EGYPT
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

After a year of economic reforms, Egypt wants the world to know that it open for business and ready for investment. The country has rallied around an elected president who, with the assistance of a technocratic economic cabinet, has demonstrated a willingness to make difficult economic decisions, including cutting fuel subsidies by 30 percent and devaluing the Egyptian pound. Upcoming planned investment reforms include the introduction of a VAT tax, simplified bankruptcy proceedings, a companies law, amendments to the capital markets law, a new insurance law, and a land management framework. In addition, in March 2015, the country organized the Egypt Economic Development Conference (EEDC), bringing together heads of state and multinational chief executives to showcase Egypt's reform agenda, spotlight USD 36 billion in foreign investments, and offer speeches by ministers who affirmed the government's commitment to economic reform. The conference was well-received and generated positive feedback from many of the attending investors, giving Egypt momentum as it works to tackle serious economic challenges that include high youth unemployment, a weak educational system, fiscal imbalances, and lingering foreign exchange concerns.

The government has made progress on the roadmap adopted in July 2013, ratifying a new constitution in January 2014 and holding presidential elections in May 2014. Parliamentary elections have been postponed repeatedly and are currently expected in fall 2015. Egypt remains dependent on billions of dollars in assistance from Gulf countries to provide temporary economic relief and bolster foreign reserves.

Egypt honors its laws, treaties, and trade agreements. It is party to 112 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 many 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 (SOEs).

Egypt has several programs intended to attract foreign direct investment into special economic and trade zones. The General Authority for Investment and Free Zones (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 percent. The Minister of Finance recently declared that this rate will be reduced to 22.5 percent. In 2015, the World Bank's Ease of Doing Business Index ranked Egypt 112 out of 185 economies.

Significant impediments to investment exist. Investors report there can be delays of up to several months 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 percent non-Egyptians (25 percent 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 significant hurdle in certain sectors 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 a wholly Egyptian-owned importer.

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. 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

Attitude toward Foreign Direct Investment

The Government of Egypt has declared investment, including foreign investment, a top priority. President Sisi’s technocratic cabinet of economic ministers has supported this policy through a series of recent pro-business reforms, including a third party contract appeal law prohibiting third party interference in state-investor contracts; a competition law; and a presidential decree reforming Egypt's 1997 Investment Law by trimming customs duties, expanding corporate veil protection, establishing additional forums for investor-state disputes, and setting the foundation for a true one-stop business registration shop. Additional upcoming reforms promised by the government include a VAT tax, simplified bankruptcy proceedings, a companies law, amendments to the capital markets law, a new insurance law, and a land management framework.

In March 2015 Egypt organized a major investment conference, the Egypt Economic Development Conference (EEDC). The conference highlighted reforms and upcoming investments and was seen by many as an affirmation of the country’s new pro-investment policy.

Other Investment Policy Reviews

Neither the Organization for Economic Cooperation and Development nor the World Trade Organization nor the United Nations Conference on Trade Development has conducted an investment policy review of Egypt in the past three years.

Laws/Regulations of Foreign Direct Investment

In 2015, Egypt issued Presidential Decree 17/2015, reforming many of Egypt's investment-related laws, including the companies law, general sales tax law, investment guarantees and incentives law, and income tax law. The decree refined Egypt’s one-stop shop system, stating that the Ministry of Investment’s GAFI will serve as a liaison between investors and government agencies when applying for business licenses. The one-stop shop remains to be implemented and in April 2015, the Minister of Investment stated that full implementation could take up to another 18 months. In addition, the decree offered non-tax incentives to investors in certain sectors or regions. It also offered new mechanisms for investment dispute settlement and improved corporate veil protection shielding senior executives from prosecution. Finally, the decree limits the expansion of free zones and gives the cabinet the exclusive right to choose fields of investment in the free zones contingent on the state’s economic strategy.

The 1997 Investment Incentives Law 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 1997 Investment Incentives Law and made companies incorporated under it subject to relatively simpler incorporation. It also granted companies established under the Companies Law or the Commercial Law certain incentives, 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.

