

Egypt's Manufacturing Sector
**Seizing on an
Advantageous Product
Space Position**

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Egypt's Manufacturing Sector Seizing on an Advantageous Product Space Position

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An overview of Egypt

A study of Egypt's product space reveals that its future development opportunities lie mainly in the machinery, chemical, plastics, and foodstuff clusters. Table 1 lists the target sectors that the methodology identifies as those strategic for Egypt's future.¹

The product community with the greatest number of target products is the machinery cluster, with 13 products (HS2:84-85). Following closely is the foodstuff cluster with a total of 12 products (HS2:16-24). In the chemical & allied industries cluster, the methodology identifies seven target products (HS2:28-38), while in plastics/rubbers there are eight (HS2:39-40). Taking into consideration the largely developed textile sector in Egypt, it is not surprising that the methodology identifies seven products in this community (HS2:50-63). While products in the foodstuff and textile community are closer in distance in terms of productive knowledge and capabilities of the country, products in the machinery and chemicals & allied industry have a higher Product Complexity Index (PCI). Therefore, developing them would have a larger impact on Egypt's average complexity. As can be seen in the table, the country currently has a presence in almost all of the communities included on the target list.

1

Please see the introduction for a detailed methodology. <http://www.lcps-lebanon.org/publication.php?id=294&category=900&year=2017>

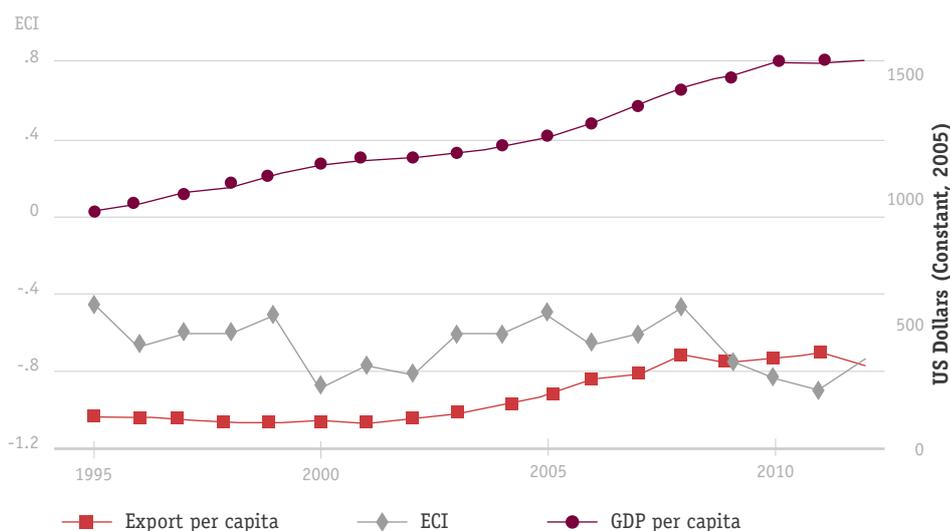
Table 1 Summary of target sectors

HS2	Product name	Product Targets	Product World Exports (\$)
84	Machinery and Mechanical Appliances, Computers, Boilers, Nuclear Reactors	11	1900 B
39	Plastic and Articles Thereof	5	242 B
85	Electrical Machinery	5	1772 B
22	Beverages, Spirits and Vinegar	4	93 B
40	Rubbers and Articles Thereof	3	122 B
63	Made-Up Text. Articles Nesoi, Needlecraft Sets, Worn Clothing, Rags	2	22 B
61	Articles of Apparel and Clothing Accessories Knited/Crocheted	2	22 B
32	Putty and Inks, Dyes, Pigments, Paints and Putty	2	54 B
16	Ed. Prep of Meat, Fish, Crustaceans, Etc.	2	44 B
87	Vehicles other than Rail/Tramway Rolling Stock	2	1202 B
24	Tobacco and Manuf. Tobacco Subs.	2	35 B
23	Food Industries Residue and Animal Feed	2	63 B
62	Articles of Apparel and Clothing Accessories-Not Knitted/Crocheted	2	53 B
56	Wadding, Felt and Nonwovens, Special Yarns, Twine, Cordage, Ropes and Cables and Articles	2	20 B
33	Oils and Resinoids, Perfumery, Cosmetics	2	52 B

HS2	Product name	Product Targets	Product World Exports (\$)
94	Furniture, Bedding, Lighting, Prefabricated Buildings	1	111 B
64	Footwear/Gaiters and Such	1	111 B
19	Preps. of Cereals, Flour, Starch or Milk	1	15 B
30	Pharmaceutical Products	1	456 B
58	Special Woven Fabrics, Tufted Text. Lace	1	8 B
28	Inorganic Chem, Precious Metal Compounds, Isotopes	1	95 B
60	Knitted/Crocheted Fabrics	1	24 B
31	Fertilizers	1	44 B
34	Soaps, Waxes, Candles	1	8 B
21	Misc. Edible Preparations	1	3 B

K = thousand, M = million, B = billion

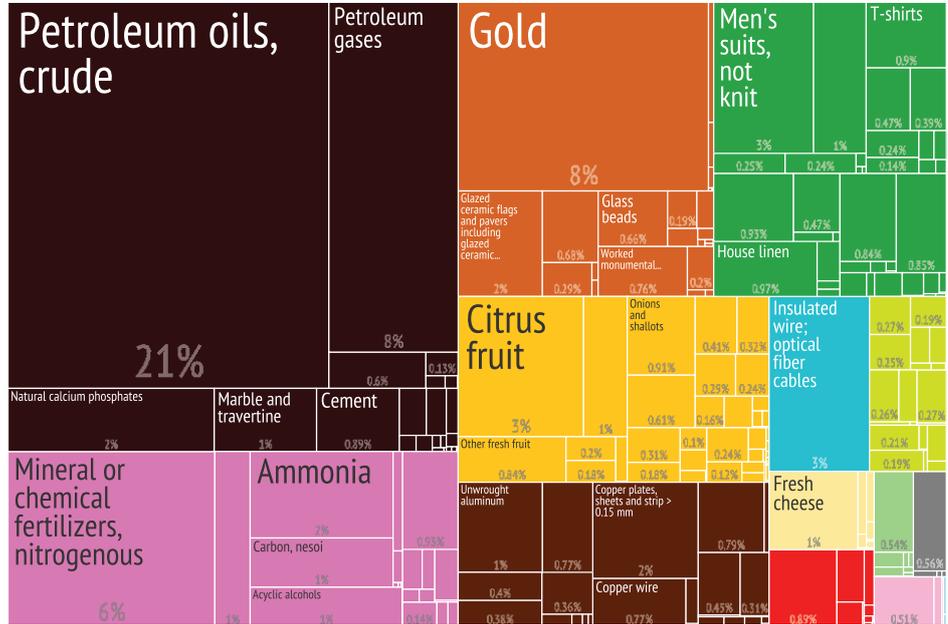
Figure 1 Evolution of Egypt's complexity, GDP and exports



Note Own calculation using HS4-level trade data from United Nations COMTRADE, and the World Development Indicators from the World Bank Database.

