EGYPT

TRADE SUMMARY

The U.S. goods trade surplus with Egypt was $4.6 billion in 2010, an increase of $1.4 billion from 2009. U.S. goods exports in 2010 were $6.8 billion, up 30.1 percent from the previous year. Corresponding U.S. imports from Egypt were $2.2 billion, up 8.3 percent. Egypt is currently the 33rd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Egypt was $9.8 billion in 2009 (latest data available), up from $8.4 billion in 2008.

IMPORT POLICIES

In recent years, the government of Egypt has gradually liberalized its trade regime and economic policies, although the reform process has been somewhat halting. The government has adopted a wide range of reform measures. However, a number of challenges to opening Egypt's markets remain, including a need to reduce corruption, reform the cumbersome bureaucracy, implement a fully transparent regulatory regime, and eliminate non-science based health, sanitary/phytosanitary and safety standards.

Tariffs

As part of the government's stimulus package in February 2009, Presidential Decree 51/2009 amended the customs tariff schedule for 255 additional items, lowering or eliminating tariffs on some raw materials and capital and intermediate goods such as inputs for spun and woven products.

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

Tariffs on most U.S. agricultural product exports to Egypt are five percent or lower; however, a number of processed and high value food products, including poultry meat, face tariff rates ranging from 20 percent to 30 percent.

There is a 300 percent duty on alcoholic beverages for use in the tourism sector, including for hotels, plus a 40 percent sales tax. The general tariff for alcoholic beverages ranges from 1200 percent on beer to 1800 percent on wine to 3000 percent on sparkling wine and spirits.

Foreign movies are subject to duties and import taxes amounting to 46 percent and are subject to sales taxes and box offices taxes higher than those for domestic films.

Customs Procedures

In 2004, the Ministry of Finance committed to a comprehensive reform of Egypt's customs administration and is reorganizing the Customs Authority to meet international standards. Modern customs centers are being established at major ports to test new procedures, such as risk management, and new information technology systems are being implemented to facilitate communications among ports and airports. These systems were to become fully operational in 2009, but were delayed, and their status at this point is unclear.

The Ministry of Finance in August 2008 finalized a draft of a new customs law to streamline procedures and facilitate trade, but the proposed legislation has yet to be submitted to parliament for consideration. Its status at this point is unclear.

Import Bans and Barriers

Passenger vehicles may only be imported into Egypt by their original owners, and the owner must have purchased the car within the first 12 months of its production for it to be eligible for importation. Vitamins and food supplements can only be marketed in Egypt by domestic companies that manufacture them under license or prepare and pack imported ingredients and pre-mixes according to Ministry of Health and Population (MOHP) specifications. Only domestic factories are allowed to produce food supplements and to import raw materials used in the manufacturing process.

The National Nutrition Institute or the Drug Planning and Policy Center of the MOHP register and approve all nutritional supplements, specialty foods, and dietary foods. The definition of specialty foods is very broad and includes processed foods with labels claiming "high in" or "enriched with" vitamins or minerals. The government attempts to complete the approval process in six weeks to eight weeks, but some products face waiting periods of 4 months to 12 months for approval.

Importers must apply for a license for dietary products and renew the license every 1-5 years depending on the product, at a cost of approximately $1,000. However, if a similar local dietary product is available in the local market, registration for an imported product is sometimes not approved.

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

GOVERNMENT PROCUREMENT

A 1998 law regulating government procurement requires that technical factors, along with price, be considered in awarding contracts. A preference is granted to parastatal companies whose bids are within15 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.

Egyptian law grants potential suppliers certain rights, such as speedy return of their bid bonds and an explanation of why a competing supplier was awarded a contract. However, concerns about a lack of transparency remain. For example, the Prime Minister retains the authority to determine the terms, conditions, and rules for procurement by specific entities.

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

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Egypt remained on the Watch List in the 2010 Special 301 Report. Egypt undertook positive efforts, including acceding to various international IPR treaties, such as the Patent Cooperation Treaty, the Madrid Protocol, and the Nice Classification Agreement. Egypt also increased enforcement actions and conducted successful public awareness and training campaigns in 2010, including several operations that resulted in the seizure of large amounts of counterfeit goods. However, piracy and counterfeiting were noted in the Special 301 Report as continuing to be serious problems. Online music piracy has increased, and book and entertainment software piracy remain a concern. The United States continues to urge the Ministry of Health to clarify its commitment to take steps to protect undisclosed test or other data generated to obtain marketing approvals for pharmaceutical products against unfair commercial use and unauthorized disclosure. The United States also continues to seek clarification of the Ministry of Health's commitment to provide an effective system to address patent infringement concerns expeditiously in connection with applications to market pharmaceutical products.

