U.S. DEPARTMENT OF STATE
DIPLOMACY IN ACTION

Executive Summary

Egypt remains a country at the crossroads. Massive popular demonstrations culminated in a military-led change of government in July 2013. Since then, two interim governments have made progress along a political road map to govern Egypt's transition back to elected government, adopting a new constitution and holding presidential elections. Parliamentary elections are expected in fall 2014. The country remains divided politically, struggling with slow economic growth, collapsing foreign investment, and a dramatic drop in tourism, a vital foreign exchange-earner and a major employer. The government has been unable to address its budget woes, as it continues to spend more than 20 percent of its budget on non-targeted subsidies. Egypt has received billions of dollars in assistance from Gulf countries to provide temporary economic relief. Major structural reforms and political stability, however, are vital to Egypt's future economic growth and development.

Egypt honors its pre-revolution laws, treaties, and trade agreements. It is party to 111 bilateral investment treaties and is a member of the World Trade Organization (WTO), the Common Market for Eastern and Southern Africa (COMESA), and the Greater Arab Free Trade Area (GAFTA). In most sectors, there is no legal difference between foreign and domestic investors. Special requirements exist for foreign investment in particular sectors, such as upstream oil and gas development, where joint ventures are required. There have also been recent legal challenges to the privatization of former state-owned enterprises.

Egypt has several schemes intended to attract foreign direct investment into special economic and trade zones. The General Authority for Investment (GAFI) implements Egypt's policies and procedures to facilitate doing business, including maintaining Egypt's "one-stop shop" for investors. The Egyptian tax code taxes personal income and corporate profits for both foreigners and nationals at a maximum marginal rate of 25%. The World Bank's 2014 Ease of Doing Business Index ranked Egypt 128 out of 185 economies.

Significant impediments to investment exist. Investors report there can be delays of several weeks for legitimate transfers of foreign exchange to be executed, although availability of foreign exchange is improving. Labor rules prevent companies from hiring more than 10% non-Egyptians (25% in Free Zones), and foreigners are not allowed to operate sole proprietorships or simple partnerships. The lack of protection of intellectual property rights (IPR) is a major hurdle to direct investment in Egypt, which remains on the U.S. Trade Representative's Special 301 Watch List. A foreign company wishing to import for trading purposes must do so through an importer which is wholly Egyptian-owned.

Egypt is a signatory to international arbitration agreements, but its courts do not always recognize foreign judgments. Dispute resolution is slow, with the time to adjudicate a case to completion averaging three to five years. The judicial system can be subject to political influence. Other obstacles to investment include excessive bureaucracy, regulatory complexity, a mismatch between job skills and labor market demand, slow and cumbersome customs

procedures, and non-tariff trade barriers. Business people complain that many government officials are reluctant to make decisions, which has a negative impact on business activity.

1. Openness To, and Restrictions Upon, Foreign Investment

Business Sectors:
Banking: The Central Bank of Egypt has not issued a new commercial banking license since 1979. The only way for a new commercial bank, whether foreign or domestic, to enter the market (except as a representative office) is to purchase an existing bank. In 2013 QNB Group acquired NSGB and Emirates NBD, Dubai's largest bank, bought the Egypt unit of BNP Paribas. In 2009, the Central Bank announced that it had no plans to privatize the three remaining state-owned banks (Banque Misr, Banque du Caire, National Bank of Egypt), citing poor market conditions. These three banks control at least 40 percent of banking sector assets.

Insurance: The government does not issue licenses for new insurance companies. As in the banking sector, foreign firms can only enter the Egyptian insurance market through purchase of a stake in an existing insurance company. Certain regulatory approvals are required for foreign and local investments in insurance companies (as with Egyptian banks) exceeding 10 percent of the issued shares. In 2006, the government began restructuring public insurance companies in preparation for privatization. In September 2007, the companies were merged and placed under an insurance holding company, and real estate assets were stripped out of the companies and transferred to a newly established affiliate. The firms still have not been privatized.

Oil and Gas: The petroleum industry is one of the most dynamic industries in Egypt; hydrocarbon production is by far the largest single industrial activity. Petroleum, natural gas, and petrochemicals are Egypt’s top exports. The Egyptian government encourages international oil companies (IOC) to participate in the oil and gas sector, and currently dozens of IOCs are operating in Egypt. The hydrocarbon industry is managed by the Ministry of Petroleum and Natural Resources, under which four state-owned companies function as government agencies. One of these is the Egyptian General Petroleum Corporation (EGPC), which concludes concession agreements in cooperation with IOCs, in the form of production-sharing agreements (PSAs). Egypt grants concessions in specific areas through the promulgation of a “special law” by the Egyptian Parliament, which allows the Minister of Petroleum to conclude an agreement between the Egyptian Government on one side and a state-owned company such as EGPC acting as the concession holder and the foreign oil investor (IOC) acting as a contractor on the other side. This legislative act gives new agreements supremacy in application over contrary legislation or regulation. After concluding the agreement, any contractual changes are remedied through amicable adaptation of its provisions or arbitration. These safeguards were specifically devised by the Government of Egypt (GOE) to help forge trust with foreign investors and improve investment in the hydrocarbon sector. In some cases, the Egyptian military needs to grant permission for firms to access and operate in their concession areas.

The Ministry of Petroleum is actively seeking investment from foreign investors in new oil and gas bid rounds. The government owes several billion dollars in payments to foreign oil and gas companies, however, and cannot easily repay its arrearages, due to ongoing fiscal challenges. Fuel is heavily subsidized in Egypt, with approximately 20 percent of government expenditures dedicated to energy subsidies. Egypt has become an energy importer, and absent energy subsidy reform and a reduction in domestic demand for energy, hydrocarbon exports may not increase in the short term. Should Egypt undertake these reforms, prospects for the industry will be bright, with untapped oil and gas resources and promising potential reserves.

Telecommunications: Egypt still has a single domestic fixed-line operator, Telecom Egypt (TE), despite Telecommunications Law 10 of 2003, which required TE to have relinquished its monopoly status by January 2006. Egypt has issued three mobile phone operator licenses, with the most recent acquired by Etisalat in July 2006 at a cost of US$2.9 billion. Etisalat Egypt, Mobinil, and Vodafone Egypt continue to compete aggressively in the mobile telecommunications market, which now has an estimated 100 million mobile lines. A major focus of these companies will continue to be expansion of data services, which is still seen as an area with potentially high profit margins. In December 2012, the National Telecommunications Regulatory Authority (NTRA) approved the issuance of a fourth mobile services license for Telecom Egypt, initially as a Mobile Virtual Network Operator (MVNO) allowing it to lease and resell capacity from the three other mobile operators. Once implemented, this would make Telecom Egypt the first and only company to hold a unified license, pursuant to which it can offer both fixed-line, and internet and mobile services. In April 2014, the National Telecommunication Regulatory Authority (NTRA) approved a unified license system under which Egypt's three mobile telecom operators can acquire rights to offer fixed-line services for a fee of LE 100 million (approximately $14.3 million) as part of a unified license. As of April 2014, neither of these two NTRA decisions has yet received required approval from the cabinet of ministers.