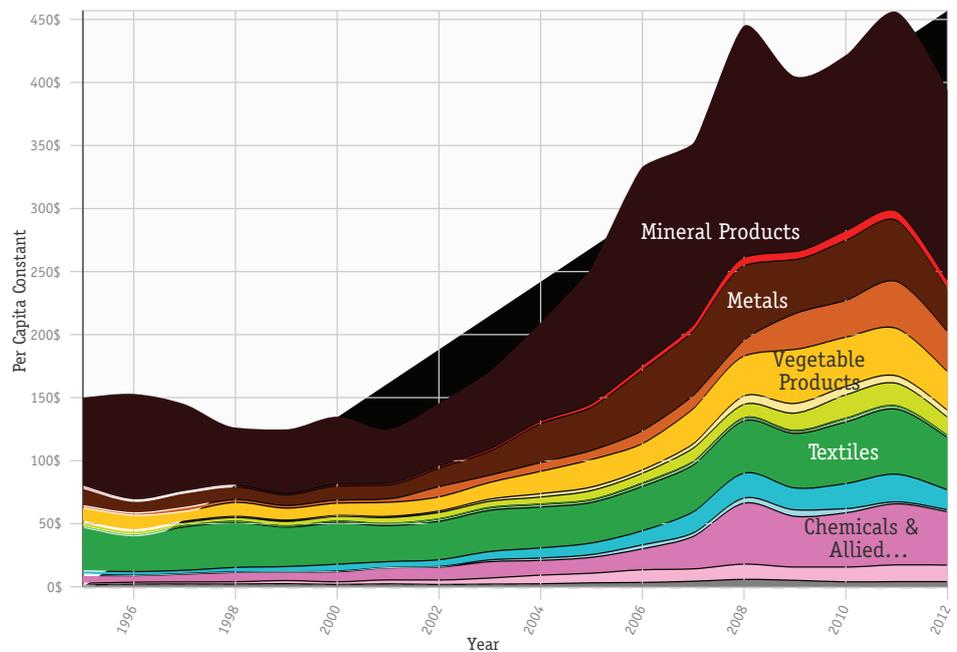
Egypt's GDP per capita has been rising in recent years to over \$1,500 in 2012 (figure 1). Exports per capita have also increased, although at a slower pace. Despite these increases, Egypt's Economic Complexity Index (ECI) has been relatively stagnant since 1995. In fact, the small reduction seen in this value over the years indicates that the average complexity of Egypt's products has not evolved positively. As will be seen in the following sections, Egypt has increased the diversity of its production, but has not moved into more complex products.

b Net exports of Egypt



Egyptian net exports totaling approximately \$19.4 billion

c Evolution of exports

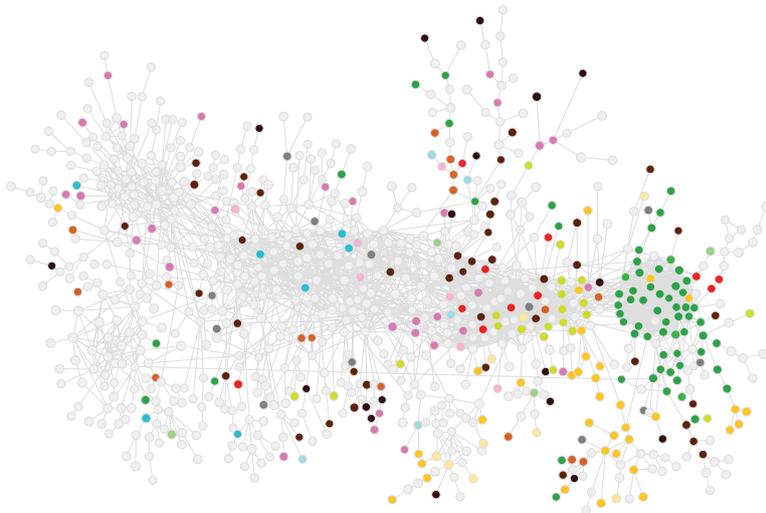


Note Own calculation using HS4-level trade data from United Nations COMTRADE. Products are colored according to the communities that they belong according to the above legend.

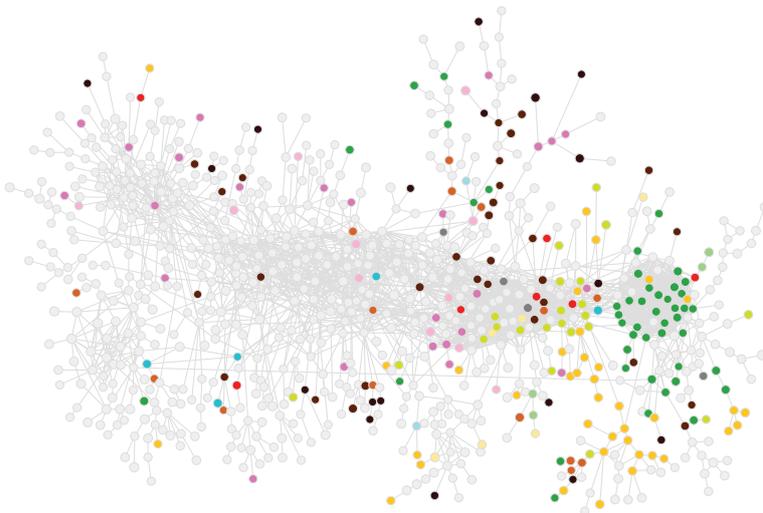
Figures 4a and 4b show Egypt's product space and its changes from 1995 to 2012. This visualization offers a sense of the type of productive knowledge present in the country and what nearby possibilities could be developed. The figures show that Egypt lost its fair share in some products between 1995 and 2012.

