EGYPT

TRADE SUMMARY

The U.S. goods trade surplus with Egypt was $3.2 billion in 2009, a decrease of $432 million from 2008. U.S. goods exports in 2009 were $5.3 billion, down 12.4 percent from the previous year. Corresponding U.S. imports from Egypt were $2.1 billion, down 13.2 percent. Egypt is currently the 34th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Egypt was $8.8 billion in 2008 (latest data available), up from $7.1 billion in 2007. U.S. FDI in Egypt is concentrated primarily in the mining sector.

IMPORT POLICIES

In recent years, the government of Egypt has gradually liberalized its trade regime and economic policies, although the reform process has been somewhat halting. Under the leadership of Prime Minister Ahmed Nazif and a ministerial economic team in place since 2004, the government has adopted a wide range of reform measures. However, a number of challenges to opening Egypt's markets remain, including a need to reduce corruption, reform the cumbersome bureaucracy, and eliminate non-science based health and safety standards.

Tariffs

As part of the government's stimulus package in February 2009, Presidential Decree 51/2009 amended the customs tariff schedule for 250 additional items, lowering tariffs on many items and eliminating tariffs on some raw materials and capital and intermediate goods such as inputs for spun and woven products. The decree also increased applied tariff rates on a few items including a number of basic chemicals, manufactured rubber and bamboo products, and a limited group of machinery products and medical equipment.

The reforms of the past three years have reduced the overall weighted tariff average from 14.6 percent to 5.5 percent. Tariffs on the vast majority of goods entering Egypt are below 15 percent. Vehicles, alcohol, and tobacco are the only items on which tariffs are still 40 percent or higher. Passenger cars with engines under 1,600cc are taxed at 40 percent; cars with engines over 1,600cc at 135 percent. In addition, cars with engines over 2,000cc are subject to an escalating sales tax of up to 45 percent. Clothing also faces relatively high tariffs, although the 2007 decree reduced the rate from 40 percent to 30 percent.

Most key U.S. agricultural product exports to Egypt now enter at tariffs of 5 percent or lower; however, a number of processed food products face tariff rates ranging from 20 percent to 30 percent.

In 2006, the tariff rate on poultry was reduced from 32 percent to zero percent, but in 2007, the government imposed a 30 percent tariff, which remains in place today. Finished confectionary products face tariffs of 20 percent to 30 percent. There is a 300 percent duty on alcoholic beverages for use in the tourism sector, including hotels, plus a 40 percent sales tax. The general tariff for alcoholic beverages ranges from 1200 percent on beer to 1800 percent on wine to 3000 percent on sparkling wine and spirits.

Additionally, the government often makes abrupt changes to its import regime without prior notice or opportunity for comment.

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

The Ministry of Finance has committed to a comprehensive reform of Egypt's customs administration and is reorganizing the Customs Authority to meet international standards. Modern customs centers are being established at major ports to test new procedures, such as risk management, and new information technology systems are being implemented to facilitate communications among ports and airports. These systems were planned to become fully operational in 2009, but were delayed and are now estimated to be completed by April 2010.

The Ministry of Finance in August 2008 finalized the draft of a new customs law to streamline procedures and facilitate trade, but the proposed legislation has yet to be submitted to parliament for consideration, and it is unlikely that the legislation will be introduced in the near future.

Import Bans and Barriers

Passenger vehicles may only be imported into Egypt by their original owners, and the owner must have purchased the car within the first 12 months of its production for it to be eligible for importation.

The Egyptian Ministry of Health and Population (MOHP) prohibits the importation of natural products, vitamins, and food supplements. These items can only be marketed in Egypt by domestic companies that manufacture them under license or prepare and pack imported ingredients and pre-mixes according to MOHP specifications. Only domestic factories are allowed to produce food supplements and to import raw materials used in the manufacturing process.

The Nutrition Institute and the Drug Planning and Policy Center of the MOHP register and approve all nutritional supplements and dietary foods. 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 annual renewal of the license costs approximately $1,000. However, if a similar local dietary product is available in the local market, registration for an imported product will not be approved.

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 entails a number of demanding steps. 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 certifying that new 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

Egypt is not a signatory to the WTO Agreement on Government Procurement.
A 1998 law regulating government procurement requires that technical factors, not just price, be considered in awarding contracts. A preference is granted to parastatal companies whose bids are within 15 percent of the price in 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.