Tourism and Travel: Prior to January 2011, tourism was Egypt's second-largest source of foreign currency and a significant source of employment. In 2010, the sector brought in $12.5 billion in revenue, and employed 2.5 million Egyptians --over 10 percent of the workforce. Political instability and security concerns since the 2011 revolution have led to a dramatic drop in foreign tourists, particularly in higher-end cultural tourism. Beach resorts have fared better, but have cut prices to attract business. According to the Ministry of Tourism, Egypt received 11.5 million visitors in 2012, and the sector brought in nearly $10 billion in revenue. This suggests improvement over 2011, but business leaders note that government statistics may overstate actual tourist numbers. In 2013, the tourism industry took another hit with the political violence surrounding the removal of President Morsy from power and ongoing security concerns. The country's tourism revenues fell to $5.9 billion in 2013, a 41% drop compared to 2012.

In 2005, Egypt removed restrictions on foreign property ownership in a number of tourist areas, including resorts on the Red Sea and along the Mediterranean coast west of Alexandria. However, land ownership policies remain complex and unclear in many cases. Requirements to build on land to maintain tenure encourage rapid, large-scale development over conservation and more sustainable projects.

Since the 2011 revolution, many Western governments, including the United States, have advised their citizens to avoid travel to Egypt or to avoid travel to certain parts of the country such as the Sinai at various periods. The security situation in the Sinai, particularly in the north and including the major east-west coastal highway and the towns of El Arish, Shaykh Zuwayd, El Gorah and Rafah has been marked by ongoing violent attacks on Egyptian security personnel and by continuing, and frequently intense, security operations against the sources of violence. On February 16, 2014 a bomb was detonated on a tourist bus, killing four and injuring 14 people in Taba, a Sinai resort near the Israeli border.

Research and Development: The new 2014 constitution includes article 23 which explicitly states that the country can spend "no less than 1% of Gross National Product on scientific research." When implemented, this would double the government's current R&D budget. Large-scale R&D activities, however, are relatively modest. The majority of government-funded R&D programs are in agriculture, health, and, to a lesser extent, manufacturing. There are no reports of discrimination against U.S. or other foreign firms wishing to participate in R&D programs in Egypt. Most Egyptian R&D programs are established by government initiative.

Broad Overview of Investment-Related Laws: Investment Incentives Law 8 of 1997 was designed to encourage domestic and foreign investment in targeted economic sectors and to promote decentralization of industry away from the Nile Valley. The law allows 100 percent foreign ownership of investment projects and guarantees the right to remit income earned in Egypt and to repatriate capital. Other key provisions include: guarantees against confiscation, sequestration, and nationalization; the right to own land; the right to maintain foreign-currency bank accounts; freedom from administrative attachment; the right to repatriate capital and profits; and equal treatment regardless of nationality.

Law 94 of 2005 amended the Investment Incentives Law and made companies incorporated under the Investment Incentives Law subject to relatively simpler incorporation. It also granted companies established under the Companies Law or the Commercial Law certain incentives under the Investment Incentives Law, including protection from nationalization, imposition of obligatory pricing and cancellation or suspension of licenses to use immovable property. It also granted companies the right to own real estate required for their activities and the right to import raw materials, machinery, spare parts and transportation methods without being required to register at the Importers Register.

Companies Law 159 of 1981 applies to domestic and foreign investment in sectors not covered by the Investment Incentives Law, whether shareholder, joint stock, or limited liability companies, representative offices, or branch offices. The law permits automatic company registration upon presentation of an application to GAFI, with some exceptions. It also removed a previous legal requirement that at least 49 percent of shareholders be Egyptian, allows 100 percent foreign representation on the board of directors, and strengthens accounting standards. Public Enterprise Law 203 of 1991 permits sales of state enterprises to foreign entities. Egypt began a privatization program under the Public Enterprise Law for the sale of several hundred wholly or partially state-owned enterprises and all public shares of at least 660 joint venture companies (joint venture defined as mixed state and private ownership, whether foreign or domestic). Bidding criteria for privatizations are generally clear and transparent. Since 2008, however, the GOE has not undertaken any new privatizations.

The President recently signed a new law Limiting Appeal Rights on State-concluded Contracts to limit third-party challenges to government privatization deals. The law is intended to reassure and attract investors unnerved by legal challenges brought against privatization deals and land sales dating back to the Mubarak government. Court cases have put many of these now private firms, many of which have foreign ownership, in legal limbo.

Tenders Law 89 of 1998 requires the government to consider both price and best value in awarding contracts and to issue an explanation for refusal of a bid. However, the law contains preferences for Egyptian domestic contractors, who are accorded priority if their bids do not exceed the lowest foreign bid by more than 15 percent.

Capital Markets Law 95 of 1992 and its amendments and regulations govern Egypt's capital markets. Foreign investors can buy shares on the Egyptian Stock Exchange on the same basis as local investors. Brokerage firms have capital requirements of LE 5 million (US$715,300), and same-day trading on the Egyptian stock market is allowed. As of January 2011, 47 brokerage firms have licenses for same-day or intra-day trading. Law 123 of 2008 amended the Capital Markets Law to allow local and foreign institutions to issue bonds at a par value of LE 0.10 (US$0.0143).

Decree No. 719 for 2007 by the Ministry of Industry and Foreign Trade and Ministry of Finance provides incentives for industrial projects in the governorates of Upper Egypt (Upper Egypt refers to governorates in southern Egypt). The decree provides an incentive of LE 15,000 (US$2,149) for each job opportunity created by the project, on the condition that the investment costs of the project exceed LE 15 million (US$2.15 million). The decree can be implemented on both new and on-going projects.

Land/Real Estate Law 15 of 1963 explicitly prohibits foreign individual or corporate ownership of agricultural land (defined as traditional agricultural land in the Nile Valley, Delta and Oases). Prime Ministerial Decree No. 548 for 2005 removed restrictions on foreign property ownership in a number of tourist and new urban areas, namely the Red Sea coast, including Hurghada, and the Mediterranean beach resorts of Sidi Abdel-Rahman and Ras Al-Hekma in the Matrouh Governorate. Foreign owners are still limited to a maximum of two residences in Egypt. Companies/citizens of other Arab countries have customarily received national treatment in this area.

Insurance Law 156 of 1998 removes a 49 percent ceiling on foreign ownership of insurance companies, allows privatization of state-owned insurance companies, and abolishes a ban on foreign nationals serving as corporate officers. Electricity Law 18 of 1998 allows the government to sell minority shares of electricity distribution companies to private shareholders, both domestic and foreign. A draft electricity law expected to be enacted in 2011 will further open electricity generation and distribution to the private sector.