Figure 4 Egypt on the product space

a 1995



b 2012



Note Own calculation using HS4-level trade data from United Nations COMTRADE. Node size is proportional to world trade. Solid colored nodes indicate the products in which Egypt is competitive in world markets (i.e. $RCA > 1$). The nodes are colored according to the communities that they belong to.

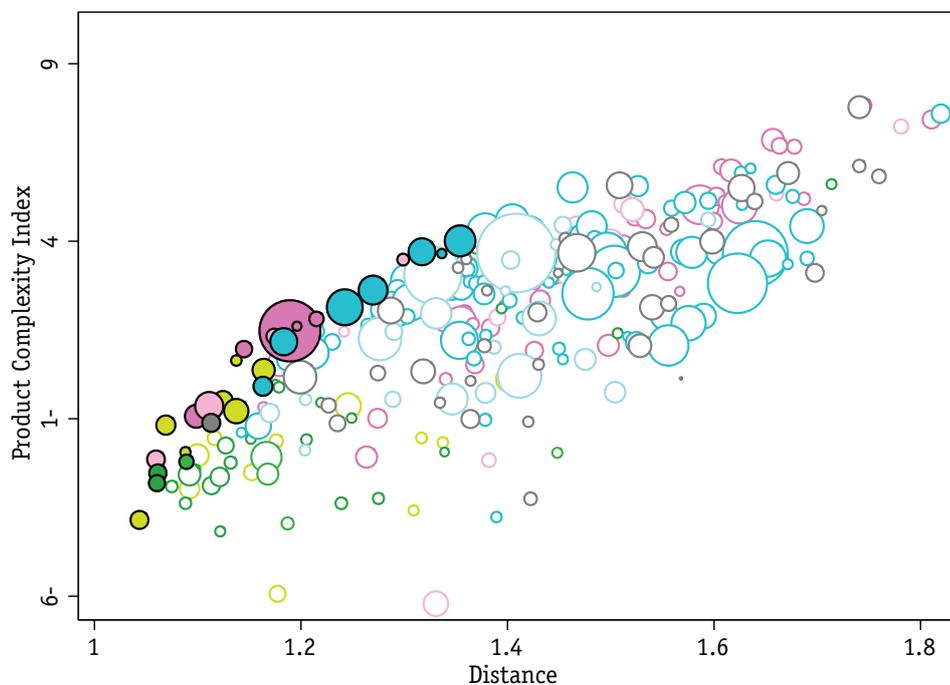
Additionally, the country mostly produces low-complexity materials, which are located on the right side or periphery of the product space, making knowledge accumulation and transitions to more complex products more difficult. This is the case with Egypt's most important exports, oil and resource-based products, which are, broadly speaking, located in the sparse part of the product space. Similarly, Egypt, like many developing countries, has an important presence in textile and agricultural industries (green and yellow), which are found in the right (less complex) region of the product space. It should be noted that the number of products (with RCA greater than 1) within these clusters diminished from 1995 to 2012, particularly textile products. This could be because Egypt has lost its competitiveness in these sectors.

Despite the strong concentration of periphery products in Egypt's product space, the country has some presence in industries located in the central sections of the product space, particularly in the machinery (blue) and chemicals (purple) clusters of the product space. These sectors may be used as anchors for the future development of the country, being an important step toward increasing the diversity of Egypt's exports by populating the product space, moving from the simpler products on the right side to more complex products on the left side.

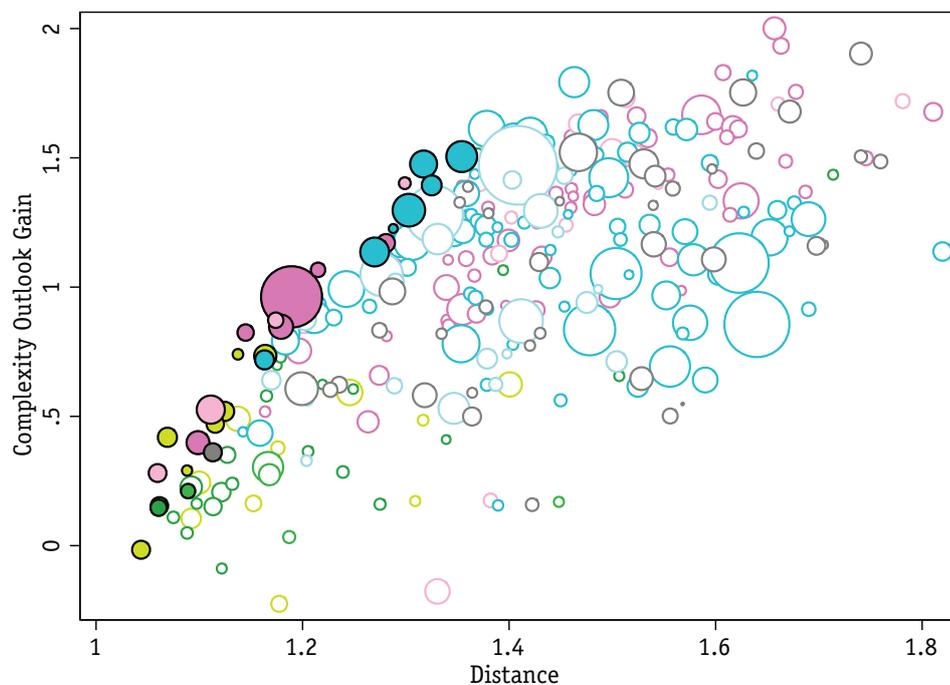
To shed light on how to increase the average complexity of a country's production, the product space analyzed above can provide clues about what new products are feasible given Egypt's constraints. Figures 5a and 5b highlight products that are attractive based on PCI and Complexity Outlook Gain index (COG), respectively. A detailed description of products on the target list is provided in table 2. These products signal to strategic clusters in Egypt for which a parsimonious industrial policy should aim to provide support and public inputs to improve their productivity and ability to jump to new opportunities.

