

Egypt

1 Bilateral trade and investment

According to the China Customs, the bilateral trade volume between China and Egypt in 2006 reached US \$ 3.19 billion, up by 48.8% year on year, among which China's export to Egypt was US \$ 2.98 billion, up by 53.9% year on year, while China's import from Egypt was US \$ 220 million, up by 2.7% year on year. China had a surplus of US \$ 2.76 billion. China mainly exported to Egypt garments and clothing accessories, cotton, long staple chemical fiber, plastics and products thereof, organic chemical products, mechanical apparatus and parts, motive power machines and equipment, iron and steel products, vehicles and parts. China's main imports from Egypt included cotton, textile yarn and knitted products thereof, long staple chemical fiber, carpets and other floor covers made of textile materials, iron and steel, mechanical apparatus and parts, plastics, metals, mineral materials and products thereof.

According to the Ministry of Commerce of the People's Republic of China (hereinafter referred to as MOFCOM), the accumulated turnover of completed engineering contracts by the Chinese companies in Egypt amounted to US \$ 1.03 billion in 2006. The volume of completed labor service cooperation contracts was US \$ 9.57 million.

According to MOFCOM, approved by or registered with MOFCOM, China's direct non-financial foreign investment reached US \$ 12.5 million in Egypt in 2006.

Statistics of MOFCOM show Egypt invested in 15 projects in China in 2006 with a contractual investment of US \$ 16.05 million; the actual utilization was US \$ 1.27 million. By the end of 2006, Egypt had accumulatively invested in 72 projects in China with a contractual investment of US \$ 75.44 million and an actual paid-up capital of US \$ 14.73 million.

2 An overview of trade and investment regime

Legislation relating to foreign trade administration adopted by Egypt mainly includes Import and Export Regulations of 1975, Customs Law of 1963, and Trade Law of 1999. The main laws governing investment in Egypt are the Companies Law of 1981, the Investment Guarantees and Incentives Law of 1997 along with its Executive Regulations, and Special Economic Zones Law of 2002. In 1998 Egypt promulgated Law on the Protection of National Economy from the Effects of Injurious Practices in International Trade along with its Executive Regulations, which establishes procedures to be followed in anti-dumping, countervailing and safeguards

investigations.

Egypt amended its Import and Export Regulations, Companies Law, Investment Guarantees and Incentives Law and Income Tax Law in 2005.

The competent authorities responsible for nationwide trade and investment affairs is the Ministry of Foreign Trade and Industry of Egypt with the affiliated organization of General Organization for Import and Export Control(GOIEC) being in charge of the inspection of all import commodities. Affiliated to GOIEC, the Administrative Bureau of Countries of Origin is responsible for doing research on trade preferential arrangement and non tariff barriers, publishing information, issuing certificates of origin, and conducting business administration of the sections in charge of countries of origin in different departments. The Central Department of International Trade Policies in the Ministry of Foreign Trade and Industry is responsible for countervailing, special safeguard measures and anti dumping issues.

The main functions of the General Authority for Industrial Development include formulating and implementing the plan and policy of deepening domestic industrialization, increasing the local content of raw materials in production, and increasing the added value of Egyptian products gradually. Its terms of references also include setting the prices of land for industrial use in each province and industrial zone, implementing the industrial policies made by the Ministry of Foreign Trade and Industry, encouraging investment, providing convenience for investors, improving the investment environment of the industrial zones together with the General Authority for Investment and Free Zones, and making and publishing the specifications and standards for each industrial project.

The Ministry of Investment of Egypt is in charge of foreign investment policies, coordinating the departments relevant to investment and providing services of dispute settlement for investors. The affiliated organizations include Capital Market Authority(CMA), General Organization for Insurance Control and the General Authority for Investment and Free Zones. Affiliated to the Supreme Committee of Investment, the General Authority for Investment and Free Zones(GAFI) is the executive body of the Ministry of Investment, managing foreign investment projects and free zones, taking the responsibility of formulating and amending the Investment Law, improving foreign investment environment, examining and approving foreign investment projects, providing administrative and consulting services, and providing information overseas.

2.1 Legislation on trade and investment and its development

2.1.1 Tariff regime

To facilitate trade liberalization, Egypt has made further adjustments to its tariff regime. The Presidential Decrees of 300/2004 and 410/2004 reduced the weighted average tariff rates of commodities from 14.6% to 8.9%, and the ad valorem duties from 27% to 6%.