SERVICES BARRIERS

Egypt restricts foreign equity in construction and transport services to 49 percent. In the computer services sector, larger contributions of foreign equity may be permitted, if it is in the national interest. Egypt 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 must be Egyptian within three years of the start-up date of the venture. According to Egyptian labor law, foreigners cannot be employed as tourist guides.

Banking

No foreign bank seeking to establish a new bank in Egypt has been able to obtain a license in the past 20 years, and in November 2009, the Central Bank Governor reaffirmed that no new banks would be given licenses.

Since banking reform began in 2004, the government has divested itself from many joint venture banks and privatized the government-owned Bank of Alexandria in 2006. However, efforts to restructure the remaining three state-owned banks have been mixed, and the Central Bank rejected privatization of the three banks in 2009 on the grounds that market conditions were not right. The three remaining state owned banks still control at least 40 percent of the banking sector's total assets. The banking reforms of the past six years have succeeded in significantly reducing the share of non-performing loans.

In 2010, in reaction to high meat and poultry prices, the Central Bank relaxed a requirement of 100 percent foreign exchange cover for Letters of Credit issued for the purchase of agricultural and food products, reducing the requirement to 50 percent.

Telecommunications

The state-owned telephone company, Telecom Egypt, continues to hold a *de facto* monopoly on the fixed line network. Despite Egypt's WTO commitments to issue additional licenses, the National

Telecommunications Regulatory Authority (NTRA) postponed a plan to issue a second license in mid-2008, citing a lack of interest by potential applicants. In its WTO commitments, Egypt reserved for itself the right to condition market entry on an "economic needs test"(ENT) but agreed to decide if the ENT needed to be continued after 2005, subject to consultations between Egypt and WTO Members taking into consideration the progress of the Council on Trade in Services on ENTs. It is unclear whether as a policy matter Egypt continues to apply an ENT when examining license applications. One trade association has complained that Egypt only allows its incumbent operator to provide voice over internet protocol technology. In 2010, the NTRA issued two new licenses for "triple play" services of data, voice, and video to consumers, but these licenses apply only for the provision of such services to newly-constructed gated housing compounds. The mobile phone sector is highly competitive. Three private companies – Etisalat, Mobinil, and Vodafone Egypt– serve the market, though Telecom Egypt holds a minority stake in Vodafone Egypt.

Transportation

The United States - Egypt Air Transport Agreement remains very restrictive and limits the flexibility of airlines to take advantage of commercial opportunities and respond to market conditions. Furthermore, the agreement has no provisions on charter services. Some ad hoc charter flights, however, are conducted to and from Cairo with the explicit approval of the national carrier, Egypt Air. The United States remains interested in replacing the restrictive 1964 agreement with an Open Skies air services agreement.

Courier and Express Delivery Services

Private courier and express delivery service suppliers seeking to operate in Egypt must receive special authorization from the Egyptian National Postal Organization (ENPO). In addition, although express delivery services constitute a separate for-profit, premium delivery market, private express operators are required to pay ENPO a "postal agency fee" of 10 percent of annual revenue on shipments under 20 kilograms. In 2010, ENPO imposed an additional fee on private couriers and express delivery services of £E 5 ($0.87) on all shipments under 5 kilograms.

OTHER BARRIERS

Pharmaceutical Price Controls

In 2009, the Ministry of Health and Population issued Decree 373 to replace Egypt's "cost-plus" system of pharmaceutical pricing with a new system that would set the price of brand-name drugs in Egypt 10 percent lower than the lowest international sale price for the drug. The decree also sets the price ceiling for generic drugs at 60 percent to 70 percent of the amount of the brand-name drug, which is higher than the average sale price for generics in Egypt. The decree, however, was prevented from taking effect by an April 2010 ruling by the Administrative Court. The Ministry of Health and Population has appealed and the Supreme Administrative Court is expected to rule on the case soon.