Figure 5 Strategic bets for Egypt

a Product Complexity Index



b Opportunity Gain Index



Note Own calculation using HS4-level trade data from United Nations COMTRADE. Node size is proportional to world trade. Solid colored nodes indicate the strategic bets. The nodes are colored according to the communities that they belong to.

As can be inferred from its Complexity Outlook Gain (COG), Egypt is close to many complex products. From the figures above it is possible to see that the target products are in the machinery, chemical, plastics, textile, or foodstuff clusters. As a group, the textile and foodstuff clusters are relatively close considering that the country possesses the inputs required for its production and therefore should be easier to 'conquer'. Nevertheless, these products have lower PCI or opportunity gain, making them less desirable. On the other hand, the machinery cluster is farther in distance and therefore harder to develop based on present productive knowledge in the country, but has higher values of PCI and COG. New products belonging to this community would increase the average complexity of Egypt's export basket, compensating for the cost of developing them. In between these two clusters are a few strategic products in the chemical community, which are closer in distance than most machinery products, but have higher PCI and COG than the textile bets.

A few products in the chemical and machinery communities stand out in the figures above given the world trade in those product categories. The product with the largest potential market is medicaments, packaged (code 3004), whose world trade for 2012 was over \$330 billion. In the machinery community there are four products considered whose world trade is over \$40 billion: Electrical transformers (8504), pumps for liquids (8413), centrifuges (8421), and electrical boards and panels for protecting electrical circuits (8537). Nevertheless, although the level of world trade of a product category is an important aspect to be considered, the distance and PCI or COG are the driving variables that are used in order to identify strategic opportunities. By considering the tradeoff between existing productive knowledge (distance), complexity of a new product, and future diversification possibilities that the new productive knowledge will bring, a country is more likely to be successful in diversifying its products space.

Table 2 Recommendations for Egypt

HS4	Product name	RCA-2012	Distance	PCI	Target rank	World Trade (\$)	Top Importers	Top Exporters
3307	Shaving products	0.5	1.1	1.0	1	10 B	DEU GBR USA	DEU GBR CHN
2105	Ice cream	0.6	1.1	0.6	2	3 B	GBR FRA DEU	DEU FRA BEL
2202	Waters flavored or sweetened	0.9	1.1	-1.2	2	15 B	USA GBR DEU	AUT DEU CHE
3925	Plastic builders' ware	0.3	1.2	1.3	4	9 B	USA FRA DEU	CHN DEU POL
8419	Machinery, plant or laboratory equipment involving a change of temperature such as heating, cooking, roasting	0.1	1.3	3.7	4	37 B	USA CHN DEU	DEU USA CHN
4008	Plates, sheets, strip, rods and profile shapes, of vulcanized rubber	0.4	1.3	3.5	6	4 B	USA DEU NLD	DEU USA CHN
3923	Packing of goods	0.9	1.1	-0.6	7	42 B	USA DEU FRA	CHN DEU USA
3105	Mineral or chemical fertilizers, mixed	0.5	1.1	-0.9	8	24 B	IND BRA THA	RUS USA CHN
2203	Beer	0.2	1.1	-0.6	9	12 B	USA FRA GBR	MEX NLD DEU
3924	Plastic tableware, kitchenware or other household products	0.7	1.1	-2.1	9	13 B	USA FRA DEU	CHN DEU ITA
3405	Polishes and creams	0.3	1.2	1.6	11	2 B	KOR TWN DEU	JPN USA DEU
3004	Medicaments, packaged	0.4	1.2	1.5	11	331 B	USA DEU BEL	DEU USA CHE
1901	Malt extract	0.5	1.1	-0.5	13	15 B	CHN GBR USA	NLD FRA DEU
2201	Waters natural	0.1	1.1	-1.9	14	3 B	HKG USA JPN	FRA CHN ITA
8537	Electrical Boards and panels for protecting electrical circuits	0.7	1.3	2.6	15	44 B	USA CHN DEU	DEU CHN JPN
1601	Sausages	0.0	1.2	1.4	17	4 B	GBR DEU JPN	DEU USA ITA
9404	Mattress supports; articles of bedding	0.1	1.1	-1.1	17	13 B	USA JPN DEU	CHN POL DEU
2309	Preparations of a kind used in animal feeding	0.1	1.2	0.4	17	23 B	DEU USA JPN	NLD USA FRA
8418	Refrigerators, freezers	0.9	1.2	1.2	19	38 B	USA DEU FRA	CHN MEX ITA
6115	Panty hose, tights, stockings, socks and other hosiery	0.5	1.1	-2.5	19	11 B	USA JPN DEU	CHN ITA TUR
3214	Glaziers' putty	0.7	1.2	1.8	21	7 B	DEU RUS CAN	DEU USA BEL
8504	Electrical transformers	0.3	1.2	2.1	22	79 B	USA HKG DEU	CHN DEU JPN
6211	Active wear, not knit	0.7	1.1	-2.8	22	10 B	USA JPN FRA	CHN FRA VNM
6406	Parts of footwear	0.1	1.1	-2.2	24	7 B	ITA DEU RUS	CHN ITA IND
8426	Ships' derricks; cranes	0.0	1.2	-0.1	25	15 B	USA RUS SGP	CHN DEU USA
2208	Alcoholic preps for beverages	0.0	1.1	-0.8	26	28 B	USA CHN RUS	GBR FRA USA
2401	Tobacco, raw	0.1	1.0	-3.9	28	13 B	CHN USA DEU	BRA USA IND
8421	Centrifuges	0.2	1.4	4.0	28	53 B	USA DEU CHN	DEU USA CHN
8530	Electric signal, safety and traffic controls, railways, waterways, parking or airfields	0.0	1.3	3.7	28	2 B	USA CHN DEU	DEU SWE ESP
6112	Active wear	0.9	1.1	-2.9	31	4 B	USA DEU ITA	CHN IDN DEU
2402	Cigars	0.1	1.1	-2.0	31	22 B	ITA FRA JPN	DEU NLD POL
2306	Cotton seed oilcake	0.5	1.1	-1.6	31	7 B	USA NLD ESP	CAN UKR IDN