2.1.2 Import administration

Article 6 of the Customs Law stipulates that the assembling industry (processing trade) can enjoy a tariff reduction of 10% to 90% when importing parts and components based on the different proportions of local contents. That is to say, the higher the proportion of local contents, the more the reduction of tariffs.

According to Decree No. 32/2006 on Amending the Executive Regulations to Implement Import and Export Law No. 118/1975 as well as Inspection and Control Procedures of Imported and Exported Goods, textile labels printed in the Arabic language must be sewed and fixed to every piece of garments, bedding, carpets, and embroideries (hosiery and imports for medical care and industrial protection purposes excluded), indicating the types of textiles used, places of manufacturing and the importers.

Pursuant to the Decree on Amending Some Provisions in the Executive Regulations of the Import and Export Law, as of 15 March 2005, for all the commodities enjoying Customs preferential policies according to the agreements signed between Egypt and other countries in the world and all the products subject to anti-dumping duties, Customs clearance can be made only when the certificates of origin of the consignments in question include the names of the producers and the commercial trademarks. Meanwhile, all the supporting documents relating to the export to Egypt should include the final invoice, the name of the producer, the address, the telephone number, the fax number and the e-mail address. Packed products should be marked with places of manufacturing, names of producers and trademarks in the Arabic, English or French languages. The Decree does not apply to those products already dispatched, paid for or the products whose L/C already opened prior to this date.

2.1.3 Export administration

In accordance with Decree No. 32/2006 on Amending the Executive Regulations to Implement Import and Export Law No. 118/1975 as well as Inspection and Control Procedures of Imported and Exported Goods, only those industrial products

manufactured by registered industrial enterprises with licenses are permitted to export. Handicraft products, handicrafts and ferry boats for tourists are excluded.

2.2 Legislation on investment and its development

There is no specific law governing foreign investment in Egypt. Foreign investors may choose to invest in Egypt either under the Companies Law or the Investment Guarantees and Incentives Law, depending on the types of incentives sought and the areas in which the investment is to be made. Investment can be made through joint ventures, limited liability companies, partnerships and “inland investments”. Unlike the Companies Law which applies to all investment, the Investment Guarantees and Incentives Law applies to domestic or foreign investment in certain specified activities or sectors.

Eleven free zones of Alexandria, Cairo and Suez, etc. as well as 12 new cities and forty industrial zones have been set up nationwide in Egypt. Enterprises located in these special zones enjoy a series of preferential policies, which include: (1) Taxes on industrial and commercial income or corporate profit tax are exempted; (2) Enterprises registered before June 2005 in new cities and industrial zones enjoy a ten year holiday of income tax, while those established after June 2005 are subject to 20% tax; (3) Imported materials and equipment (autos excluded) for investment projects are subject to a unified tariff rate of 5%; (4) Enterprises invested in free zones enjoy life long tax exemption if their products are for export and tariffs on raw materials are imposed if their products are for the domestic market. Commodities in and out of free zones are imposed of 1% administration fee or an annual tax of 1% according to the value added to the project per annum. Service projects are subject to 3% turnover tax; (5) 10% income tax is imposed on investment projects in special zones.

Applications for purchasing land for investment projects should be made to the Investment Authority which is responsible for recommending land, yet the Ministry of Agriculture takes the responsibility of examining and approving of land for agricultural purpose. Land use for tourism projects is under the authority of the Ministry of tourism and land for industrial purpose should be approved by provincial governments or the committees of industrial zones. In the Suez Special Economic Zone, the administrative committee of the special economic zone is responsible for it. In some private new industrial zones, the developers are in charge of land sale.

2.3 Legislation on trade and investment and its development

In April 2006, Egypt issued the new law on land taxation, imposing new regulations on real estate tax and tax on agricultural land. The tax rate on land was reduced from

14% to 10% based on the rental value.

The new stamp tax regulation issued by the Egyptian Ministry of Finance took effect in September 2006. The new regulation removed some stamp taxes on certain projects and reduced some rates of stamp taxes to encourage deposit and investment as well as to reduce the tax burden on enterprises.

