
II. TRADE AND INVESTMENT REGIME

(1) INTRODUCTION

1. The institutional framework within which Government and legislative activities take place has remain essentially unchanged since the previous Trade Policy Review of Egypt, conducted in 1992. Nevertheless, gradual but progressive trade liberalization has taken place and will continue as Egypt fulfils its commitments under the Uruguay Round. The new Euro-Mediterranean agreement currently being negotiated with the European Union (EU) will ensure a deepening of Egypt's programme of trade liberalization beyond its Uruguay Round commitments, albeit on a preferential basis, and improved market access for Egyptian exports in its largest market. Egypt has also made a commitment to regional trade liberalization by recently joining free-trade agreements such as the Common Market for Eastern and Southern Africa (COMESA) and the Greater Arab Free-Trade Area (GAFTA). A number of bilateral trade agreements with neighbouring countries are also being negotiated.

2. Along with trade liberalization, Egypt has considerably streamlined its laws on foreign investment. Notably, a 1997 law on investment simplifies procedures and clearly states investment incentives available to foreign and domestic investors. Reflecting a more outward-looking stance, a negative list of sectors, in which investors were not allowed to invest, has been removed and, in addition to allowing investment in most areas, the Government provides a list of sectors where investment is actively encouraged.

(2) INSTITUTIONAL FRAMEWORK

(i) The Executive

3. Executive authority in the Arab Republic of Egypt rests with the President, as Head of State. Candidates for the position of President must be nominated by the People's Assembly and then referred to the people for a plebiscite.¹ The President's term is six years from the date of announcing the results of the plebiscite; the incumbent may be re-elected for an unlimited number of successive terms. The President may appoint one or more vice-presidents and define their jurisdiction. At present, there are no vice-presidents.

4. The President of the Republic appoints the Cabinet, or the Council of Ministers, consisting of the Prime Minister, ministers and their deputies. The responsibilities of the Cabinet include formulating and implementing the policies of the State; preparing draft laws and decrees; drafting the State Budget; and preparing the General Plan for Economic and Social Development. Cabinet Ministers are not required to be members of the Assembly. The present Cabinet consists of 32 ministers; there are no deputies.

5. At the regional level, Egypt is divided into administrative units, including governorates, comprising cities and villages, which function as corporate entities.² Local People's Councils are elected by the administrative units with the requirement that at least half the Council comprises

¹ The Constitution, Article 76. The candidate must be proposed by at least one third of the membership of the People's Assembly and must gain two thirds of the votes of the Assembly to win the nomination.

² The Constitution, Article 161.

workers and farmers. There are presently 26 governorates, each with a Governor who represents the President of the Republic and is appointed by presidential decree.³

(ii) Legislature

6. The legislative branch of the Government is the unicameral People's Assembly (Majlis al-Sha'ab); the Assembly approves all government policies, laws, the state budget and the General Plan for Economic and Social Development.⁴ The Cabinet submits its policies for approval in its annual report on government policy. The number of members elected to the Assembly must be at least 350, of which half must be elected by direct ballot, plus up to ten members appointed by the President. At present, the Assembly consists of 454 members, of which ten were appointed by the President.

7. The Assembly sits for five years from the date of its first meeting; elections to form a new Assembly must be held within 60 days of this term expiring. Dissolution of the Assembly may only be affected by the President upon confirmation by a referendum of the people, which must be conducted within 30 days of issuing a decision to terminate the session of the Assembly.

8. The Shura, or Consultative Council, is referred to for constitutional amendments, drafts of the General Plan for Social and Economic Development, all treaties affecting the State's territorial integrity or concerning sovereign rights; peace treaties and alliances; and draft laws and other matters referred to the Council by the President. Two thirds of the members of the Council are elected by adult suffrage; the other one third are appointed by the President. The present membership of the Council is 264. The term of the Council is six years; half of the seats in the Council are rotated every three years.

9. There are also 18 specialized committees of the Assembly to help the Assembly in its decision-making. These are for constitutional and legislative affairs; the general plan and budget; economic affairs; foreign relations; Arab affairs; defence, national security and mobilization; proposals and complaints; manpower; industry and energy; agriculture and irrigation; education and scientific research; religious, and social affairs and "Waqfs"; culture, information and tourism; health and environmental affairs; transportation and telecommunications; housing, public utilities and reconstruction; local government and public organizations; and youth.

