

EGYPT

TRADE SUMMARY

U.S. goods exports in 2014 were \$6.5 billion, up 25.4 percent from the previous year. Egypt is currently the 39th largest export market for U.S. goods. Corresponding U.S. imports from Egypt were \$1.4 billion, down 12.6 percent. The U.S. goods trade surplus with Egypt was \$5.1 billion in 2014, an increase of \$1.5 billion from 2013.

The stock of U.S. foreign direct investment (FDI) in Egypt was \$19.3 billion in 2013 (latest data available), up from \$17.3 billion in 2012. U.S. FDI in Egypt is led by the mining sector.

TECHNICAL BARRIERS TO TRADE/ SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Vehicles

In June 2010, Egypt announced that it would exclusively adopt EU-based emissions and safety regulatory standards for vehicles. It would apply these standards to all imported and locally produced vehicles, dividing the implementation into three phases. Phase I targeted imported cars and trucks. Implementation of Phase I has resulted in reduced sales for U.S. manufacturers which do not produce EU versions of their vehicles, and given the small volumes of U.S. vehicles sold outside the United States, the development of EU versions would be cost prohibitive. Additionally, under phase I, replacement parts built to U.S. Department of Transportation (DOT) and Environmental Protection Agency regulatory standards are prohibited for use in American manufactured vehicles already on the road in Egypt, and it is frequently not possible to use parts built in conformity with EU standards to service vehicles built to U.S. regulatory requirements. It is unclear when Egypt will implement phases II and III.

Sanitary and Phytosanitary Barriers

In recent years the Egyptian government has made progress in reducing bureaucratic hurdles and the time required for customs clearance of agricultural products by taking a more scientific approach to sanitary and phytosanitary (SPS) measures. Despite these improvements, importers of U.S. agricultural commodities continue to face unwarranted barriers such as those that lack technical and scientific justification.

Beef and Beef Products

The United States is concerned that Egypt's proposal to establish a zero-tolerance level for synthetic hormone residues in foodstuffs of animal origin is not based on science. If enforced, this regulation would have a substantial negative impact, if not eliminate, exports of U.S. beef and beef products to Egypt. Egypt is the largest market for U.S. beef liver by far and the seventh largest market for U.S. beef and beef products with exports of over \$150 million in 2014.

Agricultural Biotechnology

In March 2012, the Ministry of Agriculture and Land Reclamation issued a decree "temporarily suspending" the cultivation of the biotech corn seed. This suspension followed anti-biotech media reports

about alleged health risks, despite the successful use of a biotech corn variety approved for four years across 10 governorates.

Potatoes

Egypt is one of world's larger seed potato importers, but it does not permit imports of varieties of U.S. seed potatoes due to phytosanitary concerns regarding *Ralstonia* (brown rot) and ring rot. The U.S. seed certification process, however, ensures that seed potatoes are free from the aforementioned viruses as well as other diseases. Egypt has conducted a pest risk assessment and two field inspection visits to the United States, and is in a position to sign an import protocol for U.S. seed potatoes. Nonetheless, Egypt has not agreed to an import protocol for U.S. seed potatoes, nor has it declared the United States an eligible supplier of potato seeds to Egypt.

Grain and Oilseeds

Egypt claims to enforce a zero tolerance policy for the presence of *Ambrosia* (ragweed) in corn, soybeans, and wheat imports, but in practice it only applies the regulation to international shipments and does not require testing for domestic producers of corn, soybeans, and wheat

IMPORT POLICIES

Tariffs

Egypt maintains the high tariffs it implemented in March 2013, when it increased tariffs on approximately 100 "non-essential" items, including sunglasses, nuts, cut flowers, fireworks, grapes, strawberries, apples, pineapples, video games, chewing gum, watches, and seafood (including shrimp and caviar). Tariffs on seafood increased as follows: on fish from 5 percent to 30 percent, on caviar from 30 percent to 40 percent, and on lobster from 20 percent to 40 percent. Tariffs on cut flowers increased from 30 percent to 40 percent, and on fresh and dried nuts from 5 percent to 10 percent. Tariffs on some fresh fruits, including strawberries, increased from 5 percent to 10 percent, while levies on some other fresh fruits, including apples, increased from 20 percent to 30 percent.

Egypt maintains high tariffs on a number of additional products. The tariff on passenger cars with engines of less than 1,600 cubic centimeters (cc) is 40 percent, and the tariff on cars with engines of more than 1,600 cc is 135 percent. In addition, cars with engines over 2,000 cc are subject to an escalating sales tax of up to 45 percent. Tariffs on a number of processed and high-value food products, including poultry meat, range from 20 percent to 30 percent. There is a 300 percent tariff on alcoholic beverages for use in the tourism sector, including for hotels, plus a 40 percent sales tax. The tariff for alcoholic beverages ranges from 1,200 percent on beer, 1,800 percent on wine, and 3,000 percent on sparkling wine and spirits. Foreign movies are subject to tariffs amounting to 46 percent. They are also subject to sales taxes and box office taxes higher than those for domestic films.