Maritime Law 1 of 1998 permits private companies, including foreign investors, to conduct most maritime transport activities, including loading, supplying, and ship repair.

Commercial Law 17 of 1999 has more than 700 articles covering general commerce, commercial contracts, banking transactions, commercial paper, and bankruptcy.

Central Depository Law 93 of 2000 reduces risks associated with trading securities, enhances market liquidity, and tries to streamline the securities exchange process by standardizing registration, clearance and settlement procedures.

Investment Trends

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	32 (114 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2014	52.9 (135 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(128 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(108 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 3000	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

Measure	Year	Index/Ranking	Year	Index/Ranking
MCC Gov't Effectiveness	2014	-0.38 (19%)	2013	-0.16 (38%)
MCC Rule of Law	2014	0.01 (54%)	2013	0.05 (56%)
MCC Control of Corruption	2014	0.00 (50%)	2013	-0.16 (31%)
MCC Fiscal Policy	2014	-9.6 (4%)	2013	-8.2 (13%)
MCC Trade Policy	2014	71.4 (29%)	2013	73.8 (41%)
MCC Regulatory Quality	2014	-0.17 (42%)	2013	0.01 (53%)
MCC Business Start Up	2014	0.969 (85%)	2013	0.978 (84%)
MCC Land Rights Access	2014	0.93 (95%)	2013	0.92 (96%)
MCC Natural Resource protection	2014	65.8 (65%)	2013	96.2 (84%)
MCC Access to Credit	2014	39.0 (54%)	2013	11.1 (3%)
MCC Inflation	2014	8.6 (16%)	2013	39 (59%)

2. Conversion and Transfer Policies

Following the January 2011 revolution, the Central Bank issued restrictions on conversion and transfers of funds out of Egypt. Individuals were only permitted transfers up to a total maximum of $100,000. In January 2014, however, the Central Bank permitted individuals who had already reached that limit to transfer an additional $100,000. Although businesses do not face these restrictions for transfers for legitimate business purposes, extensive documentation can be required. Foreign investors say that lack of availability of foreign exchange can result in delays of up to several weeks, although the situation is improving. Egyptian law allows individuals and businesses to conduct all normal foreign exchange transactions, including accepting deposits, and opening letters of credit.

The OECD Arrangement on Officially Supported Export Credits rates country transfer and convertibility risk on a scale of 0 to 7, with 7 being the most risky. For many years Egypt's rating had been at 4, but dropped to 5 in January 2012 and then to 6 in June 2013. The downgrades reflect higher risks from macroeconomic instability associated with the political transitions. (http://www.oecd.org/tad/xcred/cre-crc-current-english.pdf)

The 1992 U.S.-Egypt Bilateral Investment Treaty provides for free transfer of dividends, royalties, compensation for expropriation, payments arising out of an investment dispute, contract payments, and proceeds from sales. Transfers are to be made in a "freely convertible currency at the prevailing market rate of exchange on the date of transfer with respect to spot transactions in the currency to be transferred."

The Investment Incentives Law stipulates that non-Egyptian employees hired by projects established under the law are entitled to transfer their earnings abroad. Conversion and transfer of royalty payments are permitted when a patent, trademark, or other licensing agreement has been approved under the Investment Incentives Law.

Banking Law 88 of 2003 regulates the repatriation of profits and capital. The government has repeatedly emphasized its commitment to maintaining the profit repatriation system to encourage foreign investment in Egypt. The current system for profit repatriation by foreign firms requires sub-custodian banks to open foreign and local currency accounts for foreign investors (global custodians), which are exclusively maintained for stock exchange transactions. The two accounts serve as a channel through which foreign investors process their sales, purchases, dividend collections, and profit repatriation transactions using the bank's posted daily exchange rates. The system is designed to allow for settlement of transactions in less than two days.

Foreign Exchange

A growing gap between the demand and supply of foreign exchange in the market emerged following the institution of a new currency regime in January 2013, whereby the Central Bank of Egypt began a series of currency auctions in order to conserve foreign exchange. The government also instituted new capital controls limiting the amount of money that could be physically carried in and out of the country to $10,000 per person per trip. A parallel foreign exchange market exists in Egypt outside of the official banking system in which US dollars were trading at around a 7% premium over the official rate as of April 2014

3. Expropriation and Compensation

The Investment Incentives Law provides guarantees against nationalization or confiscation of investment projects under the law's domain. The law also provides guarantees against seizure requisition, blocking, and placing of assets under custody or sequestration. It offers guarantees against full or partial expropriation of real estate and investment project property. The U.S.-Egypt Bilateral Investment Treaty also provides protection against expropriation. Private firms are able to take cases of expropriation to court, but the judicial system is very slow and can take several years to resolve a case.

4. Dispute Settlement

The U.S. Embassy recommends that U.S. companies put clauses specifying binding international arbitration of disputes in their commercial agreements. Egypt acceded to the International Convention for the Settlement of Investment Disputes in 1971 and is a member of the International Center for the Settlement of Investment Disputes (ICSID), which provides a framework for arbitration of investment disputes between the government and foreign investors from another member state, provided that the parties agree to such arbitration. Without prejudice to Egyptian courts, the Investment Incentives Law recognizes the right of investors to settle disputes within the framework of bilateral agreements, the ICSID or through arbitration before the Regional Center for International Commercial Arbitration in Cairo, which applies the rules of the United Nations Commissions on International Trade Law.

The U.S.-Egypt Bilateral Investment Treaty allows an investor to take a dispute directly to binding third-party arbitration. The Egyptian courts generally endorse international arbitration clauses in commercial contracts. For example, the Court of Cassation has, on a number of occasions, confirmed the validity of arbitration clauses included in contracts between Egyptian and foreign parties.

Egypt adheres to the 1958 New York Convention on the Enforcement of Arbitral Awards; the 1965 Washington Convention on the Settlement of Investment Disputes between States and the Nationals of Other States; and the 1974 Convention on the Settlement of Investment Disputes between the Arab States and Nationals of Other States. An award issued pursuant to arbitration that took place outside Egypt may be enforced in Egypt if it is either covered by one of the international conventions to which Egypt is party or it satisfies the conditions set out in Egypt's Dispute Settlement Law 27 of 1994, which provides for the arbitration of domestic and international commercial disputes and limited challenges of arbitration awards in the Egyptian judicial system. The Dispute Settlement Law was amended in 1997 to include disputes between public enterprises and the private sector.

Bankruptcy

Egypt does not have a bankruptcy law per se, but Commercial Law 17 of 1999 includes a chapter on bankruptcy. The terms of the bankruptcy chapter are silent or ambiguous on several key issues that are crucial to the reduction of settlement risks. The Ministry of Industry and Foreign Trade has identified the lack of a functioning bankruptcy code as a significant weakness for investment in Egypt and has indicated in public statements that efforts are underway to initiate new bankruptcy legislation.