10. The Central Auditing Organization, established by Law 144 of 1988, is an independent public body affiliated to the People's Assembly. It advises the Assembly on financial matters, on the use of government funds and those of other public bodies, monitoring and implementation of the General Plan and provides legal oversight of decisions issued on financial irregularities.

(iii) The Judiciary

11. The judicial system in Egypt has three components: the Supreme Constitutional Court, the Council of State, and the National Courts.

12. The Supreme Constitutional Court is the highest judicial authority in Egypt and, under Article 175 of the Constitution, "is vested solely with judicial control over the constitutionality of Laws and regulations". The Court may also rule on any judgements made by the Court of Appeals or other national courts and on any conflict of law between the civil and administrative courts.

³ The 26 governorates are: Alexandria, Aswan, Asyut, Beheira, Beni Suef, Cairo, Dakahliya, Damietta, Fayoum, Gharbiya, Giza, Ismailiya, Kafr El-Sheikh, Kalyobia, Kena, Luxor City, Matroh, Monofiya, Minia, New Valley, North Sinai, Port Said, Red Sea, Sharkiya, Sohag, South Sinai, and Suez.

⁴ Article 86 of the Constitution.

13. The Council of State (Conseil d'Etat) in the Ministry of Justice provides legal advice to the Government and its ministries and adjudicates administrative litigation in which the State is involved. The Council also reviews all draft legislation before it is considered by the Cabinet. For administrative disputes involving government ministries and agencies, there is a separate judicial system under the Administrative Court, which acts under the authority of the Council of State.

14. Egypt has two kinds of national court: regular civil courts, and special courts such as the Court of Ethics and State Security Courts. Among the civil courts are Summary Courts (including Urgent Matter Courts), the Courts of First Instance, which may also hear criminal, labour and commercially related cases, and the Court of Cassation (Supreme Court of Appeal). The Summary Courts cover civil litigation and minor criminal offences punishable by imprisonment not exceeding three years. The Courts of First Instance may hear appeals from the Summary Courts; they also cover civil cases exceeding LE 5,000 and crimes of a more serious nature. The Court of Cassation is the highest court of law in Egypt and hears appeals from the Courts of First Instance; the Court may only review legal interpretations arising from an appeal and not the factual matters of the case.

15. WTO-related decisions and rules may be challenged in a domestic court of law, according to the authorities.

(iv) Legislation

16. All legislation, including amendments, must be introduced in, and passed by, the People's Assembly, by an absolute majority of members present. Each draft law is first referred to the Committee for Constitutional and Legislative Affairs in the Assembly, and, if appropriate, to other specialized committees, for recommendations. Once approved by the Assembly, the draft law is sent to the President for approval. The President may withhold approval and refer back to the Assembly within thirty days. Draft laws nevertheless become law if they are approved by a two-thirds majority of the Assembly.

17. The President may, under exceptional circumstances, and upon authorization by two thirds of the Assembly, issue decrees having the force of law. The decrees must be submitted for approval to the Assembly after the authorization period; if they are not approved by the Assembly or not submitted to the Assembly after the authorization period, which varies depending on the subject of the decree, they cease to have the force of law.

18. Ministries play an important role in drafting new laws. Legislation is framed through a process of consultation between the ministry responsible for the proposed law and the Ministry of Justice. Once the draft legislation has been approved by the Ministry of Justice it is submitted for consideration by the Cabinet before being introduced in the People's Assembly by the Committee for Constitutional and Legislative Affairs and/or one of the other specialized committees in the Assembly.

19. Once enacted all ministries affected by the law become responsible for its implementation. Laws are proclaimed through publication in the National Gazette.

20. Egyptian law is based on the general subordination of domestic law to international legal instruments; under Article 151 of the Constitution, any international agreement or convention, after being ratified by the Assembly and published in the National Gazette, becomes legal in Egypt and cancels thereby all national legislation, notwithstanding constitutional provisions, that may contradict it. International agreements thus require no further legislative implementation to be invoked before national courts. However, in order to facilitate implementation, new legislation has been introduced to harmonize national laws with international commitments.