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 (USD 656,200), and same-day trading on the Egyptian stock market is allowed. As of January 2011, 47 brokerage firms had 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 (USD 0.0131).

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 (USD 1,968) for each job opportunity created by the project, on the condition that the investment costs of the project exceed LE 15 million (USD 1.97 million). The decree can be implemented on both new and on-going projects.

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.

Industrial Promotion

Energy & Mining: The petroleum industry is one of the most significant in Egypt, and hydrocarbon production is by far the largest single industrial activity. Although petroleum, natural gas, and petrochemicals have traditionally been Egypt's top exports, acute energy shortages in recent years have turned Egypt into a net importer of oil, gas and refined petroleum products, and feedstock shortages have hit the petrochemical sector as well. The Egyptian government encourages investment by international oil and gas companies, and currently dozens of international producers 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 with foreign and domestic investors in the form of production-sharing agreements (PSAs). Egypt grants concessions in specified geographic areas through the promulgation of a special law for each concession, which forms the legal basis for a PSA between the investor and a state-owned company such as EGPC. Founding each concession agreement in law gives the 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 GOE has made progress in repaying arrears to foreign oil and gas companies, which peaked at over USD 6 billion in mid-2014 but fell to USD 3.1 billion by the end of 2014. The GOE has publicly committed to repaying outstanding arrears by mid-2016. Fuel is heavily subsidized in Egypt, and even following major subsidy cuts in 2014, approximately 10 percent of government expenditures will likely be spent on fuel subsidies in the 2014-15 fiscal year. The GOE has said it intends to eliminate fuel subsidies within five years, bringing prices to full cost recovery levels by 2019.

Information & Communication: 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) has not offered 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, but a deal has not been finalized. 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 existing mobile companies to enter the fixed market.

The lack of competition among internet service and fixed landline providers translates into high prices, low internet speeds (2-4 Mbit/s in downtown Cairo), and unreliable service quality by companies like Telecom Egypt. In October 2014, Brand Finance ranked Telecom Egypt and Egypt's Mobinil among the most expensive brands in Arab telecommunications. An additional barrier is that only 3G services are available in Egypt. The Ministry of Communications and Information Technology notes that 4G and broadband will be instituted once the unified license is announced.

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 USD 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. As of 2015, according to the Ministry of Tourism, tourist visits have rebounded to 9.9 million in 2014, up from 9.5 million in 2013. Year-end tourism proceeds reached USD 2 billion, though they remain around 38 percent lower than pre-revolution levels and tourism has fallen to sixth place as a source of foreign currency in Egypt.

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.

Finance: Egypt's insurance regulator, the Egyptian Financial Supervisory Authority (EFSA), is undertaking reform of its legislative framework for insurance. As of April 2015, the EFSA Board was considering a draft proposal which was developed with significant input from the private sector and other relevant stakeholders.

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.

Limits on Foreign Control

Agribusiness: 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).

Finance: 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.

Energy & Mining: 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 2015 will further open electricity generation and distribution to the private sector.

Privatization Program

Egypt's privatization program ran under an economic reform program that took place from 1991 until 2008. After a several-year period in which no privatizations took place, Egypt resumed privatization in 2015 with an announcement by the investment minister that four companies, including two petroleum companies, would be privatized and listed on the Egyptian Stock Exchange.

Egypt's privatization program is based on Public Enterprise Law 203 of 1991, which permits the sale of state enterprises to foreign entities. In 1991, Egypt began a privatization program 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 is defined as mixed state and private ownership, whether foreign or domestic). Bidding criteria for privatizations are generally clear and transparent.

In 2014 the President signed a law limiting appeal rights on state-concluded contracts to reduce third-party challenges to government privatization deals. The law is intended to reassure and attract investors concerned by legal challenges brought against privatization deals and land sales dating back to the Mubarak government. Ongoing court cases have put many of these now-private firms, many of which are foreign-owned, in legal limbo over concerns that they may be returned to state ownership.