HS4	Product name	RCA-2012	Distance	PCI	Target rank	World Trade (\$)	Top Importers	Top Exporters
8424	Mechanical appliances for dispersing liquids or powders; fire extinguishers; spray guns; steam or sand blasting machines	0.2	1.3	3.5	33	17 B	USA CHN DEU	CHN DEU USA
6306	Tarpaulins, awnings and sunblinds	0.2	1.1	-2.4	34	3 B	USA DEU FRA	CHN DEU PAK
3916	Monofilament	0.5	1.2	1.5	35	5 B	FRA DEU USA	DEU TUR CHN
6002	Knit or crochet fabric, width < 30 cm > 5% elastomer	0.9	1.1	-2.6	36	21 B	HKG CHN VNM	CHN KOR TWN
3304	Beauty or make-up preparations	0.2	1.2	0.5	37	28 B	USA GBR DEU	FRA DEU USA
8432	Agricultural, forestry machinery for soil preparation	0.0	1.2	1.5	38	8 B	USA FRA RUS	DEU USA ITA
8474	Machinery for working earth, stone, and other mineral substances	0.3	1.2	0.7	40	19 B	RUS USA CHN	DEU CHN USA
6301	Blankets and traveling rugs	0.3	1.1	-3.4	40	4 B	USA JPN SAU	CHN IND KOR
1604	Prepared or preserved fish	0.0	1.1	-3.0	40	16 B	USA JPN ITA	THA CHN ECU
8716	Trailers and semi-trailers	0.1	1.2	1.1	42	22 B	CAN USA DEU	DEU USA CHN
8413	Pumps for liquids	0.1	1.3	2.9	42	62 B	USA DEU CHN	DEU USA CHN
2833	Sulfates; alums; peroxosulfates (persulfates)	0.3	1.2	-0.7	44	3 B	USA BRA JPN	CHN DEU ESP
5601	Wadding of textile materials	0.4	1.2	-0.0	46	2 B	RUS FRA JPN	ITA CHN NLD
6212	Brassieres and parts thereof, not knit	0.3	1.1	-1.8	46	9 B	USA HKG JPN	CHN LKA IDN
8531	Electric sound or visual signaling apparatus	0.1	1.3	2.6	46	15 B	USA DEU HKG	CHN USA DEU
8437	Machines for cleaning, sorting or grading seed; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables	0.0	1.1	-1.4	48	2 B	IND RUS USA	CHN CHE ITA
8434	Milking and dairy machines	0.0	1.3	2.5	48	2B	DEU FRA BLR	DEU NLD SWE
8546	Electrical insulators of any material	0.3	1.3	1.9	50	3B	USA CHN SWE	CHN DEU ITA

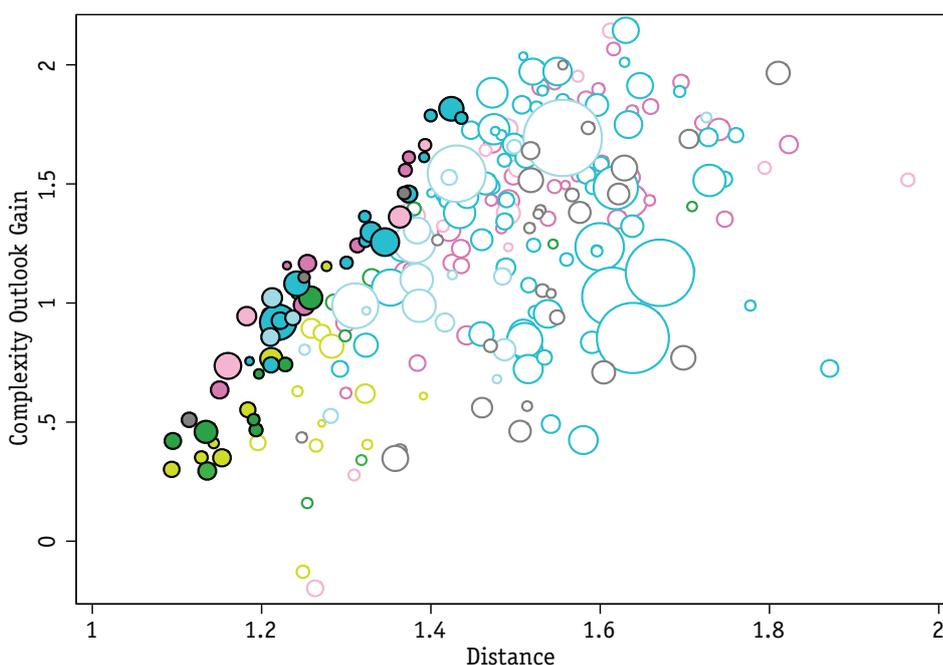
K = thousand, M = million, B = billion

The previous exercise is now repeated for the year 2000 to identify target products given a hybrid rank that combines the ease and attractiveness of the product and to compare its results with data from 2010 to analyze whether they were developed. It can be observed from the figures above that Egypt has diversified into approximately 30% of the products that are on the target list for year 2000 (red), which validates our approach. Additionally, Egypt developed several (yellow) products that are not among identified target products but are relatively close to products selected according to the methodology. Nevertheless, there are several products (in blue) that have high attractiveness and are also relatively easy to conquer that were not developed in Egypt by 2010. These are interpreted as missed opportunities. These blue products warrant special attention as they might also hint to the presence of market failures in the country. As can be seen in figures 6a and 6c, most of them are in the machinery and chemical cluster. A detailed description of these products is provided in table 3.