Duration of Dispute Resolution

The Egyptian judicial system functions extremely slowly, and cases can remain in the system for several years. Arbitral awards are made in the original currency of the transaction, via the competent court in Egypt, usually the Cairo Court of Appeals. A special order is required to challenge an arbitration award in an Egyptian court. To enforce judgments of foreign courts in Egypt, the party seeking to enforce the judgment must obtain an exequatur. To apply for an exequatur, the normal procedures for initiating a lawsuit in Egypt must be satisfied. Moreover, several other conditions must be satisfied, including ensuring reciprocity between the Egyptian and foreign country's courts and verifying the competence of the court rendering the judgment.

5. Performance Requirements and Investment Incentives

No performance requirements are specified in the Investment Incentives Law. The ability to fulfill local content requirements is no longer a prerequisite for approval to set up assembly projects, but in most cases, assembly industries still must meet a minimum local content requirement in order to benefit from customs tariff reductions on imported industrial inputs.

Article 6 of Decree 420/2000 allows for the reduction of customs tariffs on intermediate goods if the final product has a certain percentage of input from local manufacturers, beginning at 30 percent local content. As the percentage of local content rises, so does the tariff reduction. In certain cases, a Minister can grant tariff reductions of up to 40percent in advance to certain companies without waiting to reach a corresponding percentage of local content. In 2010, Egypt revised its export rebate system to provide exporters with additional subsidies if they used a greater portion of local raw materials. See the section "Import and Export Policies" for more details on the export rebate system.

Manufacturers wishing to export under trade agreements between Egypt and other countries must fulfill certificate of origin and local content requirements contained therein. Oil and gas exploration concessions, which do not fall under the Investment Incentives Law, do have performance standards, which are specified in each individual agreement and which generally include the drilling of a specific number of wells in each phase of the exploration period stipulated in the agreement.

There are no formal geographical restrictions on investments. However, due to congestion in Cairo, the government generally denies approval for investments in manufacturing facilities in Cairo, unless a compelling economic rationale exists. The government offers incentives to move existing manufacturing facilities out of Cairo. Upon request, government officials assist investors in locating a site for a project, often in one of the new industrial sites located outside Cairo and sometimes provide necessary infrastructure.

In addition to the new industrial sites outside Cairo, the government has targeted Upper Egypt for development by private investors. Land in industrial zones in Upper Egypt is offered free of charge. The government also provides hookups to infrastructure (water, sewer, electricity, and gas) and transfers land title to the developer three years after project startup. As noted above, approval by the security services is generally required for investments in the Sinai Peninsula.

In July 2007, MOI finalized procedures for granting usufruct rights (use by an investor of a plot of land for a certain period of time to establish a project and profit from it, after which both project and land are given to public ownership) in the Sinai, with the aim of boosting investment levels in the region. The procedures include facilitation of real estate registration; enabling use of usufruct rights as a guarantee for loans; and enabling banks to register pledges on real estate and foreclose in cases of non-payment.

6. Right to Private Ownership and Establishment

By law, foreign and domestic private firms have the right to establish and own business enterprises and engage in all forms of remunerative activity, except for the restrictions on foreign business noted previously. Private enterprises may freely establish, acquire and dispose of interests in business enterprises. In practice, private firms sometimes find themselves at a disadvantage when competing for resources with state-owned firms. For example, state-owned firms often have easier access to bank credit from the state-dominated banking system than do private firms, whether domestic or foreign. Despite sufficient bank capitalization, access to credit is a particular issue for Small and Medium Enterprises, which are often not considered sufficiently well established to merit the risk. In addition, some companies have experienced difficulties in dissolving companies.

7. Protection of Property Rights

Real Property

The Egyptian legal system provides protection for real and personal property, but laws on real estate ownership are complex and titles to real property may be difficult to establish and trace. Reforms in 2007 simplified the registration process for residential construction in new urban areas built on the outskirts of Cairo and Alexandria. According to the World Bank's 2014 Doing Business Report, Egypt ranks 105 out of 189 for ease of registering property. (http://www.doingbusiness.org/data/exploreeconomies/egypt/~/media/giawb/doing%20business/documents/profiles/country/EGY.pdf?ver=2)

A National Title Registration Program was introduced by the Ministry of State for Administrative Development and implemented in nine areas within Cairo. This program was intended to simplify property registration and facilitate easier mortgage financing. Real estate registration fees, long considered a major impediment to development of the real estate sector, were capped in May 2006 at no more than LE 2000 (US$286), irrespective of the property value. In November 2012, the government decided to postpone implementation of an enacted overhaul to the real estate tax system until 2014, although no action has yet been taken. The Ministry of Finance plans to submit proposed amendments to the law to the new parliament once it is seated. There is an extensive rent control system for older residential and commercial real estate property resulting in some apartment rents as low as US$10 per month. However, these rent controls do not apply to real estate put into service in recent years. Foreigners are limited to ownership of two residences in Egypt and specific procedures are required for purchasing real estate in certain geographical areas.

The mortgage market is still undeveloped in Egypt. Real Estate Finance Law 148 of 2001 authorized both banks and non-bank mortgage companies to issue mortgages. The law provides procedures for foreclosure on property of defaulting debtors, and amendments passed in 2004 allow for the issuance of mortgage-backed securities. According to the regulations, banks can offer financing in foreign currency of up to 80 percent of the value of a property.

Intellectual Property Rights

The lack of protection of intellectual property rights (IPR) is a major hurdle to direct investment in Egypt, which remains on the U.S. Trade Representative's Special 301 Watch List for IPR violations. Both legal protection and enforcement are weak.

Law 82/2002 reflects the provisions of the TRIPs Agreement. Egypt's new 2014 constitution includes new language (article 69) that calls on the state to protect intellectual property rights in all fields and to establish a body to regulate these rights.

Nonetheless, Egypt ranks poorly at international and regional levels. According to the 2013 intellectual property rights index (IPRI), Egypt ranked 86 out of 130 globally and 17 out of 21 regionally. (http://www.internationalpropertyrightsindex.org/profile?location=Egypt)

2013 Intellectual Property Rights Index

Category	Score	Global Rank	Regional Rank
Intellectual Property Right Index	4.8	86 of 130	17 of 21
Legal & Political Environment	4.0	90 of 130	16 of 21
Judicial Independence	5.9	49 of 130	13 of 21
Rule of Law	4.2	76 of 130	13 of 21
Political Instability	2.4	115 of 130	17 of 21
Control of Corruption	3.6	101 of 130	16 of 21
Physical Property Rights	5.7	85 of 130	15 of 21
Protection of Physical	5.7	80 of 130	18 of 21
Registering Property	7.7	97 of 130	15 of 21
Intellectual Property Rights	4.7	83 of 130	16 of 21
Protection of Intellectual Property Rights	5.5	87 of 130	9 of 21
Patent Protection	5.5	87 of 130	9 of 21
Copyright Protection	3.9	53 of 130	12 of 21

Egypt remains on the Special 301 Watch List in 2013, which cites a number of IPR challenges for Egypt: 1) the failure to issue deterrent-level sentences for IPR violations when offenders are convicted; 2) the need for additional training for enforcement officials; 3) the need to provide customs officials with the authority to take ex officio action; and 4) the need to finalize long-awaited regulations to clarify border procedures for the destruction of counterfeit products.

