EGYPT

TRADE SUMMARY

U.S. goods exports in 2013 were $5.2 billion, down 5.1 percent from the previous year. Corresponding U.S. imports from Egypt were $1.6 billion, down 46.2 percent. The U.S. goods trade surplus with Egypt was $3.6 billion in 2013, an increase of $1.1 billion from 2012. Egypt is currently the 43rd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Egypt was $17.1 billion in 2012 (latest data available), up from $15.0 billion in 2011.

IMPORT POLICIES

Tariffs

Egypt increased tariffs on several types of goods in 2013. In March 2013, the government of Egypt issued presidential decree number 184/2013 announcing an increase in tariffs for dozens of "non-essential" goods, including, sunglasses, nuts, cut flowers, fireworks, grapes, strawberries, apples, pineapples, video games, chewing gum, watches, and seafood, including shrimp and caviar. Tariffs on seafood increased as follows: on fish from 5 percent to 30 percent, on caviar from 30 percent to 40 percent and on lobster from 20 percent to 40 percent. Tariffs on cut flowers increased from 30 percent to 40 percent, and on fresh and dried nuts from 5 percent to 10 percent. Tariffs on some fresh fruits, including strawberries, increased from 5 percent to 10 percent while levies on some other fresh fruits, including apples, increased from 20 percent to 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 1,600 cc is 135 percent. In addition, cars with engines over 2,000 cc are subject to an escalating sales tax of up to 45 percent.

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 tariff for alcoholic beverages ranges from 1,200 percent on beer to 1,800 percent on wine 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. Meanwhile, the information technology infrastructure has been deteriorating, representing an additional obstacle to modernization. Egyptian does not currently have systems in place to accept advance information on international cargo arriving at ports of entry.

The Ministry of Finance in 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 remains 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.

Import Bans and Barriers

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 to import a dietary product 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 2013 Special 301 Report. Piracy and counterfeiting continue to be serious problems, as does the lack of speed and effectiveness of processing trademark applications. Piracy of broadcast content via satellite television operations, lack of enforcement in major cases involving counterfeit apparel and other 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.

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 3 years of the start-up date of the venture.

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 foreign 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 appropriate. The three remaining state-owned banks control at least 40 percent of the banking sector's total assets.

Telecommunications

The state-owned telephone company, Telecom Egypt, lost its legal monopoly on the local, long-distance and international telecommunication sectors in 2005. Nevertheless, Telecom Egypt continues to hold a *de facto* monopoly, primarily because the National Telecommunications Regulatory Authority (NTRA) failed to offer additional licenses to compete in these sectors.

NTRA has been working on a unified license regime that would allow a company to offer both fixed line and mobile networks. It was reported in December 2013 that the NTRA recommendation was before the Egyptian cabinet for final approval. Adoption of a unified license regime would allow Telecom Egypt, currently operating in the fixed line market, to enter the mobile market and the three mobile companies, MobiNil, Vodaphone and Etislat, to enter the fixed market.

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 less than 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 in 2011 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 per day 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 employing 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 allow foreigners to act as commercial agents with respect to the import of goods for trading purposes, but prohibit foreigners from acting as importers themselves. A foreign company wishing to import for trading purposes must do so through an Egyptian importer.

Although Egypt is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, U.S. investors have complained that Egyptian courts are not consistent in their approach to the recognition of foreign arbitral awards and court judgments. In their view, the judicial system is 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 and Decree No. 373 continues to govern the system.