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Egypt Resumes Talks on Joining Customs Union

By The Moscow Times

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Egypt has resumed talks about the creation of a free-trade zone with the customs union of Russia, Belarus and Kazakhstan, Egyptian and Russian officials said Wednesday.

Russia is increasing efforts to strengthen relations with large importers of its products as the U.S. and European Union threaten steeper sanctions over Moscow's intervention in the crisis in Ukraine.

"There were talks about this [creation of the free-trade zone with Egypt] before 2011. Now we have agreed to resume these negotiations and to discuss sectors of cooperation," Russian Agriculture Minister Nikolai Fyodorov said.

"The final decision will be made after the [presidential] election campaign in Egypt, official documents will be appearing after it," he told reporters in Moscow after the meeting of the Russian-Egyptian commission for trade development.

Egypt has yet to announce the official date of presidential elections that army chief Field Marshal Abdel Fattah al-Sisi is expected to win.

Egyptian Industry and Investment Minister Mounir Fakhry Abdel Nour said that the agreement on free trade with the Customs Union could contribute to expanding cooperation between two countries.

He said the officials have also discussed a number of joint projects, including supplies of Russian liquefied natural gas and other commodities.

Russian state nuclear firm Rosatom is considering taking part in the construction of a nuclear power plant in Egypt, according to officials.

They have also agreed to revive Russia's participation in modernization of assets dating back to the Soviet era, Fyodorov said. He mentioned an aluminum plant, a hydro power plant and projects related to the light metro in Cairo and grain storage. He did not specify what form Russia's involvement could take.

Egypt is already the largest importer of Russian wheat, buying one-fifth of the country's exports of this commodity so far in from 2013 to 2014. It bought 2.6 million tons of Russian wheat between July 1 and the end of February.

"You [Russia] have expressed your wish to expand exports, primarily of wheat ... and we want to develop exports of vegetables and fruit. It would help widen our cooperation," Abdel Nour told the meeting.

Officials did not provide any other details on how Russian wheat exports could be increased.

It is unlikely that the countries will reach a major long-term wheat supply deal — a possibility the market has repeatedly speculated on, although there might be other ways of a deeper cooperation, a trader said.

"Egypt has often talked about these long term wheat deals before but no one believes anything practical will come out of it as it does not make sense, why would you lock yourself into a deal with certain prices and what if market prices go down after that, you are stuck paying the higher price?" the trader said.

"What is more realistic is that they discuss together whether or not the Russian government can perhaps encourage Russian firms to participate more directly in [Egyptian state wheat buyer] GASC tenders to increase the amount of Russian offers."

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