Screening of FDI

Egypt maintains de facto oversight of certain categories of FDI based on geography and sector. While there are no formal geographical restrictions on investments in Egypt, the government generally denies approval for investment in manufacturing facilities in Cairo due to congestion. Approval by the security services is also usually required for investments in the Sinai Peninsula due to ongoing security concerns. In addition, certain regulatory approvals are required in the financial sector. The government does not issue new licenses for banks or insurance companies. Foreign firms can only enter the Egyptian market by purchasing a stake in an existing bank or insurance company.

Competition Law

The Egyptian Competition Authority is the body that ensures free competition in the market, prohibits anticompetitive practices, and serves consumer and producer interests. The Authority operates under the Egyptian Competition Law, which was enacted in 2005 and covers three categories of violations: 1) cartels; 2) abuse of dominance; and 3) vertical restraints. In 2008, laws number 190/2008 and 193/2008 introduced amendments to the Competition Law aiming at protecting competition, prohibiting monopolistic practices, and assuring free competition and free entry and exit from the market based on economic efficiency. The main challenges to implementing the Competition Law 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.

Investment Trends

The following table summarizes several well-regarded indices and rankings:

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	94 of 175	**transparency.org/cpi2014/results**
World Bank's Doing Business Report "Ease of Doing Business"	2015	112 of 189	**doingbusiness.org/rankings**
Global Innovation Index	2014	99 of 143	**globalinnovationindex.org/content.aspx?page=data-analysis**
World Bank GNI per capita	2013	USD 3140	**data.worldbank.org/indicator/NY.GNP.PCAP.CD**

Millennium Challenge Corporation Country Scorecard

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 per capita gross national income (GNI) or USD 4,125 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/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

2. Conversion and Transfer Policies

Foreign Exchange

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 USD 100,000. In January 2014, however, the Central Bank permitted individuals who had already reached that limit to transfer an additional USD 100,000. No specific guidelines from the Central Bank regarding fund transfer were issued in 2015. While 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 months, 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.

In an effort to divert U.S. dollars from the parallel market back into the official market, the Central Bank in February 2015 set a dollar deposit limit for households and companies at USD 50,000 a month and USD 10,000 a day. Firms such as tourism companies, which earn their revenues in dollars, appear to be exempt. By April 2015, the Central Bank had relaxed the implementation of these limits for certain transactions in an apparent effort to allow greater volumes of foreign exchange liquidity into the formal banking sector. The Central Bank issued these directives through verbal decree. While this allows for significant flexibility in implementation, some market participants have expressed frustration about a lack of long-term clarity in Egypt's currency regime.

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, where it remains (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."

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 USD 10,000 and 5,000 LE per person per trip.

A parallel foreign exchange market exists in Egypt outside of the official banking system in which US dollars trade at around a 2-7 percent premium over the official rate. In December 2014, CBE weekly auctions were increased by 25 percent to help clear backlogs in foreign exchange requests. In an attempt to control the parallel market, the Central Bank has recently put limits on the amount of foreign exchange that an individual or entity can deposit in banks (USD 10,000/day with a maximum of USD 50,000/month). This was combined with a devaluation of the official exchange rate to reach USD 1= LE 7.6.

Remittance Policies

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 fewer than two days, though in practice some firms have reported significant delays in repatriating profits due to ongoing currency controls.

3. Expropriation and Compensation

The Investment Incentives Law provides guarantees against nationalization or confiscation of investment projects under the law's domain (Law 8 Article 8). The law also provides guarantees against seizure, requisition, blocking, and placing of assets under custody or sequestration (Law 8 Article 9). It offers guarantees against full or partial expropriation of real estate and investment project property (Law 8 Articles 11 and 12). 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

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Egypt's legal system is a civil codified law system. The judiciary is an independent branch of the government.

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.

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 Egyptian government has identified the lack of a functioning bankruptcy code as a significant weakness for investment. In 2015, in an attempt to help accelerate the bankruptcy process, the government amended Egypt's 1997 Investment Law, stipulating that if a company under liquidation has not received a statement of liquidation from the relevant administrative authorities within 120 days of the liquidator submitting the application, the company will be discharged from its liabilities. While this has accelerated bankruptcy proceedings to some extent, the government continues to indicate in public statements that efforts are underway to initiate new bankruptcy legislation to more permanently address continuing concerns over the cost and paperwork involved in bankruptcy.

