
- b. **Substantial transformation** – These goods are made from materials which come from more than one country, and the origin is, therefore, defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
 - I. **Value added** – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
 - II. **Change in Tariff Classification ("CTC")** – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
 - III. **Specific processing or manufacturing** – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

79. During the transition period, all UK content is currently considered as "originating" in the EU and UK exports are designated as "EU origin". This means that originating materials from, and processing in, the UK and the rest of the EU-27 Member States can be used interchangeably in the UK's bilateral trade with existing EU trade partners. This will no longer be the case when existing EU trade and association agreements cease to apply to the UK at the end of the transition period.

80. At this point, the designation of UK exports will shift from "EU" originating to "UK" originating, and EU content will (unless specific provision is made in the new UK continuity trade agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This change would have implications for goods traded between the UK, EU, and Egypt.

81. To address these implications and to provide maximum continuity for business, the UK-Egypt Agreement provides that EU materials can be recognised (i.e. cumulated) in UK and Egyptian exports to one another. Furthermore, EU processing can be recognised (i.e. cumulated) in UK

exports to Egypt. The cumulation arrangements are set out in detail in Articles 3 and 4 of Title II (Definition of the concept of ‘originating products’) of Annex II to the UK-Egypt Agreement and are subject to satisfying certain conditions specified in the agreement. Egypt and the UK (during the transition period) are currently contracting parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (the “PEM Convention”). The PEM Convention is a multilateral agreement that harmonises preferential RoOs across the Euro-Mediterranean Free Trade Area and provides for cumulation between contracting parties to the PEM Convention.²⁰ The EU-Egypt Agreement replicates the provisions of the PEM Convention, including the cumulation arrangements with other parties, in a bilateral context with necessary modifications.

82. The text of the RoOs Protocol can be found in Annex II of the UK-Egypt Agreement, as published on GOV.UK.

Impact

83. If cumulation of EU content for the UK and Egypt was not permitted under the UK-Egypt Agreement, some UK and Egyptian based exporters could find themselves unable to qualify for the preferential treatment currently provided by the EU-Egypt Agreement.

84. UK exporters to Egypt who rely on EU content might have had to revert to paying MFN tariffs if they continued using EU content, or they might have had to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would, of course, have varied across sectors.

85. The UK-Egypt Agreement provides only for trade between the UK and Egypt and does not provide for either the UK or Egypt’s direct trade with the EU, including, for example, where UK and Egyptian based exporters use content from each other in exports to the EU. On signature of the UK-Egypt Agreement, the UK and Egypt also made a new Joint Declaration relating to a trilateral approach to rules of origin. This Joint Declaration obliges the Parties to take the necessary steps, as a matter of urgency, to update Protocol 4 of the Agreement in the event of an agreement between the UK and the EU that contains rules of origin appropriate for a trilateral approach. This is expected to have a relatively minor impact on trade flows.

Customs

86. The UK-Egypt Agreement incorporates the customs provisions of the EU-Egypt Agreement, *mutatis mutandis*. However, minor changes have been made to the following provisions of Protocol 5 (see Annex I “Modifications to Protocol 5”):

- a. Article 10, by removing the reference to the provisions on confidentiality applying to EU authorities and by removing the reference to legal provisions in force in Member States in respect of exchange of personal data;
- b. Article 13, by removing reference to the customs services of the European Commission; and
- c. Article 14, by: (i) removing reference to the competencies of the European Commission and the Member States and an exception for Community provisions governing the communication between the European Commission’s competent services and the Member State’s custom authorities; and (ii) substituting text to note the precedence of

²⁰ The Contracting Parties as defined in the PEM Convention as at the date the Agreement is signed.

the incorporated Protocol 5 over any incompatible provisions of any bilateral agreement on mutual assistance concluded between the UK and Egypt.

87. The above minor changes are not expected to have any direct impact on trade flows.

Intellectual Property

88. The UK-Egypt Agreement continues the UK's obligations to provide adequate and effective Intellectual Property ("IP") protection in line with international standards and to cooperate with Egypt on aspects of IP. It achieves this by incorporating the relevant provisions of the EU-Egypt Agreement, *mutatis mutandis*. At the end of the transition period, the UK will remain a member of the World Intellectual Property Organization ("WIPO") and remain fully compliant with those WIPO treaties to which it is already a party. The UK will also continue to comply with its obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. The UK-Egypt Agreement also retains the obligation from the EU-Egypt Agreement which requires Egypt to accede to various international IP agreements. As the UK-Egypt Agreement replicates the effects of the current obligations under the EU-Egypt Agreement, there is not expected to be an impact on trade flows.