Although Egypt is working to upgrade its trademark registration system, rights holders have expressed concerns that Egypt has issued certain registrations improperly. Rights holders continue to express significant concerns that businesses offering pirated television content are impairing the ability of legitimate distribution outlets to operate in the market, and that print piracy continues to harm domestic and foreign publishers.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://wipo.int/directory/en/.

IPR Contact at Embassy Cairo:
Veronica Torres
Environment, Science, Technology and Health Officer
20-2-2797-33300
TorresV@state.gov

Local attorneys list: http://egypt.usembassy.gov/professional-services.html

8. Transparency of the Regulatory System

The Egyptian government has made efforts to improve the transparency of government policy. The process has proven difficult and has faced strong resistance from entrenched bureaucratic interests. Significant obstacles continue to hinder private sector investment, including the often-arbitrary imposition of bureaucratic impediments and the length of time needed to resolve them.

Law 89 of 1998 amended the Tenders and Bidding Law 9 of 1983 to improve equality and transparency in government procurement. Key provisions of the law include: a prohibition on reopening negotiations after final bids have been received; more transparency in the criteria for bid acceptance and rejection; equality among bidders, contractors, and government agencies; more weight given to the technical aspects of a tender or bid; protection of contractor rights; reduction of insurance fees; and immediate return of deposits once the government announces bid or tender results.

In 2005, parliament passed the Law on Protection of Competition and Prohibition of Monopolistic Practices. A new agency, the Egyptian Competition Authority, began operating in 2006 to implement the law. The MOI also issued corporate governance guidelines as Ministerial Decree No. 332 in 2005. The non-binding guidelines – formulated along the lines of OECD principles – apply to corporations and limited liability companies as well as brokerages. In 2006, MOI issued corporate governance guidelines for public sector companies.

Accounting standards in government entities are still not fully consistent with international norms, although efforts were underway to bring standards into conformity with International Financial Reporting Standards (IFRS). The MOI issued a directive in 2006 with new accounting standards for all companies listed on the Egyptian stock exchange, including public entities. The new standards, which came into effect in 2007, are close, but not identical to IFRS.

Egyptian law does not require that proposed legislation be published prior to consideration by the parliament. In practice, proposed legislation occasionally is circulated among concerned parties such as business associations and labor unions. On a number of occasions during the latest parliamentary term, parliamentary committees held 'social dialogue' sessions with concerned parties and organizations to discuss proposed legislation; however, responsiveness on the part of legislators to feedback received from concerned parties has been limited. After approval by parliament, new laws are referred to the President for approval, after which they are published in the Official Gazette, similar to the Federal Register in the United States. In the absence of a seated Parliament, Legislative Committees within each ministry are tasked with introducing new legislation to their respective Ministers, who in turn present it to the Cabinet during the weekly Cabinet meetings. After the legislation is discussed and approved by the Cabinet it is referred to the President for approval and is afterwards published in the Official Gazette.

Egypt has not had a comprehensive approach to regulatory reform. In the past decade, the Egyptian Government, led by the Ministry of Finance and the Ministry of Investment, made some strides to enhance the regulatory framework, particularly for businesses for the purpose of promoting investment and creating job opportunities. Such strides included tax and banking reform as well as facilitating start-up business registrations through "one-stop shops" where businesses could obtain start-up licenses without having to pass by and get approval from several different government offices. These "one-stop shops" were created by the Ministry of State for Administrative Development, which also set up e-government services.

The Egyptian Competition Authority is the body that ensures free competition in the market, prohibits anticompetitive practices, and serves consumer and producer interests. The Egyptian Competition Law was enacted in 2005 and covered three categories of violations: 1) cartels; 2) abuse of dominance; and 3) vertical restraints. Laws Number 190/2008 and Number 193/2008 have been amendments to the Competition Law and aim to protect competition and prohibit monopolistic practices and assure free competition and free entry and exit from the market based on economic efficiency. The main challenges to implementing the competition law, however, include the lack of competition policy at the country level, a significant informal sector, and the lack of availability of information and data. Some have questioned the independence and effectiveness of the Egyptian Competition Authority.

9. Efficient Capital Markets and Portfolio Investment

The Egyptian Exchange (EGX) is Egypt's registered securities exchange. In April 2014, 182 companies were listed on the EGX, with a market capitalization of nearly LE 500 billion. Stock ownership is open to foreign and domestic individuals and entities. The government of Egypt issues dollar-denominated and Egyptian pound-denominated debt instruments. Ownership is open to foreign and domestic individuals and entities.

The Capital Market Law 95 of 1992, along with the Banking Law of 2003, constitutes the primary regulatory framework for the financial sector. The law grants foreigners full access to capital markets, and authorizes establishment of Egyptian and foreign companies to provide underwriting of subscriptions, brokerage services, securities and mutual funds management, clearance and settlement of security transactions, and venture capital activities. The law also authorizes the issuance of corporate bonds and bearer shares, and makes income from most stocks and bonds non-taxable (compared to 20% tax rate on interest from Egyptian treasury bills). The law specifies mechanisms for arbitration and legal dispute resolution and prohibits unfair market practices. Law No 10/2009 created the Egyptian Financial Supervisory Authority (EFSA) and brought the regulation of all non-banking financial services under its authority.

The Central Securities Depository and Registration Law and its executive regulations, issued in 2000, eased registration and deposit of securities. Settlement of transactions takes one day for treasury bonds, two days stocks. Although Egyptian law and regulations allow companies to adopt bylaws limiting or prohibiting foreign ownership of shares, virtually no listed stocks have such restrictions. A significant number of the companies listed on the exchange are family-owned or dominated conglomerates, and free trading of shares in many of these ventures, while increasing, remains limited. Companies are de-listed from the exchange if not traded for six months.

In 2002, the then Minister of Foreign Trade added an additional chapter to the executive regulations of the Capital Market Law to allow margin trading to increase liquidity and trading in the market through brokerage firms and financially solvent licensed companies. In April 2003, the U.S. Securities and Exchange Commission included the Egyptian Exchange in its list of accredited stock exchanges, allowing U.S. financial institutions to invest in the Egyptian stock market without undertaking the cumbersome procedures previously required. In May 2006, the CMA issued Decree No. 50 for 2006, organizing online trading on the CASE. The decree allows brokerage companies to receive requests for buying/selling of shares by clients via the Internet. The decree also mandates infrastructure requirements, mainly web security provisions, which brokerage firms must meet in order to provide online services. To date, 114 companies have obtained online trading licenses.