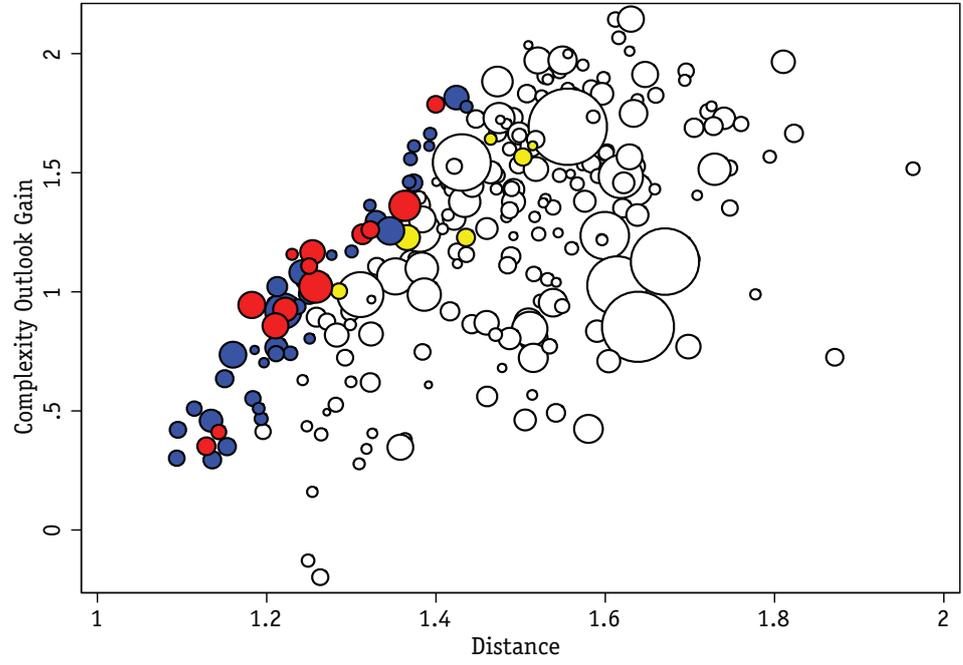
From the table below, it should be highlighted that most blue products (those that do not reach our benchmark $RCA > 1$) increased their revealed comparative advantage value significantly but not enough to claim these industries as 'conquered' by Egypt. Only four products (out of the 50 identified) decreased their RCA from 2000 to 2010.

Figure 6 Strategic bets for Egypt in year 2000

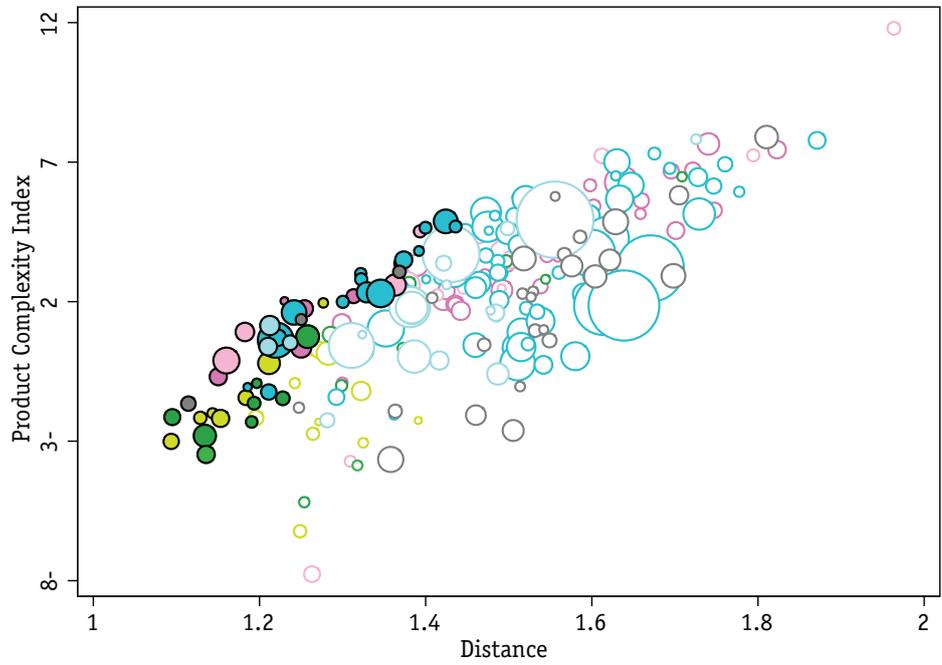
a Opportunity Gain Index 2000



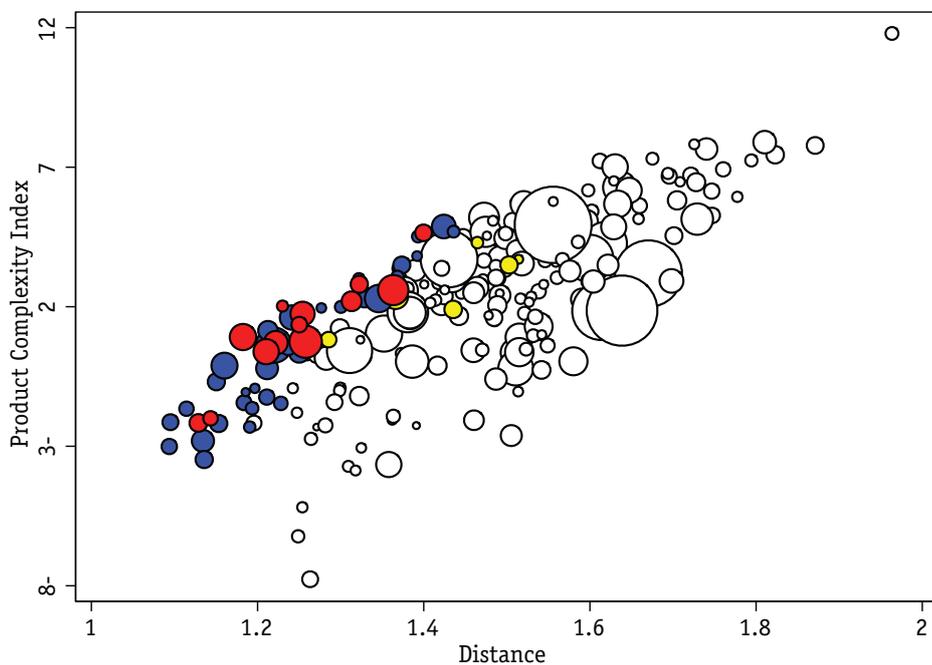
b Opportunity Gain Index 2010



c Product Complexity Index 2000



d Product Complexity Index 2010



Note Own calculation using HS4-level trade data from United Nations COMTRADE. Node size is proportional to world trade. The nodes are colored according to the communities that they belong to in (a) and (c). In figures (b) and (d), Red nodes are conquered by Egypt and were also in our target list, Blue nodes are not conquered by Egypt and were in our target list. Finally, Yellow nodes are conquered but were not in the target list.