(3) DEVELOPMENT AND ADMINISTRATION OF TRADE POLICY

(i) Policy formulation and implementation

21. Responsibility for trade policy formulation is with the Ministerial Economic Committee, chaired by the Prime Minister, which drafts legislation to be introduced in the Assembly by the Legislative Committee, and as relevant, the Committees on Manufacturing or Agriculture.

22. Trade policy is implemented by the Ministry of Trade and Supply, which coordinates implementation by other ministries and agencies, where necessary, including the Ministries of Agriculture, Economy, Finance, and Industry (Table II.1). Inter-ministerial consultations are also carried out to assess the impact of major policy changes on various sectors of the economy.

Table II.1
Ministerial responsibility for trade-related issues

Ministry/Agency	Competence
Ministry of Agriculture	Agriculture, implementation of laws on sanitary and phytosanitary standards
Ministry of Culture	Copyright (books)
Ministry of Economy	Banking and insurance policy
Public Enterprise Office	Privatization
Egyptian Insurance Supervisory Authority	Insurance
Central Bank of Egypt	Banking
General Authority for Investment and Free Zones	Investment
Ministry of Finance	Public procurement
Customs Administration	Customs tariff, valuation, rules of origin
Ministry of Industry	Standards, industrial development
Ministry of Information	Copyright (audio-visual)
Ministry of Petroleum	Petroleum and natural gas
Ministry of Scientific Research	Research and development
Egyptian Patent Office	Patents
Ministry of Tourism	Tourism
Ministry of Trade and Supply	Trade policy, foreign trade, anti-dumping, safeguards and subsidies, export promotion, trademarks
Ministry of Transport and Telecommunications	Telecommunications, maritime transport, ports

Source: Government of Egypt.

23. The ministries are assisted by autonomous and advisory bodies such as the High Ministerial Economic Reform Committee (HMERC), the Cabinet Policy Committee and the Economic Group of Ministers. The HMERC, headed by the Prime Minister and with representation from the Ministries of Economy, Trade and Supply, and Finance, relevant sectoral Ministries, the Chairman of the Public Enterprise Office (PEO), and the Chairman of the High Officials Committee, is responsible for issues relating to the stabilization and reform programme, including trade liberalization. The HMERC is assisted by the High Officials Committee, made up of high-level government officials, which prepares quarterly reports assessing the state of the economy and recommending further reforms to be undertaken.

24. The Cabinet Policy Committee, which is headed by the President, establishes and monitors broad economic and social policy issues and sets guidelines for trade policy. The Economic Group of Ministers, which is normally chaired by the Prime Minister, and whose composition varies depending

upon the subject-matter, is responsible for the coordination of rules and regulations governing trade and other economic activities.

25. Informal advice is sought from academia and organized interest groups, including the General Federation of Chambers of Commerce, the Federation of Egyptian Industries (FEI), the Egyptian Businessmen's Association (EBA) and trade associations. There are no independent bodies to review the Government's trade policy.

(ii) Main trade-related laws

26. The main legislation relating to international trade is Customs Law 66/1963 (amended by Laws 88/1976; 75/1980; and 158/1997), Import Law 118/1975 and the Import and Export Regulations, which also contains the list of products currently subject to import bans (e.g. clothing) and quality control inspection (currently 182 items) (Chapter III(2)(viii)(a) and III(2)(xiv)(b)). The Customs Exemption Law 186/1986, as amended, and its executive regulations provide details of the various tax exemptions granted to certain sectors in the economy (Table II.2). Egypt's applied customs tariff was issued by Presidential Decree in 1994 and subsequently modified, also through Presidential Decrees. The Companies Law (159/1981) and the Law of Investment Guarantees and Incentives (8/1997) contain provisions for foreign investment, but there is no specific legislation for foreign investment (section (5)).

Table II.2
Main trade-related laws in Egypt

Law	Area
Customs Tariff "Harmonized" (38/1994) as amended	Customs tariff
Customs Exemption Law (186/1986)	Tariff exemptions
Customs Law (66/1993)	Customs valuation
Law 161/1998	Anti-dumping, countervailing and safeguard measures
Law on Investment Guarantees and Incentives (8/1997), Companies Law (159/1981)	Foreign investment
Patent Law (132/1949), Copyright Law (354/1954 amended by 38/1992 and 29/1994), Trademarks and Industrial Designs (57/1939)	Intellectual property rights
Import and Export Regulations	Levies and charges, barter and countertrade, labelling and quality control
Law 22/1992 establishing the Egyptian Export Promotion Centre	Export promotion
Tenders Law (89/1998)	Government procurement
Standardization Law (2/1957)	Standards
Import and Export Law (118/1975); Agricultural Law (53/1996); Pharmaceutical Law (14/1984)	Sanitary and phytosanitary measures

Source: Government of Egypt.