3Barriers to trade

3.1Tariff and tariff administrative measures

3.1.1Tariff peak

In Egypt, import duties vary from 2% to 40% on different imports of raw materials, spare parts, primary feeding materials, and durable products based on the different degrees of processing. However, high tariffs are maintained on some products including alcoholic drinks, tobacco and passenger cars with displacement exceeding 2000cc.

3.1.2Tariff escalation

Egypt's tariff structure clearly reveals a pattern of positive escalation, with average tariffs of 4.8% on raw materials, 10.6% on semi-manufactured goods, and 28.2% on fully processed goods.

3.2Import restrictions

Pursuant to the relevant regulations of the Ministry of Health of Egypt, natural products, vitamins, and food supplements are prohibited from importation into Egypt in their finished form. The only way these items can be marketed in Egypt is through a local manufacture under license, or by sending ingredients and premixes to a local pharmaceutical firm to be prepared and packed in accordance with the specifications of the Ministry of Health. Only local factories are allowed to produce food supplements and import raw materials to be used in the manufacturing process.

Egypt also prohibits the importation of used and refurbished medical equipment and suppliers. The ban does not differentiate between the most complex computer-based

imaging equipment and the most basic of suppliers.

Passenger vehicles may be only imported within one year after the year of production. Egyptian regulations do allow investors to import a vehicle for private use without restriction on the year of manufacture, provided that an approval is obtained from the Chairman of General Authority for Investments and Free Zones(GOIEC).

3.3 Technical barriers to trade

Some articles of 67/2006 concerning laws protecting the consumer's rights passed by the Egyptian People's Congress will have serious impact on the import of certain products. Article 3 stipulates that manufacturers and importers should have the products marked with relevant information in Arabic according to the Egyptian standards or any other regulations.

Strict quality standards are imposed on imported goods in Egypt. At present, the Egyptian national standards are established by the Egyptian Organization for Standardization and Quality Control(ESO) in the Ministry of Foreign Trade and Industry. Verification of compliance of domestic goods is the responsibility of different agencies including the Ministry of Health, the Ministry of Agriculture and, for imported goods, however, the Ministry of Foreign Trade and Industry. The Chinese side is concerned about the possible differential treatment by different organizations dealing with the compliance assessment for imported goods and domestic products. Egypt requires the ISO standards, European Standards, American Standards, Japanese Standards, British Standards, German Standards and CAC Standards should apply in case there are no domestic technical standards or mandatory standards for certain products. The Chinese side hopes to consult the Egyptian government to reach agreement on the application of the Chinese national standards.

Egypt exercises quality inspection on imported batteries and tires based on different specifications according to the regulations on the administration of the quality of industrial products. Sometimes the department concerned requires the submission of batteries and tires exceeding the quantity necessary for quality inspection. Delay in Customs clearance to products that have passed the quality control also happens sometimes(about one month). All these have added burdens to the importers. In addition, Egypt requires the capacity of the battery should exceed 98% while most other countries require 95%.

Extremely rigid testing requirements are imposed on the imported leather for boots in Egypt. Egypt requires the water absorbing rate of natural leather used for vamp be

lower than 45% within two hours, lower than 55% within 24 hours and coefficient of wear less than 45%. The natural and synthetic vamp should undergo elastic resistance testing, requiring no tear after 10,000 times of testing. However, these requirements are only applicable to imported products. In addition, as the Egypt Customs imposes high fees on the import of shoes, the importer should pay an extra US \$ 88 per ton and the analysis fee of US \$ 58. The Chinese side is concerned about the discriminatory treatment to the imported goods.

3.4 Sanitary and phytosanitary measures

Food imports to Egypt face a number of extremely rigid and burdensome labeling and packaging requirements. Imported food labels must indicate: name of producers or factories and business name; country of origin, name of commodity, class and type; name and address of the importer; date of manufacturing and shelf life; preparing and manufacturing methods; ingredients and their proportions; methods and conditions of storage; net content and gross weight; additives and preservatives, etc. However, some requirements are not applicable to domestically produced goods. The Chinese side is concerned about it.