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.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Although Egypt has improved its IPR regime, the United States still has significant concerns about IPR protection and enforcement in Egypt. The Egyptian government has made progress in strengthening some IPR laws and enforcement procedures, and engagement between the United States and Egypt on IPR issues is ongoing.

The United States was encouraged by the Egyptian government's introduction in 2008 of a new streamlined drug registration procedure, although the United States continues to monitor the full implementation of this system. The United States continues to seek written clarification that Egypt's Ministry of Health and Population provides adequate and effective protection against reliance on test and other data submitted for marketing approval of pharmaceutical products, and will continue to raise this issue in discussions with Egyptian IPR officials.

The U.S. copyright industry continues to report high levels of piracy of movies, sound recordings, printed material, and computer software in Egypt, but significant improvements have been made particularly with respect to improving protection of computer software and ensuring that civilian government departments and schools use legitimate software. The establishment in 2008 of special economic courts, which handle IPR cases with specially-trained judges, has also been a major reform.

SERVICES BARRIERS

Egypt restricts foreign equity in construction and transport services to 49 percent. In the computer services sector, larger contributions of foreign equity may be permitted, such as when the Ministry of Communication and Information Technology determines that such services are an integral part of a larger business model and will benefit the country. Egypt limits the employment of non-nationals to 10 percent of an enterprise's general workforce and in computer related industries requires that 60 percent of top level management must 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 Governor reaffirmed that no new banks would be given licenses.

Since banking reform began in 2004, the government has divested itself from many joint venture banks and privatized the fully 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 for the three banks in 2009 on the grounds that market conditions were not right. The three remaining state-owned banks still control at least 40 percent of the banking sector's total assets. The banking reforms in the past five years have succeeded in significantly reducing the share of non-performing loans.

Telecommunications

Telecom Egypt continues to hold a *de facto* monopoly. Despite Egypt's WTO commitments to issue additional licenses, the National Telecommunications Regulatory Authority (NTRA) postponed a plan to issue a second license in mid-2008, citing a lack of interest by potential applications. However, in October 2009, the NTRA began accepting local and international bids for licenses to offer "triple play" services of data, voice, and video to consumers, for which there is greater interest on the part of foreign telecommunications operators. The licenses for "triple-play" services are slated to be issued in 2010.

There is more competition in the mobile phone sector in Egypt with three private companies – Etisalat, Mobinil, and Vodafone – serving the market.

Transportation

Egypt and the United States concluded an Air Transport Agreement in 1964, and the countries have modified the agreement only twice since then, adding a security provision in 1991, and in 1997 adding an amended route schedule, a limited agreement on cooperative marketing arrangements, and a safety provision. The agreement remains very restrictive and has no provisions on charter services. Private and foreign air carriers are not able to operate charter flights to and from Cairo without the approval of the national carrier, Egypt Air. The United States remains interested in replacing the restrictive 1964 agreement with an Open Skies air services agreement.

Courier and Express Delivery Services

Private courier and express delivery service suppliers seeking to operate in Egypt must receive special authorization from the Egyptian National Postal Organization (ENPO). In addition, although express delivery services constitute a separate for-profit, premium delivery market, private express operators are required to pay ENPO a "postal agency fee" of 10 percent of annual revenue on shipments under 20 kilos. In 2009, the government of Egypt granted ENPO even more extensive regulatory oversight over the private express delivery sector by increasing considerably the fees paid to ENPO and requiring private express delivery companies to receive prior ENPO authorization for their prices and other polices. Given that ENPO is not an independent regulator, there are strong concerns that this new proposed contract will negatively impact competition in the express delivery sector.

Other Services Barriers

Egypt maintains several other barriers to the provision of certain services by U.S. and other foreign firms. Foreign motion pictures are subject to a screen quota and distributors may import only five prints of any foreign film. According to the Egyptian labor law, foreigners cannot be employed as export and import customs clearance officers or as tourist guides.

INVESTMENT BARRIERS

Egypt maintains discriminatory restrictions in the tourism and courier sectors.

OTHER BARRIERS

Pharmaceutical Price Controls

The Egyptian government controls prices in the pharmaceutical sector to ensure that drugs are affordable to the public. The government does not have a transparent mechanism for pharmaceutical pricing. The Pharmaceutical Committee in the Ministry of Health and Population reviews prices of various pharmaceutical products and negotiates with companies to adjust prices based on a cost-plus formula. This method, however, does not allow price increases to compensate for inflation and the pricing policy has failed to keep pace with the rising cost of raw materials. In 2007, the government granted price increases for selected pharmaceutical products, but the approved increases were minimal.