Investment Disputes

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.

Presidential Decree law No. 17 of 2015 added a new mechanism for simplified settlement of investment disputes aimed at avoiding the court system altogether. In particular, the law established a Ministerial Committee on Investment Contract Disputes, responsible for the settlement of disputes arising from investment contracts to which the State, or a public or private body affiliated therewith, is a party. The decree also established a Complaint Committee that will consider challenges connected to the implementation of Egypt's amended 1997 Investment Law. Finally, the decree established a Committee for Resolution of Investment Disputes that will review complaints or disputes between investors and the government related to the implementation of the Investment Law. The effectiveness of these committee in resolving disputes remains to be tested.

International Arbitration

The U.S. Embassy recommends that U.S. companies put clauses specifying binding international arbitration of disputes in their commercial agreements.

ICSID Convention and New York Convention

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.

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.

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.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Egypt is a member of the World Trade Organization (WTO). The most recent Trade Policy Review for Egypt prepared by the WTO was issued in 2005:
https://www.wto.org/english/tratop_e/tpr_e/tp250_e.htm

Investment Incentives

There are no formal geographical restrictions on investments in Egypt. 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. The new amendments to the Investment Incentives Law (Article 20) stipulate that it is permissible based on a Cabinet decree to provide special non-tax incentives to projects that meet any of the following criteria: a) are labor intensive, b) maximize local content, c) invest in logistics, internal trade, energy, or transport, or d) invest in remote or disadvantaged areas.

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.

Research and Development

Research and Development (R&D): The new 2014 constitution includes article 23 which explicitly states that the country can spend “no less than 1 percent 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.

Performance Requirements

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 184/2013 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, reaching up to 90 percent if the amount of local input is 60 percent or above. In certain cases, a Minister can grant tariff reductions of up to 40 percent 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 complete certificates 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.

Data Storage

Egypt does not impose localization barriers on IT firms. Egypt does not make local production a requirement for market access, does not have local content requirements, and does not impose forced technology or IP transfers as a condition of market access.

Source: https://copyrightalliance.org/sites/default/files/resources/2013-localization-barriers-to-trade.pdf

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 and liquidity, access to credit is a particular issue for small and medium enterprises, which often do not sufficiently meet bank application requirements to assess their risk profiles. In addition, some market participants 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 84 out of 189 for ease of registering property. (http://www.doingbusiness.org/data/exploreeconomies/egypt/~/media/giawb/doing%20business/documents/profiles/country/EGY.pdf)

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 (USD 263), 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; but as of early 2015 no action has 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 USD 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.

Presidential Decree 17/2015 permitted the government to provide land, free of charge and in certain regions only, to investors meeting certain technical and financial requirements. This provision expires on April 1, 2020 and the company must provide cash collateral for five years following commencement of either production (for industrial projects) or operation (for all other projects).

Intellectual Property Rights

The lack of adequate protection of intellectual property rights (IPR) is a major hurdle to direct investment here. Egypt remains on the Special 301 Watch List as of 2015. Shortcomings in the IPR environment include infringements to copyrights and patents, particularly in the pharmaceuticals sector.

Book, music, and entertainment software piracy is prevalent in Egypt. A significant portion of violations also take place online with music, movies, and software. American film studios represented by the Motion Pictures Association of America are concerned about the illegal distribution of American movies on regional satellite channels. Market access impediments, including ad valorem duties on imported CD-based goods, a tax on imported goods, censorship certificate fees for foreign films, and a 20 percent entertainment tax on foreign films (versus five percent for Arabic-language films) remain challenges for U.S. firms selling in Egypt.

Law 82/2002 reflects the provisions of the TRIPs Agreement. Article 69 of Egypt's new constitution, which came into effect in January 2014, reaffirms the state's commitment to the protection of IP rights. It also calls for the establishment of an administrative organ to ensure legal protections, but the interim government has not yet taken steps to establish such an institution. In the absence of that administrative entity, Egypt's IP rights sector remains regulated by Law 82/2002.