Leasing Law 95 of 1995 allows for the leasing of capital assets and real estate and was designed to reduce the high start-up costs faced by new investors. Notably, the law specifically allowed for the purchase of real estate assets through leasing mechanisms. The Leasing Law was amended in 2001 to make leasing more attractive for investors by exempting financial leasing activities from sales taxes and fees; specifying financial standards that leasing companies must adhere to; increasing the control, organization and efficiency of the leasing activities; and incorporating clear guarantees for the parties involved.

10. Competition from State-Owned Enterprises

State Owned Enterprises compete directly with private companies in several sectors of the Egyptian economy. They are structured as individual companies controlled by boards of directors and grouped under government holding companies that are arranged by industry, for example – Spinning & Weaving; Metallurgical Industries; Chemical Industries; Pharmaceuticals; Food Industries; Building & Construction; Tourism, Hotels & Cinema; Maritime & Inland Transport; Aviation; and Insurance. The holding companies are headed by boards of directors appointed by the Prime Minister with input from the relevant Minister. According to Public Sector Law 203 of 1991, SOEs should not receive preferential treatment from the government, nor should they be accorded any exemption from legal requirements applicable to private companies. In addition to SOE groups above, 40% of the banking sector's assets are controlled by three state-owned banks (Banque Misr, Banque du Caire, and National Bank of Egypt). In March 2014 the government announced that nine public holding companies will be placed under an independent sovereign fund, but details are forthcoming.

In an attempt to encourage growth of the private sector, privatization of SOEs and state-owned banks accelerated under an economic reform program that took place from 1991 to 2008, but then stalled. Following the 2011 revolution, third parties have brought cases in court to reverse privatization deals, and in a number of these cases, Egyptian courts have ruled to reverse the privatization of several former public companies. Most of these cases are still under appeal.

11. Corporate Social Responsibility

Corporate social responsibility (CSR) programs have grown in popularity in Egypt over the last ten years. Most programs are limited to multinational and larger domestic companies. Education is the most popular sector for CSR investment, but environmental programs are garnering greater participation.

A number of organizations work to foster the development of CSR in Egypt. The American Chamber of Commerce has an active corporate social responsibility committee, and Apache Corporation was named a finalist in the 2013 for the Secretary's Award for Corporate Excellence for its work building and maintaining village girls schools throughout the country. Microsoft Was named a finalist in 2012. The Egyptian Corporate Responsibility Center, which is the UN Global Compact local network focal point in Egypt, aims to empower businesses to develop sustainable business models as well as improve the national capacity to design, apply, and monitor sustainable corporate social responsibility policies. In March 2010, Egypt launched an environmental, social, and governance (ESG) index, the 2nd of its kind in the world after India, with the training and technical assistance of Standard and Poor's.

OECD Guidelines for Multinational Enterprises

Egypt adhered to the OECD Guidelines for Multinational Enterprises as in 2007.

12. Political Violence

Throughout the first half of 2013, Egypt witnessed regular protests against the government of President Mohamed Morsy, ultimately leading to his removal on July 3, 2013. In July, Muslim Brotherhood (MB) supporters staged two sit-ins in the Cairo metropolitan area to protest Morsy's ouster, which security forces forcefully dispersed on August 14, 2013, leaving at least 632 dead.

Since the July 3, 2013, transfer of executive power, pro-MB demonstrations have been commonplace throughout Egypt's cities and universities, often resulting in clashes with security forces. The November 24, 2013, adoption of a law that restricts protest activity without prior authorization by security authorities provided the legal basis for quashing demonstrations. In late 2013 and 2014, terrorists attacked military installations and personnel in the Sinai Peninsula in addition to police and military facilities and personnel in a few cities on the mainland, including Cairo.

13. Corruption

Corruption is pervasive at all levels of Egyptian society. Giving and accepting bribes are criminal acts in Egypt, but corruption laws have not been consistently enforced. It is expected that companies might encounter corruption in meetings with public officials, as well as bribery, embezzlement, and tampering with official documents. Corruption and bribery are particularly reported in dealing with public services, customs, taxes, public utilities, and procurement. The law provides criminal penalties for official corruption, but the government did not consistently enforce the law, and there were allegations that members of prior governments engaged in corrupt practices with impunity.

After the January 2011 revolution, a sizeable number of officials from the Mubarak regime and their close business associates were subject to criminal investigation, tried, and in some cases, convicted on corruption charges. Most of the cases were based on the sale of public assets (predominantly land) at allegedly below-market prices. The Office of the Public Prosecution has been the main entity investigating and prosecuting the recent corruption charges. The Central

Agency for Auditing and Accounting is the government's anticorruption body and in the past submitted biennial reports to the People's Assembly that were not available to the public. The auditing and accounting agency stationed monitors at state-owned companies to report corrupt practices. Observers did not judge the agency to be effective, independent, or sufficiently resourced, and it did not actively collaborate with civil society.

A series of civil cases have been brought against private companies which concluded contracts with the Mubarak regime for the purchase of state-owned assets, as part of the regime's privatization drive. Most of the first-instance decisions in these cases have annulled the original sales contract, calling for the renationalization of the company and mandating that the individuals laid off following privatization be re-hired. These cases have caused considerable alarm among current and prospective investors in Egypt.

Transparency International's Corruption Perceptions Index ranked Egypt 114 out of 177 in its 2013 survey (http://cpi.transparency.org/cpi2013/results/), which is a slight improvement from the prior year, but is still a drop from the 2010 rank of 98 out of 178.

In addition, the World Economic Forum's Global Competitiveness Report 2013-14 identified corruption as the fifth most problematic factor to doing business in Egypt. (http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf)

The new 2014 constitution provides for the establishment of an Anti-Corruption Commission to focus on dealing with conflicts of interests, standards of integrity, and government transparency. It also addresses whistleblower protection.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Egypt ratified United Nations Convention against Corruption in February 2005. It has not acceded to the OECD Convention on Combating Bribery or any other regional anti-corruption convention.

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14. Bilateral Investment Agreements

Egypt has signed a number of international agreements covering investment, including bilateral investment agreements with Belgium, China, Finland, France, Germany, Greece, Italy, Japan, Libya, Luxembourg, Morocco, the Netherlands, Romania, Singapore, Sudan, Sweden, Switzerland, Thailand, Tunisia, the United Kingdom, and the United States. The U.S-Egypt Bilateral Investment Treaty provides for fair, equitable, and nondiscriminatory treatment for investors of both nations. The treaty includes provisions for international legal standards on expropriation and compensation; free financial transfers; and procedures for the settlement of investment disputes, including international arbitration.