Table 3 Strategic bets for Egypt in year 2000

HS4	Product name	RCA-2000	RCA-2010	Distance	PCI	COG	World Trade (\$)	Target rank
3814	Organic composite solvents and thinners	0.6	3.4	1.2	2.0	1.2	707M	1
3917	Tubes, pipes and hoses and fittings	0.1	1.2	1.2	0.9	0.9	7 B	2
8716	Trailers and semi-trailers	0.3	0.5	1.2	1.1	1.0	8 B	3
3209	Paints and varnishes, aqueous	0.1	1.1	1.2	0.7	1.0	2 B	4
8418	Refrigerators, freezers	0.6	1.3	1.2	1.6	1.1	15 B	5
8432	Agricultural, forestry machinery for soil preparation	0.0	0.0	1.3	3.0	1.4	2 B	6
2105	Ice cream	0.0	0.3	1.2	1.4	1.0	1 B	7
3208	Paints and varnishes, nonaqueous	0.5	1.8	1.3	1.7	1.2	6 B	8
3923	Packing of goods	0.3	0.9	1.2	-0.1	0.7	17 B	8
3809	Finishing agents for dyeing	0.1	0.7	1.4	3.5	1.6	2 B	10
8504	Electrical transformers	0.2	0.2	1.2	0.6	0.9	39 B	11
8417	Industrial or laboratory furnaces and ovens, including incinerators	0.1	1.4	1.4	4.6	1.8	2 B	12
8702	Motor vehicles for the transport of > 10 persons	0.7	1.7	1.2	0.4	0.9	6 B	14
8474	Machinery for working earth, stone, and other mineral substances	0.3	1.0	1.2	0.7	0.9	5 B	14
9028	Gas, liquid or electricity supply or production meters	0.0	2.4	1.3	1.4	1.1	2 B	14
3105	Mineral or chemical fertilizers, mixed	0.0	1.1	1.2	-0.7	0.6	6 B	16
9404	Mattress supports; articles of bedding	0.2	0.2	1.1	-1.7	0.5	4 B	17
3214	Glaziers' putty	0.2	0.6	1.4	3.4	1.6	3 B	18
6115	Panty hose, tights, stockings, socks and other hosiery	0.2	0.4	1.1	-2.1	0.4	5 B	19
1601	Sausages	0.0	0.0	1.3	2.0	1.2	1 B	20
8437	Machines for cleaning, sorting or grading seed; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables	0.3	0.3	1.2	-1.1	0.8	823 M	21
8705	Special purpose motor vehicles	0.0	0.2	1.2	0.5	0.9	4 B	22
4010	Conveyor or transmission belts of vulcanized rubber	0.1	0.2	1.4	4.5	1.7	2 B	23
8419	Machinery, plant or laboratory equipment involving a change of temperature such as heating, cooking, roasting	0.2	0.1	1.4	4.9	1.8	14 B	24
8462	Machine tools for working metal by forging; machine tools for working metal by bending, folding, straightening or flattening	0.2	0.1	1.4	3.5	1.5	6 B	25
8402	Steam or other vapor generating boilers	0.0	1.6	1.3	2.8	1.3	2 B	26
9306	Bombs, grenades, torpedoes, mines, missiles and similar munitions of war	0.0	0.2	1.4	3.1	1.5	2 B	27

HS4	Product name	RCA-2000	RCA-2010	Distance	PCI	COG	World Trade (\$)	Target rank
1902	Pasta	0.4	2.9	1.1	-2.2	0.4	2 B	28
6002	Knit or crochet fabric, width < 30 cm > 5% elastomer	0.5	0.7	1.1	-2.8	0.5	11 B	29
2008	Fruit, nuts and edible plants preserved with sugar	0.3	1.1	1.1	-3.0	0.3	4 B	30
2208	Alcoholic preps for beverages	0.0	0.0	1.2	-0.2	0.8	11 B	31
1901	Malt extract	0.1	0.2	1.2	-1.4	0.6	4 B	31
3506	Glues and adhesives	0.3	1.7	1.3	2.2	1.2	3 B	33
2002	Tomatoes, prepared or preserved	0.4	1.4	1.1	-2.0	0.4	1 B	34
8546	Electrical insulators of any material	0.0	0.6	1.4	3.8	1.6	1 B	35
3304	Beauty or make-up preparations	0.2	0.3	1.3	0.4	1.0	9 B	36
6309	Used clothes and textiles	0.1	0.1	1.2	-0.9	0.7	1 B	36
5402	Synthetic filament yarn	0.9	1.4	1.3	0.7	1.0	12 B	38
8425	Pulley tackle and hoists; winches and capstans; jacks	0.2	0.1	1.3	2.0	1.2	2 B	39
8480	Molding boxes for metal foundry	0.1	0.3	1.3	2.3	1.3	9 B	40
3902	Polymers of propylene or of other olefins, in primary forms	0.1	1.4	1.4	2.6	1.4	10 B	41
8452	Sewing machines	0.1	0.1	1.2	-1.2	0.7	4 B	42
1604	Prepared or preserved fish	0.1	0.0	1.2	-2.2	0.3	6 B	43
5101	Wool	0.0	0.6	1.2	-1.6	0.5	3 B	44
6404	Footwear, with textile body	0.1	0.1	1.1	-3.5	0.3	6 B	45
5210	Woven fabrics of cotton of < 85% weighing < 200 g/m ²	0.1	0.4	1.2	-2.3	0.5	2 B	46
8455	Metal-rolling mills	0.2	0.1	1.4	4.7	1.8	2 B	47
5516	Woven fabrics of artificial staple fibers	0.3	0.8	1.2	-1.5	0.7	3 B	48
8501	Electric motors and generators	0.1	0.1	1.3	2.3	1.3	20 B	49
8609	Containers for carriage by one or more modes of transport	0.1	0.4	1.3	0.4	0.8	1 B	50

