

# POLICY PULSE

## Exploring Egypt as a Tariff Safe Zone

### What It Means ?

**On April 5, 2025**, the United States enacted a sweeping new tariff regime under President Donald Trump, applying a **10% blanket tariff** on all imports, with higher rates of up to **145% on 57 specific countries**, including China, Vietnam, Taiwan, and the European Union. **Egypt was included in the lowest tariff category, with its exports to the U.S. now subject to a flat 10% duty.**

Despite heightened global uncertainty and volatility, Egypt's low tariff exposure presents a rare economic opening in a shifting trade landscape. With U.S. trade policy targeting high-export economies, **Egypt now stands out as a cost-competitive, strategically located alternative for exporters and investors seeking tariff-efficient market access to the United States.**

### Impact on global players

The global fallout from President Trump's tariff regime is reshaping trade flows in ways that could significantly benefit Egypt. Countries that have long dominated U.S. import markets, China, Vietnam, Taiwan, and the European Union now face tariffs ranging from **20% to 145%**, pricing many of their goods out of competitiveness.

**China alone**, which exported **\$440 billion in goods** to the U.S. in 2024, is subject to some of the steepest duties. As U.S. importers seek lower-cost alternatives, this disruption creates openings for various markets to capture market share in sectors where traditional suppliers are now disadvantaged.

Furthermore, the displacement of Asian and European exporters has encouraged multinational firms to explore relocation or expansion, particularly in textiles, engineering, and automotive assembly.

Our Network

Tariffs of **34% to 145%** on Chinese goods have created massive distortions in global supply chains. The U.S. imported **\$440 billion** worth of goods from China in **2024**, and now faces rising costs on a significant portion of that volume. Vietnam, Taiwan, and EU countries, also hit with tariffs as high as **46%**, will lose pricing advantages in U.S. markets.

Egypt, by contrast, exported **\$2.5 billion** worth of goods to the U.S. in 2024, including:

- Ready-made garments: **\$739.9 million**
- Steel and iron: **\$227.7 million**
- Carpets and textiles: **\$123.3 million**

Egypt's lower tariff rate makes its exports more competitive compared to high-tariff countries. At the same time, the U.S. ran a \$3.5 billion trade surplus with Egypt last year, meaning Egypt is not a target for protectionist retaliation. This strengthens Egypt's position as both a resilient trade partner and a potential substitute for higher-cost Asian goods.

**Egypt's favorable tariff positioning under the new U.S. trade regime, combined with its strategic location and macroeconomic stability, presents a set of actionable opportunities for long-term strategic gains.**

With over 700,000 university graduates annually, Egypt is well-equipped to meet labor demands in labor-intensive industries, offering a competitive edge in workforce availability.

**On the economic front**, real GDP is forecast to grow by 6% in 2026, while inflation is expected to stabilize between 10–15%, and the exchange rate is projected to remain controlled at EGP 52/USD in 2025 and EGP 54/USD in 2026.

**Additionally**, Egypt's control of the Suez Canal remains a critical asset in global logistics, and rising South-South trade could further increase canal volumes, reinforcing Egypt's position as a key transit and trade hub.

Several key sectors in Egypt are already experiencing tangible benefits from the shifting global trade environment.

- **In textiles and ready-made garments**, the Apparel Export Council projects a 25–30% growth in exports to the U.S. in the near term. The sector aims to increase total garment exports from \$2.8 billion in 2024 to \$12 billion by 2031, supported by expanding production capacity and rising global demand.
- **In the engineering industries**, Egypt recorded \$5.1 billion in exports in 2024, with a target of \$6.5 billion for 2025. The country is attracting interest from manufacturers in Japan, China, and Turkey, who are exploring relocation opportunities to benefit from Egypt's lower tariff exposure.
- **The automotive sector** is also emerging as a potential growth engine, with global tariffs disrupting traditional supply chains and positioning Egypt as a regional hub for electric vehicles and automotive components, especially for Chinese brands.

As global manufacturers seek alternatives to high-tariff markets, Egypt can position itself as a tariff-safe base for production, attracting companies relocating from China and Southeast Asia. However, decisive policy actions are essential.

#### A. Immediate Priorities

- Implement rapid industrial scaling in garments, engineering, and feeder sectors through public-private partnerships.

#### B. Short-Term Measures

- Launch a relocation incentive package for multinationals seeking to bypass U.S. tariffs.
- Expand export credit and logistics facilitation for exporters facing new demand from the U.S. market.

#### C. Strategic Policy Alignment

- Mobilize new FDI into underutilized industrial zones, especially near the Suez Canal and Upper Egypt.