In multilateral negotiations and the WTO TRIPS Council, Egypt, together with other countries, presses demands for unlimited technology transfer that could lead to coercion of private rights holders, weakening their property rights. These outcomes could undermine innovation, trade, and investment in IP-intensive products and services that are critical parts of the response to climate change, sustainable economic development, and other challenges. By advancing such positions, the Egyptian government is creating uncertainty with respect to its commitment to create a domestic environment that will encourage innovation and investment in innovative industries.

Per the 2014 intellectual property rights index (IPRI), Egypt's IPRI score declined for the third continuous year. Egypt ranked 75 out of 97 globally and 6 out of 7 regionally. (http://internationalpropertyrightsindex.org/countries)

Customs officers have the right to seize counterfeit or suspicious goods. However, customs officers lack authority to destroy counterfeit goods unless ordered by a court to do so following a claim by the rights holder. The cost of storage and destruction of counterfeit goods is incurred by the rights holder.

Resources for Rights Holders

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:

- Gianni Paz

• Trade Officer
• 20-2-2797-3300
• PazGF@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 are 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 ratification. In practice, recent draft legislation has been circulated among concerned parties, including business associations and labor unions. This is a welcome change from previous practice.

Although Egypt does not currently have a seated parliament, historically, parliamentary committees have 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 was limited. After approval by parliament, new laws were 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.

Regulatory Reform: Over 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 get approval from several different government offices. Historically, Egypt's one-stop shops have not necessarily lived up to the name, with registration frequently requiring stops at many different government bureaus. However, in 2015, the government addressed this concern head on by introducing a series of amendments granting GAFI authority to consolidate the registration processes of many ministries into a true one-stop shop. As of April 2015 the government is working to implement these new measures, with the Minister of Investment stating that he expects full implementation to be completed in 18 months.

9. Efficient Capital Markets and Portfolio Investment

The Egyptian Exchange (EGX) is Egypt's registered securities exchange. In April 2015, 214 companies were listed on the EGX, with a market capitalization of about 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, constitute the primary regulatory frameworks 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. Recently the Ministry of Finance increased taxes on income from capital gains to 10 percent. 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 and two days for 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 Capital Market Authority (CMA) issued Decree No. 50 for 2006, organizing online trading. 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 to which leasing companies must adhere to; increasing the control, organization and efficiency of the leasing activities; and incorporating clear guarantees for the parties involved.

Money and Banking System, Hostile Takeovers

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. To this end, in 2013, QNB Group acquired National Société Générale Bank Egypt (NSGB). That same year, 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.

10. Competition from State-Owned Enterprises

State-owned enterprises compete directly with private companies in several sectors of the Egyptian economy. According to Public Sector Law 203 of 1991, state-owned enterprises 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 the state-owned enterprises groups above, 40 percent 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. As of April 2015, this has not yet occurred.

In an attempt to encourage growth of the private sector, privatization of state-owned enterprises and state-owned banks accelerated under an economic reform program that took place from 1991 to 2008. 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.

OECD Guidelines on Corporate Governance of SOEs

SOEs in Egypt are structured as individual companies controlled by boards of directors and grouped under government holding companies that are arranged by industry, including 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.

Sovereign Wealth Funds

Egypt does not have a sovereign wealth fund.

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 and entrepreneurship 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 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 second of its kind in the world after India's, with training and technical assistance from Standard and Poor's.

OECD Guidelines for Multinational Enterprises

Egypt became a signatory to the OECD Guidelines for Multinational Enterprises in 2007.

12. Political Violence

During late 2014 and early 2015, there were numerous small-scale shootings and bombing attacks against both security and civilian targets in Cairo and elsewhere in the country. In the Sinai Peninsula, where militants have conducted major terrorist attacks against military installations and personnel, security remains a problem. One domestic terror group, Ansar Beit Al-Maqdis (ABM), which has operated in the Sinai Peninsula since 2011 and claimed responsibility for most of the deadliest attacks against Egyptian security targets, recently declared its allegiance to ISIL and changed its name to the State of Sinai. The United States designated the group as a Foreign Terrorist Organization in April 2014. Violent attacks have also taken place in areas in proximity to the border with Libya.