Ministerial Decree 38/2006 issued on February 20, 2006 bans the importing of live birds, their meat and product, but one day old grandparent chicks (broiler and layers chicks) in conformity with the following conditions are excluded: (a) Applying of GOVS conditions for importation of one day old grandparent chicks (broiler and layers chicks); (b) The importation must be from countries free from any contagious and infectious diseases including avian influenza according to the current health status pronounced by the responsible international organizations; (c) The imported birds must not be vaccinated against avian influenza and have no antibodies for this disease; (d) The imported birds will not enter the country in case of alteration of the health status of country of origin at the time of arriving of the consignment at Egyptian ports. Immediately after arriving of chick consignment, it will be quarantined under observation of GOVS and samples should be collected for laboratory tests which will be done in the Animal Health Research Institute according to the international approved laboratory tests. The consignment will be released after negativity has been proved by the test results. On July 11 of the same year, Ministerial Decree 766/2006 lifted the ban mentioned in Ministerial Decree No. 38/2006, allowing the import of the frozen poultry, pasteurized eggs powder, dried eggs, frozen eggs and processed poultry meat products applying of GOVS conditions for importation of these products and the importation must be from countries free from any contagious and infectious diseases, especially free from avian influenza.

On 13 July and 16 November 2006, Egypt issued Ministerial Decrees 640/2006 and 1128/2006 respectively, allowing importation of one day old turkey chicks and one day old young ducks under the following conditions of applying of GOVS

conditions for importation of one day old turkey chicks and one day old young ducks and the importation must be from countries free from any contagious and infectious diseases according to the current health status pronounced by the responsible international organizations. The imported birds must not be vaccinated against avian influenza and have no antibodies for this disease. The imported birds will not enter the country in case of alteration of the health status of country of origin at the time of arriving of the consignment at Egyptian ports. Immediately after arriving, the chick, layer and young duck consignment will be quarantined under observation of GOVS and samples should be collected for laboratory tests which will be done in the Animal Health Research Institute according to the internationally approved laboratory tests. The consignment will be released after negativity has been proved by the test results. The Chinese side hopes that Egypt will follow scientific evidence and make risk analysis, further lifting bans on importing birds and bird products.

On 17 July 2006, Egypt decided to withdraw all the conditions concerning the identification of sex stipulated in the beef import law. Meanwhile, based on national treatment, sex identification conditions continue to apply to live animals for slaughter.

On 17 July 2006, Egypt approved the import of food for pet animals(dogs and cats) containing poultry meat and by products. The afore said food for pet animals should be in conformity with the following conditions:(1) The importation must be from countries and regions free from any contagious and infectious diseases;(2) The consignment should be attached with certificate of heat treatment, veterinary sanitary certificate and certificate of origin;(3) Immediately after arriving, the consignment will be quarantined and samples should be collected for laboratory tests to ensure that the consignment is free from any contagious and infectious diseases, especially free from avian influenza.

On September 20, 2006, GOVS of Egypt permitted the import of boneless frozen beef from regions in China free from any contagious and infectious diseases according to OIE code and GOVS conditions. The importation must be from slaughterhouses approved by GOVS at the presence of Egyptian veterinary. The Chinese side welcomes the relaxation of restrictions on importing Chinese beef products and hopes that Egypt will be further aware of the strict administration of products of animal origin on the Chinese side so as to promote the healthy development of bilateral trade.

On 9 March 2006, Egypt issued Measures for the Administration of Export Honey or Honey bees to Egypt, stipulating consignment of honey and honey bees from or to Egypt should be compliant with the standards established in the Ministerial Decree No. 1600/2005.

Egypt levies 5% ad valorem duties and 10% excise tax on the imported frozen fish. According to the relevant stipulations on importing frozen fish, foreign exporters should provide the following documents: certificate of place of production, certificate of sanitation, radiation free certificate, and certificate of freezing. These certificates should be notarized by the chamber of commerce of the country of production and the Egyptian embassy in the country in question. Other technical requirements include the imported goods should be packed in polyethylene bags and then put in cartons of regulated size attached with the information of the regions where the fish was caught, the type of fish, and net weight after unfreezing.

3.5 Trade remedy measures

3.5.1 An Overview

By the end of 2006, Egypt had initiated a total of 15 cases against Chinese products regarding trade remedy measures, of which 13 are anti dumping cases while two are related to safeguard measures in the areas of machinery and electronics, light industry, chemical industry and hardware and minerals. No new anti dumping investigation was initiated in 2006.