(iii) Trade policy objectives

27. Since the early 1990s, when Egypt embarked on a comprehensive programme of economic reform, trade policy has formed an important component of the overall goal to create an open, outward oriented, market economy. Thus, there has been a gradual, unilateral removal of trade barriers, complemented by Egypt's active participation in the GATT and subsequently in the WTO.

Under the programme of trade policy reform, which has included the removal of most import bans⁵, most licensing arrangements, export controls, and a phased reduction in tariff barriers, there are plans to introduce gradually a more competitive environment for Egyptian industry and reduce Egypt's structural trade deficit through increased export diversification. Tariffs have emerged as the main policy instrument since the previous Trade Policy Review, notwithstanding an expanding list of imports subject to quality controls.

28. The authorities strongly favour trade liberalization through the multilateral framework, and Egypt grants at least most favoured nation (MFN) treatment to all WTO Members.⁶

29. Egypt's objectives during the Uruguay Round were mainly to gain improved market access for its agricultural exports and to increase awareness of the difficulties faced by net food importing and other developing countries. Although Egypt continues to be concerned about access to, and the net cost of, food imports, research suggests that the impact of the Round on the price of food products, in which Egypt, as a large net food importer, has a particular interest, was expected to be negligible because of the uneven impact of liberalization on the price of different products; an important benefit would result from the liberalization of textiles and clothing under the WTO Agreement on Textiles and Clothing.⁷

30. Egypt has expressed a number of concerns regarding its own difficulties in implementing the Uruguay Round Agreements, and the slow pace of liberalization by others. Implementation of some of its obligations under the Uruguay Round have proven difficult in spite of transitional periods for developing countries under various Agreements. Egypt also continues to press for a greater understanding of the situation of net food importing countries and the possible negative effects of trade reforms on least developed and net food importing countries.⁸ Additional concerns relate to the application of the special and differential treatment clause for developing countries, which Egypt believes has not been adequately applied by industrialized countries; increasing recourse to anti-dumping measures and the use of sanitary and phytosanitary measures and technical standards by countries, which potentially have a negative impact on Egypt's exports; and the market access opportunities provided under the process of integration in the WTO Agreement on Textiles and Clothing, which Egypt believes have been modest.⁹

31. Outside the multilateral framework, Egypt has begun to open its market on a preferential basis, through regional and bilateral free-trade agreements. These efforts include joining the Common Market for Eastern and Southern Africa (COMESA) and the Greater Arab Free-Trade Area (GAFTA). The Euro-Mediterranean agreement currently being negotiated with the European Union, as well as bilateral agreements signed recently with a number of Arab countries and being negotiated with the European Free Trade Area (EFTA), Russia, Turkey and the United States, will bring further trade liberalization, but also raise concerns about possible trade diversion and increased complexity in Egypt's trade regime.

⁵ "Conditional" import restrictions on clothing products are due to be phased out by 2002, under Egypt's Uruguay Round commitments.

⁶ Article 7 of the Customs Law suggests that Egypt provides less than MFN treatment to WTO non-Members with which it does not have trade agreements.

⁷ Hoekman and Subramanian (1996) estimate that in 2005 exports of textiles and clothing to the United States and the European Union, two of Egypt's key markets, would be around US\$218 million, considerably higher than would have been expected under the Multifibre Agreement.

⁸ WTO documents WT/MIN(96)/ST/73, 11 December 1996, and WT/MIN(98)/ST/66, 18 May 1998.

⁹ WTO document WT/MIN(98)/ST/66, 18 May 1998.