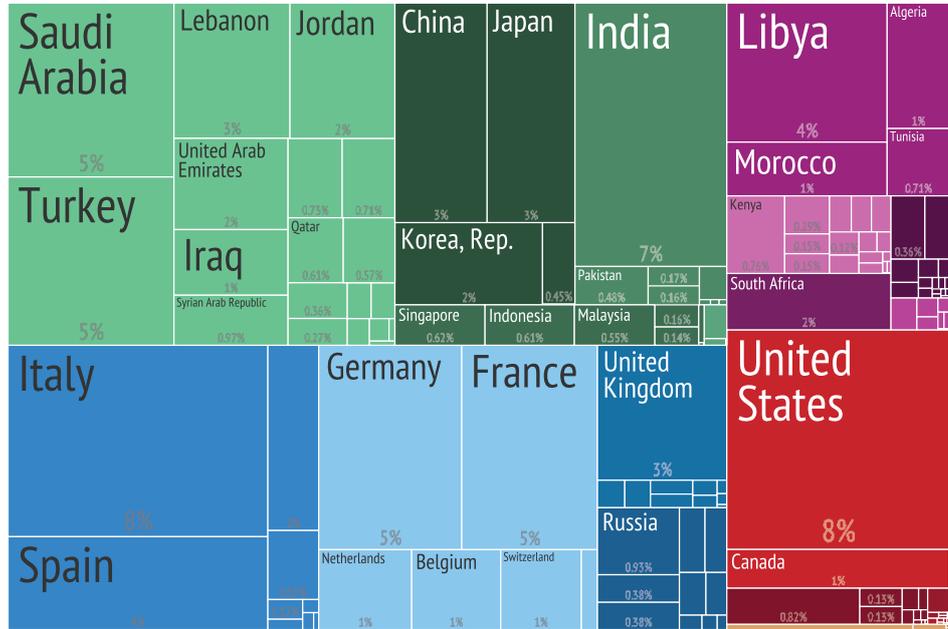
K = thousand, M = million, B = billion

Egypt's export destinations

Lastly, possible markets for the country's exports are analyzed. As can be observed in figure 7a, Egypt mainly exports to countries in Western and Southern Europe as well as the Middle East. Nevertheless, no country accounts for more than 8% of Egypt's export destinations. The two major destinations of Egypt's exports are Italy and the United States (both accounting for 8%), followed by India (7%), while Saudi Arabia, Turkey, Germany, and France all account for 5% each. Figure 7b shows that exports to North Africa are relatively low, but have been consistently growing in recent years. The share to Middle Eastern countries has also been rising.

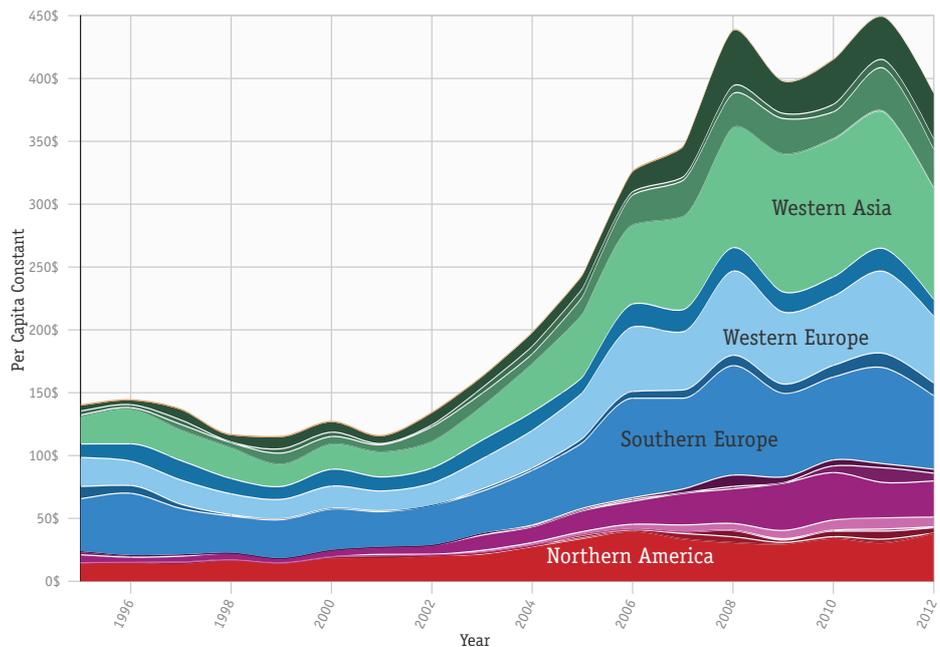
Figure 7 Egypt trade partners (2012)

a Export destinations



Egyptian exports totaling approximately \$34.9 billion

b Evolution of export destinations



Note Own calculation using HS4-level trade data from United Nations COMTRADE. Products are colored according to the communities that they belong according to the following legend:



When taking into account the current trade of countries in eligible products versus potential, it is possible to identify top export destinations for the country. Table 4 presents potential trade with those export destination countries as well as the potential of other countries included in this report. From the table it follows that Egypt's trade with Middle Eastern countries has been healthy and Egypt has room to improve its trade with European and East Asian countries.

Table 4 Trade potential

Importer	Trade Health	Number of Eligible Products	Potential in Eligible Products (\$)	Current Trade in Eligible Products (\$)	Total Trade (\$)
ARE	0.9	69	22 M	187 M	236 M
CHL	0.2	7	15 M	6 M	10 M
CHN	0.3	3	44 M	20 M	115 M
DEU	0.2	60	235 M	340 M	411 M
DZA	2.9	45	1 M	76 M	117 M
FRA	0.3	56	147 M	531 M	571 M
GBR	0.5	53	85 M	565 M	669 M
IRQ	4.1	31	5 M	58 M	93 M
JOR	16.8	62	1 M	118 M	150 M
JPN	0.0	19	118 M	9 M	24 M
KWT	2.0	49	4 M	39 M	50 M
LBN	8.6	66	973 K	105 M	126 M
LBY	6.8	62	4 M	128 M	169 M
RUS	0.1	46	83 M	21 M	26 M
SAU	3.7	57	14 M	277 M	414 M
SYR	15.2	50	4 M	97 M	134 M
TUN	4.8	38	2 M	56 M	71 M
TUR	1.7	49	8 M	347 M	390 M
YEM	3.3	50	2 M	51 M	96 M

K = thousand, M = million, B = billion

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