Government Procurement

89. In line with the EU-Egypt Agreement, the UK-Egypt Agreement does not include substantive public procurement obligations. However, the Parties retain the objective of progressive liberalisation of their respective public procurement markets by incorporating the relevant government procurement provisions into the UK-Egypt Agreement, *mutatis mutandis*. This is not expected to have an impact on trade flows.

Technical Barriers to Trade

90. Technical barriers to trade ("TBT") provisions in trade and association agreements cover aspects relating to technical regulations, standards, and conformity assessment for goods. They play an important role in reducing non-tariff barriers for businesses, for example, through increasing the transparency of a trading partner's regulatory requirements.

Competition and State aid

91. Provisions in trade and association agreements relating to competition and state aid help to ensure that open and fair competition exists for the parties.

92. It was not necessary to make any changes to the competition law and state aid provisions in the EU-Egypt Agreement when incorporating them into the UK-Egypt Agreement. The Agreement will not affect the financial support the Government provides to UK agricultural and fishing industries and it is not expected to have significant economic impacts.

Services

93. Services provisions in trade and association agreements set out the treatment and the level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments build upon the level of access and the treatment granted to all WTO Members, whilst protecting governments' rights to regulate their domestic markets. In the EU's trade and association agreements with third countries, the content of the services provisions and depth of the commitments undertaken vary considerably. The variety of these services provisions have, in some cases, necessitated a bespoke approach to deliver continuity in services commitments between the UK and the relevant partner country. Some agreements have not required amendment whilst others have required technical alteration to their text to deliver continuity of

effect. Where such technical changes have been necessary the effects have been replicated, as far as possible.

94. The services provisions of the EU-Egypt Agreement are contained in Title III (Right of Establishment and Supply of Services), Title V (Economic Cooperation) and Title VI (Dialogue and cooperation on social matters). The incorporated services provisions have been amended as follows:
- a. references to Egypt adhering to or adopting operating standards comparable to Community standards are not incorporated. This is because it would be inappropriate to require Egypt to adhere to both EU and UK standards;
 - b. reference to Egypt having access to Community research and technological development programmes in accordance with Community rules has been removed because these programmes are specific to the EU;
 - c. reference to the participation of Egyptian organisations in pilot projects and European programmes within the established frameworks has been removed because these programmes are specific to the EU;
 - d. reference to Egyptian access to and participation in networks of decentralised cooperation has not been incorporated because these networks are specific to the EU;
 - e. reference to “trans-European lines of communication” has not been incorporated, as this reference is EU specific; and
 - f. reference to interconnecting the Parties’ energy networks has not been incorporated as such a commitment would be inappropriate in a bilateral context.
95. The above changes are not expected to have any direct impact on trade flows.

Sanitary and Phytosanitary Measures

96. Sanitary and Phytosanitary (“SPS”) articles in trade and association agreements concern the application of food safety and animal and plant health regulations. SPS provisions allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. Trade agreements may contain SPS provisions which, for example, increase transparency in the application of SPS measures, or allow the recognition of equivalent measures in relation to animal health, and set import requirements, including health certification.
97. Articles 47 and 50 of the EU-Egypt Agreement contain commitments relating to cooperation on SPS matters and have been incorporated, *mutatis mutandis*, into the UK-Egypt Agreement without modification. The UK and Egypt also continue to apply with the same effect, *mutatis mutandis*, the common declaration on SPS barriers made by the parties to the EU-Egypt Agreement. The incorporation of these provisions will have no impact on the operation of the Agreement.
98. The right for the UK and Egypt to apply prohibitions or restrictions on trade in goods under the UK-Egypt Agreement on the basis of various public policy reasons including the protection of health and life of humans, animals or plants, is preserved through the incorporation, *mutatis mutandis*, of Article 26 of the EU-Egypt Agreement without modification. The incorporation of these provisions will have no impact on the operation of the Agreement.

Wider Provisions

99. As part of our approach to seek technical replication of the EU agreements as the transition period ends, we have also incorporated elements which go beyond trade. As with the trade focused provisions, we have amended these where necessary to ensure operability in the bilateral context.

Human Rights

100. The provisions of the EU-Egypt Agreement concerning human rights are incorporated into the UK-Egypt Agreement, *mutatis mutandis*. Accordingly, the UK-Egypt Agreement provides that respect for human rights and democratic principles constitutes an essential element of the Agreement. In the case of a material breach of the UK-Egypt Agreement by one of the Parties appropriate measures may be taken in accordance with international law. Incorporating these provisions is not expected to have a direct impact on trade flows.

101. The UK-Egypt Agreement also provides for the continuation of a regular bilateral political dialogue which will cover all issues of common interest to the UK and Egypt, and, in particular, peace, security, democracy and regional development. This approach is not expected to have a direct impact on trade flows.