Customs Procedures

In 2004, the Ministry of Finance began reorganizing the Customs Authority to meet international standards. Since then, it has attempted to establish modern customs centers at major ports to test new procedures and new information technology systems to facilitate communications among ports and airports. These systems were to become fully operational in 2009, but interagency disputes regarding information sharing have delayed implementation. As a result, the information technology infrastructure has deteriorated, representing an additional obstacle to modernization. Moreover, Egypt does not currently have systems in place to accept advance information on international cargo arriving at ports of entry.

The Ministry of Finance in 2008 finalized a draft of a new customs law to streamline procedures and facilitate trade. The proposed legislation has yet to be submitted to parliament for consideration. Its status at this point remains unclear. The practice of consularization, which requires exporters to secure a stamp from Egyptian consulates on all documents for goods to be exported to Egypt – at a cost of \$100 to \$150 per document – remains in place and adds significant costs in money and time.

Import Bans and Barriers

Either the National Nutrition Institute or the Drug Planning and Policy Center of the Ministry of Health and Population (MoHP) must register and approve all nutritional supplements, specialty foods, and dietary foods. While there is no law which prohibits the importation of nutritional supplements in finished pill form, import licenses are not provided. The definition of specialty foods is broad and includes processed foods with labels claiming that the food is “high in” or “enriched with” vitamins or minerals. The government attempts to complete the approval process in six weeks to eight weeks, but occasionally some products face longer waiting periods for approval. Importers must apply for a license to import a dietary product and renew the license every one to five years, depending on the product, at a cost of approximately \$1,000 per renewal.

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

GOVERNMENT PROCUREMENT

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

Egyptian law grants potential suppliers certain rights, such as speedy return of their bid bonds and an explanation of why a competing supplier was awarded a contract. However, concerns about a lack of transparency remain. For example, the Prime Minister retains the authority to determine the terms, conditions, and rules for procurement by specific entities. The Prime Minister may also grant authorities the right to use sole-source contracting for a project, and thus government procurement may occur without the solicitation of proposals.

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

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Egypt remained on the Watch List in the 2014 Special 301 Report. The United States remains concerned about piracy of broadcast content via satellite TV operations, the lack of enforcement in major cases involving trademark violations, online piracy, entertainment software piracy, and book piracy. The lack of

speed and effectiveness in processing trademark applications are obstacles for growth. To address this gap, officials from the U.S. Patent and Trademark Office trained local trademark examiners on best practices. The United States will continue to engage Egypt on these issues, including through the Special 301 process.

SERVICES BARRIERS

Egypt restricts foreign equity in construction and transport services to 49 percent. Egypt also limits the employment of non-nationals to 10 percent of an enterprise's general workforce, although the Ministry of Manpower and Migration can waive this limitation. In computer-related industries, Egypt requires that 60 percent of top-level management be Egyptian within three years of the start-up date of the venture.

Banking

Foreign banks are able to buy shares in existing banks but not able to secure a license to establish a new bank in Egypt. In 2009, the Government slowed its effort to privatize the three remaining state-owned banks on the grounds that market conditions were not appropriate. These banks control at least 40 percent of the banking sector's total assets.

Despite having a large and well-developed formal financial sector, a significant portion of small-scale financial transactions are undocumented or remain outside of the formal banking system. The Egyptian National Postal Organization (ENPO), for example, remains Egypt's primary provider of retail banking services.

Telecommunications

The state-owned telephone company, Telecom Egypt, lost its legal monopoly on the local, long-distance and international telecommunication sectors in 2005. Nevertheless, Telecom Egypt continues to hold a *de facto* monopoly in the fixed-line sector, primarily because the National Telecommunications Regulatory Authority (NTRA) has not approved 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 it 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 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, and poor service quality. In October 2014, Brand Finance ranked two Egyptian companies, Telecom Egypt and Mobinil, among the most expensive providers of Arab telecommunications. An additional barrier is that only 3G services are available in Egypt. The Ministry of Information and Telecommunications has stated that 4G services and broadband will be instituted once the unified license regime is finalized.

Courier and Express Delivery Services

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

INVESTMENT BARRIERS

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

Although Egypt is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, U.S. investors have complained that Egyptian courts are not consistent in their approach to the recognition of foreign arbitral awards. In their view, the arbitration enforcement mechanism can in some cases require re-litigating the dispute in court. For foreign court judgments, only a few foreign states' judgments are enforceable in Egypt, and there is a perception that the domestic judicial system is subject, in some cases, to political influence.