In addition to specific investment agreements, Egypt is also a signatory to a wide variety of agreements covering trade issues. Egypt joined the Common Market for Eastern and Southern Africa (COMESA) in June 1998. In July 1999, Egypt and the United States signed a Trade and Investment Framework Agreement (TIFA), a step toward creating freer trade and increasing investment flows between the U.S. and Egypt. In June 2001, Egypt signed an Association Agreement with the European Union (EU) which entered into force on June 1, 2004. The agreement provides for immediate duty free access of Egyptian products into EU markets, while duty free access for EU products will be phased in over a twelve-year period. In 2010, Egypt and the EU completed an agricultural annex to their FTA, liberalizing trade in over 90 percent of agricultural goods.

Egypt is also a member of the General Arab Free Trade Agreement (GAFTA), and a member of the Agadir Agreement with Jordan, Morocco, and Tunisia, which relaxes rules of origin requirements on products jointly manufactured by the countries for export to Europe. Egypt also has an FTA with Turkey, in force since March 2007, and an FTA with the Mercosur bloc of Latin American nations, which Egypt ratified in January 2013, but which is not yet in force.
In 2004, Egypt and Israel signed an agreement to take advantage of the U.S. Government Qualifying Industrial Zone (QIZ) program. The purpose of the QIZ program is to promote stronger ties between the region's peace partners, as well as to generate employment and higher incomes, by granting duty-free access to goods produced in QIZs in Egypt using a specified percentage of Israeli and local input. Under Egypt’s QIZ agreement, U.S. imports from Egypt are eligible for duty-free treatment if the value includes not less than 35 percent U.S./Egyptian/Israeli content, with a minimum 10.5 percent Israeli content.

The industrial areas currently included in the QIZ program are Alexandria, areas in Greater Cairo such as Sixth of October, Tenth of Ramadan, Fifteenth of May, South of Giza, Shobra El-Khema, Nasr City and Obour, areas in the Delta governorates such as Dakahleya, Damietta, Monofeya and Gharbeya, and areas in the Suez Canal such as Suez, Ismailia, Port Said, and other specified areas in Upper Egypt. Egyptian exports to the U.S., ready-made garments in particular, have risen rapidly since the QIZ program was introduced in December 2004. The value of the Egyptian QIZ exports to the U.S. amounted to $901 million in 2013, approximately 55 percent of Egypt's total exports to the United States (Data Source: USITC).

Bilateral Taxation Treaties
Egypt has a bilateral tax treaty with the United States.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) has approved $500 million in financing to support lending to small businesses in Egypt and Jordan, including the following: 1) $150 million commitment in partnership with Abraaj Capital, a leading private equity group, to enable growth of smaller companies; 2) $150 million investment guaranty with Citibank for a loan to Citadel Capital, the leading private equity firm in the Middle East and Africa, to expand its subsidiaries working in critical sectors in the MENA region that include $125 million specifically for Egypt; and 3) $250 million 10 year partnership with Egyptian banks working directly with SMEs.

The U.S. Trade and Development Agency (USTDA) also links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries. USTDA provides grant funding to overseas project sponsors for the planning of projects that support the development of modern infrastructure and an open trading system. The hallmark of USTDA development assistance has always involved building partnerships between U.S. companies and overseas project sponsors to bring proven private sector solutions to developmental challenges.

16. Labor

Egypt sees upwards of 700,000 new entrants into the labor market each year. Official statistics put the labor force at 27.3 million, with 3.65 million unemployed. Following the 2011 January Revolution, Egypt's unemployment rate has gradually increased. The Q4/2013 unemployment rate stood at 13.4 percent, with unemployment significantly higher for women (25 percent) and for young people (60.5% for women between the ages of 20-24 and 32% for male youth).

Government statistics show that 69 percent of unemployed people were aged between 15 and 29; more than 82 percent hold diplomas and university degrees. More than one in three young people are unable to find work. Unemployment is at its highest among educated youth, particularly graduates of vocational secondary education. This issue was exacerbated by the 2011 Revolution and concomitant political and economic instability. Many consider the limited employment opportunities for youth as a serious challenge to Egypt's social cohesion and democratic transition. Millions of Egyptians continue to seek employment abroad.

The government bureaucracy and public sector enterprises are substantially over-staffed compared to the private sector. Business highlight a mismatch between labor skills and market demand, despite high numbers of university graduates in a variety of fields. Foreign companies frequently pay internationally competitive salaries to attract workers with valuable skills.

The Unified Labor Law (Law 12 of 2003) provides comprehensive guidelines on labor relations, including hiring, working hours, termination of employees, training, health, and safety. The law grants a qualified right for employees to strike, as well as rules and guidelines governing mediation, arbitration, and collective bargaining between employees and employers. Non-discrimination clauses are included, and the law complies with labor-related International Labor Organization (ILO) conventions regulating the employment and training of women and eligible children (Egypt ratified ILO Convention 182 on combating the Worst Forms of Child Labor in April 2002). The law also created a national committee to formulate general labor policies and the National Council of Wages, whose mandate is to discuss wage-related issues and national minimum-wage policy, but it has rarely convened.

Under the Unified Labor Law, workers may join trade unions, but are not required to do so. A trade union or workers' committee may be formed if 50 employees in an entity express a desire to organize. All trade unions are required by law to belong to the Egyptian Trade Union Federation. Though the law remains in place, in practice, employees may form independent worker organizations at the factory, governorate, and national level. In March 2011, the Minister of Manpower and Migration issued a decree recognizing complete freedom of association. The Minister decided that aspects of the Trade Union Law (Law 35 of 1976) violated, and were trumped by, Egypt's ILO and UNHRC commitments. Since March 2011, the Ministry has registered well over 1600 independent trade unions without interference, while hundreds more have formed, but have not yet registered.

The new 2014 Constitution stipulates in article 76 that "establishing unions and federations is a right that is guaranteed by the law." Only courts are allowed to dissolve unions. The 2014 constitution maintained past practice in stipulating that "one syndicate is allowed per profession," because the Egyptian constitutional legislation differentiates between white-collar syndicates (for professional workers e.g. doctors, lawyers, journalists) and blue-collar workers (e.g. transportation, food, mining workers). The government has drafted a Freedom of Association Law, but not yet passed the legislation. Employers complain that the incongruence between labor provisions in the 2014 Constitution, the 2011 Ministerial Decree, and the Trade Union Law of 1976 causes uncertainty when dealing with workers' representatives. The ILO's Committee of Experts recognized Egypt's 2011 declaration on freedom of association as a positive step and emphasized that a law codifying these changes should be enacted as soon as possible.

Workers in Egypt have the right to strike peacefully, but strikers by law must notify the employer and concerned administrative officials of the reasons and time frame of the strike ten days in advance. The law prohibits strikes in strategic or vital establishments in which the interruption of work could result in disturbing national security or basic services provided to citizens. In practice, however, workers strike often in all sectors without following these procedures. The number of strikes increased significantly after January 2011. The ILO Committee of Experts has criticized the 1976 Trade Union Law for mandating that only formerly government-controlled Trade Union Federation may organize strikes and that workers must notify employers in advance of strike actions.