13. Corruption

Corruption occurs at all levels of Egyptian society. Giving and accepting bribes are criminal acts in Egypt, but corruption laws have not been consistently enforced. Companies might encounter corruption in the public sector in the form of bribery, embezzlement, and tampering with official documents. Corruption and bribery are reported in dealing with public services, customs (import license and import duties), public utilities (water and electrical connection), construction permits, and procurement, as well as in the private sector. The law provides criminal penalties for official corruption, but the government does not consistently enforce the law.

A series of civil cases have been brought against private companies that 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 concern among current and prospective investors in Egypt.

Transparency International's Corruption Perceptions Index ranked Egypt 94 out of 175 in its 2014 survey (http://cpi.transparency.org/cpi2014/results/) an improvement from the difficult 2011-2014 period and a return to the 2010 ranking which placed Egypt 98 out of 178. The World Bank Enterprise Survey reports that general corruption incidence and corruption depth in Egypt is lower than the overall MENA region, and even the world average. Recent ratings from a WB rapid survey, phone survey, and, the World Economic Forum's Global Competitiveness Report 2013-14 identified corruption as the third to fifth most problematic factor to doing business in Egypt. The World Competitiveness Survey specifically cites policy instability, government instability, access to financing, and foreign currency regulations as four challenges more important than corruption (http://www3.weforum.org/docs/GCR2014-15/EGY.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. That same year, Egypt launched a four year national Anti-Corruption Strategy empowering the new National Coordinating Committee for Combating Corruption to develop a holistic government strategic for addressing corruption. The long-term effectiveness of this strategy remains to be seen.

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 conventions.

Resources to Report Corruption

Several agencies within the Egyptian government share responsibility for addressing corruption. Egypt's primary anticorruption body is the independent and well-regarded Administrative Control Authority, which has jurisdiction over state administrative bodies, state-owned enterprises, public associations and institutions, private companies undertaking public work, and organizations to which the state contributes in any form. The Ministry of Justice's Illicit Gains Authority is charged with referring cases in which public officials have used their office for private gain. The Public Prosecution Office's Public Funds Prosecution Department and the Ministry of Interior's Public Funds Investigations Office likewise share responsibility for addressing corruption in public expenditures.

General Contact Information:

- Ministry of Interior
- General Directorate of Investigation of Public Funds
- Telephone: 02-2792-1395/ 02-27921396
- Fax: 02-2792-2389

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 12 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. The Minister of Industry, Trade and SMEs announced during the Egypt Economic Development Conference (EEDC) that two new FTAs will be signed. The first will be in June with the three major African blocks: the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the East African Community (EAC). The second will be with the Eurasian Economic Union, which includes Russia, Armenia, Belarus, and Kazakhstan.

In 2004, Egypt and Israel signed an agreement to take advantage of the U.S. Government’s 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., and 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 USD 920 million in 2014, 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 USD 500 million in financing to support lending to small businesses in Egypt and Jordan, including the following: 1) USD 150 million commitment in partnership with Abraaj Capital, a leading private equity group, to enable growth of smaller companies; 2) USD 150 million investment guaranty with Citibank for a loan to Citadel Capital, the leading private equity firm in the Middle East and Africa, aimed at expanding its subsidiaries working in critical sectors in the MENA region and including USD 125 million specifically for Egypt; and 3) USD 250 million 10 year partnership with Egyptian banks working directly with SMEs.

16. Labor

Egypt sees upwards of 700,000 new entrants into the labor market each year. Official statistics put the labor force at 27.6 million, with 4.3 million unemployed. Following the 2011 Revolution, Egypt's unemployment rate has gradually increased. The 2014 unemployment rate stood at 15.6 percent, with unemployment significantly higher for women (29.3 percent) and for young people (71.1 percent for women between the ages of 15-24 and 25.8 percent for young men).

