EGYPT

TRADE SUMMARY

The U.S. goods trade surplus with Egypt was $2.5 billion in 2012, a decrease of $1.7 billion from 2011. U.S. goods exports in 2012 were $5.5 billion, down 11.8 percent from the previous year. Corresponding U.S. imports from Egypt were $3.0 billion, up 45.6 percent. Egypt is currently the 42nd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Egypt was $14.6 billion in 2011 (latest data available), up from $12.2 billion in 2010.

Overview

Over the past seven years, the government of Egypt has gradually liberalized its trade regime and economic policies, although the reform process has been slow and uneven. Revolution and political uncertainty gripped Egypt over the course of 2011 and in 2012, leaving unclear the future of Egyptian approaches to tackling needed trade reforms. The government released an economic reform plan on November 29, 2012, and has publicly committed to make investment promotion and trade facilitation a top priority. However, continuing political instability has made it difficult for the government to focus on long-term trade and investment policy issues. As a result, few actions have been taken to improve the trade and investment climate. Challenges to opening Egypt's markets remain, including a need to reduce corruption, reform the cumbersome bureaucracy, and implement a fully transparent regulatory regime.

IMPORT POLICIES

Tariffs

The Egyptian government has undertaken liberalizing reforms that have reduced the overall weighted applied tariff average from 14.6 percent to 10.1 percent. Tariffs on the vast majority of goods entering Egypt are below 15 percent. Vehicles, alcohol, tobacco, and selected cereals are the only items on which tariffs are 40 percent or higher. Tariffs on some cereals are well over 1,000 percent. All clothing faces a relatively high tariff of 30 percent.

The tariff on passenger cars with engines of less than 1,600 cubic centimeters (cc) is 40 percent, and the tariff on cars with engines of more than 1,600cc is 135 percent. In addition, cars with engines over 2,000cc are subject to an additional escalating sales tax of up to 45 percent. The Egypt-EU Association Agreement, which entered into force in 2004, will bring all auto tariffs faced by EU carmakers to zero by 2019, with certain vehicle classes duty-free by 2016.

Tariffs on a number of processed and high value food products, including poultry meat, range from 20 percent to 30 percent.

There is a 300 percent duty on alcoholic beverages for use in the tourism sector, including for hotels, plus a 40 percent sales tax. The general tariff for alcoholic beverages ranges from 1,200 percent on beer to 1,800 percent on wine and to 3,000 percent on sparkling wine and spirits.

Foreign movies are subject to duties and import taxes amounting to 46 percent and are subject to sales taxes and box offices taxes higher than those for domestic films.

Customs Procedures

In 2004, the Ministry of Finance committed to a comprehensive reform of Egypt's customs administration and is reorganizing the Customs Authority to meet international standards. Egypt began establishing modern customs centers at major ports to test new procedures, such as risk management, and Egypt began implementing new information technology systems to facilitate communications among ports and airports. These systems were to become fully operational in 2009, but implementation has been delayed.

The Ministry of Finance in August 2008 finalized a draft of a new customs law to streamline procedures and facilitate trade. The proposed legislation has yet to be submitted to parliament for consideration. Its status at this point is unclear. The practice of consularization, which requires exporters to secure a stamp from Egyptian Consulates on all documents for goods to be exported to Egypt – at a cost of $100 to $150 per document – remains in place and adds significant costs in money and time. To address these and other issues, the United States and Egypt have opened negotiations on a trade facilitation protocol.

Import Bans and Barriers

On March 18, 2012, Egypt's Minister of Agriculture and Land Reclamation (MALR) signed Decree 438 lifting the import ban on cotton from all origins that was originally imposed on October 25, 2011, by Decree 1864. However, the March 2012 decree was abrogated by a ruling in the Administrative Courts. As such, MALR allows the importation of cotton only for use in the country's free trade zones for processing and re-export.

The National Nutrition Institute or the Drug Planning and Policy Center of the Ministry of Health and Population (MOHP) registers and approves all nutritional supplements, specialty foods, and dietary foods. The definition of specialty foods is broad and includes processed foods with labels claiming that the food is "high in" or "enriched with" vitamins or minerals. The government attempts to complete the approval process in 6 weeks to 8 weeks, but some products face waiting periods of 4 months to 12 months for approval. Importers must apply for a license for dietary products and renew the license every 1 year to 5 years depending on the product, at a cost of approximately $1,000 per renewal.

The MOHP must approve the importation of new, used, and refurbished medical equipment and supplies to Egypt. This requirement does not differentiate between the most complex computer-based imaging equipment and basic supplies. The MOHP approval process consists of a number of steps which can be burdensome. Importers must submit a form requesting the MOHP's approval to import, provide a safety certificate issued by health authorities in the country of origin, and submit a certificate of approval from the U.S. Food and Drug Administration or the European Bureau of Standards. The importer must also present an original certificate from the manufacturer indicating the production year of the equipment and, if applicable, certifying that the equipment is new. All medical equipment must be tested in the country of origin and proven safe. The importer must prove it has a service center to provide after-sales support for the imported medical equipment, including spare parts and technical maintenance.

GOVERNMENT PROCUREMENT

A 1998 law regulating government procurement requires that technical factors, along with price, be considered in awarding contracts. A preference is granted to Egyptian companies whose bids are within 15 percent of the price of other bids. In the 2004 Small and Medium Sized Enterprises (SMEs) Development Law, Egyptian SMEs were given the right to supply 10 percent of the goods and services in every government procurement contract.