Collective negotiation is allowed between trade union organizations and private sector employers or their organizations. Agreements reached through negotiations are recorded in collective agreements regulated by the Unified Labor law and usually registered at the Ministry of Manpower and Migration. Collective bargaining is technically not permitted in the public sector, though it exists in practice. The government often intervenes to limit or manage collective bargaining negotiations in all sectors.

The Ministry of Manpower and Migration sets worker health and safety standards, which also apply in public and private free zones and the Special Economic Zones (see below). Enforcement and inspection, however, are uneven. The Unified Labor Law prohibits employers from maintaining hazardous working conditions, and workers have the right to remove themselves from hazardous conditions without risking loss of employment.

Egyptian labor laws allow employers to close or downsize for economic reasons. The government, however, has taken steps to halt downsizing in specific cases. The unemployment insurance law, also known as the Emergency Subsidy Fund Law No. 156 of 2002, sets a fund to compensate employees whose wages are suspended due to partial or complete closure of their firm or due to its downsizing. The Fund allocates financial resources that will come from a one percent deduction from the base salaries of public and private sector employees. According to foreign investors, certain aspects of Egypt's labor laws and policies are significant business impediments, particularly the difficulty of dismissing employees.

The Labor Law 12 of 2003 requires that foreign workers account for no more than 10 percent of the total workforce of a firm, though this requirement can be waived by the Ministry of Manpower and Migration. This law's requirements do not apply to the oil and gas industry, but most or all individual concession agreements have some sort of requirement on percentage of local employees.

In 2011, the Ministry of Manpower and Migration enacted regulations designed to restrict access for foreigners to Egyptian worker visas, though application of these provisions has been inconsistent. Visas for unskilled workers will be phased out. For most other jobs, employers may hire foreign workers on a temporary six-month basis, but must also hire two Egyptians to be trained to do the job during that period. Only jobs where it is not possible for Egyptians to acquire the requisite skills will remain open to foreign workers. In practice, it is not clear how diligently the government is enforcing these provisions.

17. Foreign Trade Zones/Free Ports

Public and private free zones are authorized under the Investment Incentive Law and are established by a decree from GAFI. Free zones are located within the national territory, but are considered to be outside Egypt’s customs boundaries, granting firms doing business within them more freedom on transactions and exchanges. Companies producing largely for export (normally 80 percent or more of total production) may be established in free zones and operate in foreign currency. Free zones are open to investment in any sector, by foreign or domestic investors. Companies operating in free zones are exempted from customs duties, sales taxes or taxes and fees on capital assets and intermediate goods.

There are currently 10 public free zones in operation in the following locations: Alexandria, Damietta, East Port Said Port Zone, Ismalia, Koft, Media Production City, Nasr City, Port Said, Shebin el Kom, and Suez. Private free zones may also be established with a decree from GAFI but are usually limited to a single project. Export-oriented industrial projects are given priority. There is no restriction on foreign ownership of capital in private free zones.

The Special Economic Zones (SEZ) Law 83 of 2002 allows establishment of special zones for industrial, agricultural, or service activities designed specifically with the export market in mind. The law allows firms operating in these zones to import capital equipment, raw materials, and intermediate goods duty free. Companies established in the SEZs are also exempt from sales and indirect taxes and can operate under more flexible labor regulations. The first SEZ was established in the northwest Gulf of Suez.

Law No. 19 of 2007 authorized creation of investment zones, which require Prime Ministerial approval for establishment. The government regulates these zones through a board of directors, but the zones are established, built and operated by the private sector. The government does not provide any infrastructure or utilities in these zones. Investment zones enjoy the same benefits as free zones in terms of facilitation of license-issuance, ease of dealing with other agencies, etc., but are not granted the incentives and tax/custom exemptions enjoyed in free zones. Projects in investment zones pay the same tax/customs duties applied throughout Egypt. The aim of the law is to assist the private sector in diversifying its economic activities.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign direct investment came to a virtual standstill following the 2011 revolution and is still well below pre-2011 levels.

Measurements of foreign direct investment (FDI) in Egypt vary according to the source and the definitions employed to calculate the figure. The Central Bank records figures on quarterly and annual investment flows based on financial records for Egypt's balance of payments statistics and are reported in the table below. The Ministry of Petroleum keeps statistics on investment in the oil and gas sector (which accounts for the bulk of FDI in Egypt), while GAFI keeps statistics on all other investments, but statistics are not always current. GAFI's figures are calculated in Egyptian Pounds at the historical value and rate of exchange, with no allowance for depreciation and are cumulative starting from 1971. GAFI statistics indicated that U.S. investors had FDI in Egypt at a total of $5.8 billion for the period of 1971-2008 outside the oil/gas sector. The U.S. has historically ranked first in terms of FDI in Egypt, but starting in 2007 was outpaced by the EU.

U.S. firms are active in a wide range of manufacturing industries, producing goods for the domestic and export markets. Examples of U.S. investors include American Express, AIG, American Standard, Apache Corporation, Bechtel, Bristol-Myers Squibb, Cargill, Citibank, Coca-Cola, Dow Chemical, ExxonMobil, Eveready, General Motors, Guardian Industries, H.J. Heinz, Johnson & Johnson, Devon Energy, Mondelez, Microsoft, Proctor and Gamble, Pfizer, PepsiCo, Pioneer, and Xerox. Leading investors from other countries include BG, ENI-AGIP, BP, and Shell (in the oil/gas sector), Unilever, the M.A. Kharafi Group (Kuwait), and the Kingdom Development Company (Saudi Arabia).

Table 2a: Annual FDI and Portfolio Investment (billions of USD)

Fiscal Year *(starting July 1)*	Net FDI	Net Portfolio Investment	US FDI Inflows
2003/04	0.4	-0.2	0.2
2004/05	3.9	0.8	2.0
2005/06	6.1	2.8	4.6
2006/07	11.0	-0.9	4.7
2007/08	13.2.	-1.4	6.4
2008/09	8.1	-9.2	3.5

2009/10	6.8	7.9	1.4
2010/11	2.2	-2.6	1.8
2011/12	4.0	-5.0	0.6
2012/13	3.0	-1.5	2.2

(Source: Central Bank of Egypt for Net FDI and Net Portfolio Investment: http://www.cbe.org.eg/English/Economic+Research/Time+Series/
For U.S. FDI inflows: http://cbe.org.eg/CBE_Bulletin/2014/Bulletin_2014_3_Mar/48_32_Net_Foreign_Direct_Investment_In_Egypt_(FDI)_by_country.pdf)

TABLE 2b: Key Macroeconomic data, U.S. FDI in host country/economy

			Source of data
Economic Data	Year	Amount	
Egypt Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	262.8	http://www.worldbank.org/en/country
Foreign Direct Investment			
U.S. FDI in Egypt (*Millions U.S. Dollars, stock positions)*	2012	17,134	http://www.bea.gov • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Egypt FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	-303	http://www.bea.gov • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)

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