In March 2006, the final ruling of the anti dumping sunset review on electrical machinery originally made in China was awarded by the anti dumping bureau of Egypt, maintaining the prevailing anti dumping measures and continuing to levy 67% to 73% of anti dumping duties on the electrical machinery originated in China.

In June 2006, Egypt decided to start the investigation into the anti dumping mid term review of copper core lock for doors and windows originated in China.

In September 2006, the Ministerial Decree 613/2006 of the Minister of Foreign Trade and Industry was issued, officially announcing the levying of anti dumping duties on ordinary fluorescent lights which are either originated in or exported from India, Thailand, China, Indonesia and Vietnam. The decision took effect on 22 August 2006 and would last for five years. The rate of anti dumping duties for China is 35%.

In November 2006, Egypt ended its anti dumping investigation into ball point pens and felt tip color pens originated in or imported from China. The investigation results show that the Chinese products in question constituted dumping with margins of 94% and 63% respectively and had constituted injury to the Egyptian domestic industry. The Egyptian Minister of Foreign Trade and Industry issued a decree in

January 2007, deciding to levy anti-dumping duties for five years on ballpoint pens originated in or imported from China, each at US \$ 0.0185.

3.5.2 Full market economy status

In November 2006, China and Egypt signed the Memorandum of Understanding between the Ministry of Trade and Industry of the Arab Republic of Egypt and the Ministry of Commerce of the People's Republic of China on Recognizing the People's Republic of China as A Market Economy by the Arab Republic of Egypt, the Memorandum of Understanding between the Ministry of Commerce of the People's Republic of China and the Ministry of Trade and Industry of the Arab Republic of Egypt on Strengthening Trade and Economic Cooperation between China and Egypt, and the Memorandum of Understanding between the Ministry of Trade and Industry of the Arab Republic of Egypt and the Ministry of Commerce of the People's Republic of China on the Trade Remedy Cooperation Mechanism.

Egypt declared that it acknowledged China's full market economy status and would treat Chinese enterprises fairly in trade remedies. This has played an important role in creating a fair and harmonious trade environment for the economic and trade cooperation between China and Egypt and promote mutually beneficial and reciprocal cooperation in a wider range among the enterprises of the two countries.

3.6 Barriers to trade in services

3.6.1 Insurance

The Egyptian government lifted the restriction on foreign investors holding controlling shares of Egyptian private insurance companies and eliminated the regulation on foreigners not being allowed to hold managerial positions in insurance companies. The government allows foreigners to hold 100% ownership of insurance companies.

3.6.2 Transportation

Transportation services of Egypt are being liberalized. Pursuant to the Law of 1998, private concessions can operate maritime transportation service including carrying and delivering of goods, providing supply to ships, ship repair and container businesses. Private concessions can also provide services at airports, but private ownership of airports is not permitted.

3.6.3 Tourism

Before 2005, investment in the Egyptian tourism industry could enjoy a tax holiday of ten years during which period tax is exempted. After the tenth year, companies should pay 40% tax. The new tax regulation cancelled the tax holiday and reduced the tax rate to 20%.

3.6.4 Construction

Foreign ownership is still restricted. Foreign businessmen can only establish joint venture construction companies and their ownership cannot exceed 49%. Non Egyptian staff cannot exceed 10% in the company.

4 Barriers to investment

The duration of working visa to Egypt is rather short while the procedures are rather cumbersome. This has negatively affected the normal operation of the investment projects by our country. In its 79/2006 decree, the Egyptian Ministry of Human Resources and Immigration revised the cost of issuing and renewing working visas for foreign nationals. The fee for applying for working permits before 20 March 2006 was US \$ 175 per person and was raised to US \$ 210 per person afterwards.

The commercial sector of Egypt is not open to foreign investment. Foreign investment in military products, tobacco industry, alcoholic drinks and investment in Sinai should be examined and approved by the competent authorities. Operation in the areas of publication of newspapers and journals, satellites and remote sensing, companies affiliated to research institutes are subject to approval by the Council of Economic Ministers. Opening supermarkets and franchise stores should be examined and approved by the special committee. Besides, Egyptians should hold the majority of shares in import and export companies and in joint ventures with a purpose of reclaiming desert. Egypt does not have any restrictions on investment in other fields.