Egyptian law grants potential suppliers certain rights, such as speedy return of their bid bonds and an explanation of why a competing supplier was awarded a contract. However, concerns about a lack of transparency remain. For example, the Prime Minister retains the authority to determine the terms, conditions, and rules for procurement by specific entities.

Egypt is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Egypt remained on the Watch List in the 2012 Special 301 Report. Piracy and counterfeiting continue to be serious problems, as does the speed and effectiveness of processing trademark applications. Specifically, piracy of broadcast content via satellite television operations, lack of enforcement in major cases involving counterfeit apparel and trademark violations, online piracy, entertainment software piracy, and book piracy remain concerns. The United States remains concerned about the lack of clarity in protections against unfair commercial use and unauthorized disclosure of undisclosed test or other data generated to obtain marketing approvals for pharmaceutical products. Additionally, rights holders have difficulty addressing patent infringement concerns expeditiously in connection with applications to market pharmaceutical products.

SERVICES BARRIERS

Egypt restricts foreign equity in construction and transport services to 49 percent. Egypt also limits the employment of non-nationals to 10 percent of an enterprise’s general workforce, although the Ministry of Manpower and Migration can waive this limitation. In computer-related industries, Egypt requires that 60 percent of top level management be Egyptian within three years of the start-up date of the venture. According to Egyptian labor law, foreigners cannot be employed as tourist guides.

Banking

No foreign bank seeking to establish a new bank in Egypt has been able to obtain a license in the past 20 years, and in November 2009, the Central Bank reaffirmed that no new banks would be given licenses. However, foreign banks have been allowed to buy shares in existing banks.

Since banking reform began in 2004, the government has divested itself from many joint venture banks and privatized the government-owned Bank of Alexandria in 2006. However, efforts to restructure the remaining three state-owned banks have been mixed, and the Central Bank rejected privatization of the three banks in 2009 on the grounds that market conditions were not right. The three remaining state-owned banks control at least 40 percent of the banking sector’s total assets. In 2010, in reaction to high meat and poultry prices, the Central Bank relaxed a requirement of 100 percent foreign exchange cover for Letters of Credit issued for the purchase of agricultural and food products, reducing the requirement to 50 percent. As of mid-March 2013, this practice continues.

Telecommunications

The state-owned telephone company, Telecom Egypt, lost its legal monopoly on the local, long-distance and international telecommunication sectors in December 2005, but in large part due to the failure of the National Telecommunications Regulatory Authority (NTRA) to offer additional licenses to compete in these sectors, Telecom Egypt continues to hold a *de facto* monopoly. In October 2007, the NTRA offered

Egypt's three wireless carriers, MobiNil, Vodafone and Etisalat, the option to acquire a license to offer international gateway services, but only to their own customers.

Courier and Express Delivery Services

The Egyptian National Postal Organization (ENPO must grant special authorization to private courier and express delivery service suppliers seeking to operate in Egypt). In addition, although express delivery services constitute a separate, for-profit, premium delivery market, ENPO requires private express operators to pay a "postal agency fee" of 10 percent of annual revenue on shipments under 20 kilograms. In 2010, ENPO imposed an additional fee on private couriers and express delivery services of £E5 ($0.75) on all shipments under five kilograms.

INVESTMENT BARRIERS

Significant impediments to investment exist in Egypt. Foreign direct investment accounted for less than 25 percent of all investment in Egypt prior to the revolution and has fallen drastically since. Following the revolution, Egypt put into place capital transfer restrictions that prevent foreign companies from transferring more than $100,000 per year out of Egypt without a valid commercial purpose, original documentation, and approval by the Central Bank. Daily withdrawals for corporations are limited to $30,000. In 2012, Egypt announced further capital controls that limit the amount of money that can be transferred out of the country to $10,000 and instituted a new currency auction system that has led to a gradual depreciation of the Egyptian Pound. Investors report that it can take several weeks for legitimate transfers to be executed.

Labor rules prevent companies from hiring more than 10 percent non-Egyptians (25 percent in Free Zones), and foreigners are not allowed to operate sole proprietorships or simple partnerships. Egypt's trade regulations prohibit foreigners from acting as importers for trading purposes and allow them to act solely as commercial agents. A foreign company wishing to import for trading purposes must do so through an Egyptian importer.

Although Egypt is a signatory to international arbitration agreements, Egyptian courts do not always recognize foreign judgments. Resolution of any dispute is very slow, with the time to adjudicate a case to completion averaging three to five years. The judicial system is also subject, in some cases, to political influence.

Other obstacles to investment include excessive bureaucracy, a shortage of skilled labor, limited access to credit, slow and cumbersome customs procedures, and non-tariff trade barriers.

OTHER BARRIERS

Pharmaceutical Price Controls

On July 3, 2012, the MOHP issued Ministerial Decree No. 499/2012 to provide a new legal basis for the pricing of branded and generic products in Egypt. The new pricing structure is mainly based on global public price comparisons. In addition, the decree set profit margin caps at the distributor and retail levels. This decree revoked Decree No. 373 of 2009, a cost-plus system. However, implementation plans have been suspended as a result of resistance from both pharmaceutical producers and consumer interest groups.