Government statistics show that 69 percent of unemployed people were aged between 15 and 29; more than 82 percent hold diplomas and university degrees. 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. Businesses 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 certain 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. The latter 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. In March 2011, the Minister of Manpower and Migration (MOMM) 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. Subsequent ministers continued to recognize the 2011 decree, and since March 2011, the Ministry of Manpower and Migration has registered well over 1,600 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." 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 "right to be collectively organized" law, but as of April 2015 has not yet passed the legislation; 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. 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.

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 disturb 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. In 2014, labor actions spiked during the first quarter, but gradually tapered off over the course of the year. The ILO Committee of Experts has criticized the 1976 Trade Union Law for mandating that only the 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 MOMM 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.

Labor Law 12 of 2003 allows Ministers to set the maximum percentage of foreign workers that may work in companies in a given sector. There are no such sector-wide maximums for the oil and gas industry, but individual concession agreements may contain language establishing limits or procedures regarding the proportion of foreign and local employees.

In 2011, the MOMM 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/Trade Facilitation

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 by foreign or domestic investors. Companies operating in free zones are exempted from sales taxes or taxes and fees on capital assets and intermediate goods. In 2015, the Legislative Package for the Stimulation of Investment stipulated a 1 percent duty paid on the value of commodities upon entry for storage projects and a 1 percent duty upon exit for manufacturing and assembly projects.

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.

In 2015, limits were introduced on energy-related free zone investments, and licenses will not be granted in free zones for projects in the following sectors: fertilizers; oil and steel; petroleum; natural gas production, liquefaction and transport; or other energy intensive industries.

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.

In 2014, the government announced its intention to begin work on the USD 15 billion Suez Canal Development Project, a major industrial and logistics services hub built along the Suez Canal. The project will be constructed by the Dar El Handsa Consortium, and is expected to include upgrades and renovations to ports located along the Suez Canal corridor, including West and East Port Said, Ismailia, Suez, Adabiya, and Ain Sokhna. The government has invited foreign investors to take part in the project, which is expected to be built in several stages, the first of which is scheduled to be completed by 2020. Reported areas for investment include maritime services like ship repair services, bunkering, vessel scrapping and recycling; industrial projects, including pharmaceuticals, food processing, automotive production, consumer electronics, textiles, and petrochemicals; IT services such as research and development and software development; renewable energy; and mixed use, residential, logistics, and commercial developments.

Website for the Suez Canal Development Project:
http://www.sczone.com.eg/English/Pages/default.aspx

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013/14	279,000	2014	272,000	www.worldbank.org/en/country

Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2013/14	4,100	2014	17,100	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2013/14	N/A	2014	300	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2013/14	10,900	N/A	N/A	3.9%

http://www.mof.gov.eg/English/publications/MOF_Publications/Pages/The_Financial_Monthly_Bulletin.aspx

Table 3: Sources and Destination of FDI

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. They 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 – including re-invested earnings and investment-in-kind. 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. 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, Ideal Standard, Apache Corporation, Bechtel, Bristol-Myers Squibb, Cargill, Citibank, Coca-Cola, Devon Energy, Dow Chemical, ExxonMobil, Eveready, General Motors, Guardian Industries, H.J. Heinz, Johnson & Johnson, Kellogg's, 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).

Note that the IMF's Coordinated Direct Investment Survey (CDIS) is unavailable for Egypt.

Table 4: Sources of Portfolio Investment

Figures below are from 2013. Note that political changes since 2013 will adversely affect Qatar's investment in Egypt in future reports.

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	2,968	100%	All Countries	737	100%	All Countries	2,231	100%
United States	1,353	46%	Saudi Arabia	302	41%	United States	1,317	59%
Saudi Arabia	327	11%	Italy	49	7%	Cayman Islands	322	14
Cayman Islands	322	11%	United Kingdom	40	5%	United Kingdom	106	5%
United Kingdom	146	5%	United States	36	5%	Qatar	84	4%
Qatar	84	3%	Switzerland	34	5%	Germany	64	3%

19. Contact for More Information

- Konrad Turski
- Investment Officer
- Telephone: 20-2-2797-3300
- E-Mail Address: turskimk@state.gov