(4) TRADE RELATIONS**(i) The World Trade Organization**

32. A contracting party to the GATT since 1970 and a WTO Member since 30 June 1995, Egypt participates actively in the multilateral trading system. As a developing country Member of the WTO, Egypt has a transition period to implement a number of its commitments under various WTO Agreements; Egypt has notified its use of the transition period for some of these Agreements, including the Agreement on Customs Valuation; and the Agreement on Trade-Related Aspects of Intellectual Property Rights. Egypt is a signatory to the plurilateral Agreement on Trade in Civil Aircraft.

33. Upon approval by the People's Assembly, Egypt's instrument of ratification of the Agreement establishing the World Trade Organization was deposited on 1 June 1995, following which all legislation relating to WTO Agreements became applicable in Egypt. By ratification, the WTO Agreements on Subsidies and Countervailing Measures and on Safeguards became part of Egyptian legislation, however, specific provisions for conducting anti-dumping, countervailing and safeguard investigations were not introduced until 1998. Egypt has made changes to its copyright legislation, although as a developing country Member of the WTO, it has a transition period until the year 2000 to make most of the changes required to meet its commitments on intellectual property rights. A new law on patents is now under consideration.

34. Members of the WTO are required to make regular notifications regarding changes in laws and imposition of measures; Egypt's status of selected notification obligations as at April 1999 is shown in Table II.3.

Table II.3
Status of selected notification requirements to the WTO, as at April 1999

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comments
Agriculture (Art. 8.2; DS:1+)	Domestic support	Annual, 90 days after end of FY ^a	G/AG/N/EGY/1 7 May 1999	Domestic support exempted from reduction commitments
Agriculture (Art. 18.2; ES:1+)	Export subsidies	Annual, 90 days after end of FY ^a	G/AG/N/EGY/2 7 May 1999	Egypt did not provide export subsidies for agriculture during 1995-98
Textiles and Clothing (Art. 3.1)	Quantitative restrictions	Once before 1 March 1995	G/TMB/N/91/Add.2 24 May 1995	Egypt maintains conditional prohibitions on textile items until 1/1/98 and on clothing until 1/1/2003 as notified in its Uruguay Round Schedule
Textiles and Clothing (Art. 6.1)	Safeguard decisions	Once before 1 March 1995	G/TMB/N/26 6 March 1996	Egypt retains its right to use transitional safeguard measures
Textiles and Clothing (Art. 2.6/2.7)	First Integration	Once	G/TMB/N/196 22 November 1996	
Textiles and Clothing (Art. 2.11)	Second Integration	Once	G/TMB/N/221 14 February 1997	
Import Licensing (Art. 7.3)	Laws and regulations	Annual	Notification outstanding	
Subsidies (Art. 25.1)	Specific subsidies	Annual	G/SCM/N/38/EGY 5 May 1999	

Table II.3 (cont'd)

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comments
Subsidies (Art. 32.6)	Laws and regulations	Once by 15 March 1995, then changes	G/SCM/N/1/EGY/2/Rev.1 18 December 1998	Law No. 161/1998 concerning the protection of the national economy from the effects of injurious practices in international trade
Subsidies (Art. 25.11)	Countervailing duty actions taken	Twice annually	G/SCM/N/19/Add.1/Rev.5 21 October 1998	Egypt notified the Committee on Subsidies and Countervailing Measures that no countervailing duty action was taken during 1 January-30 June 1996
Anti-dumping (Art. 18.5)	Laws and regulations	15 March 1995 and subsequent changes	G/ADP/N/1/EGY/2/Rev.1 18 December 1998	
Anti-dumping (Art. 16.4)	Actions taken	Twice annually	G/ADP/N/41/EGY 30 July 1998	Investigations on 2 products with definitive duties in force for 5 countries as at 28 June 1998
Safeguards (Art. 12.7)	Pre-existing Article XIX measures	March 1995 and subsequent changes	Notification outstanding	
Safeguards (Art. 12.6)	Laws and regulations	Once and then changes	G/SG/N/1/EGY/2 18 December 1998	Law 161/1998
Safeguards (Art. 6 and 12.1)	Measures taken	Upon initiation or imposition of provisional measures	G/SG/N/8/EGY/1 10 February 1999	Following an investigation initiated in August 1998, safeguard measures were introduced for imports of safety matches; the measures were introduced on 19 February 1999 and will last through to 4 August 2001
Sanitary and Phytosanitary measures	Measures taken	Ad hoc		
Preshipment Inspection (Art. 5)	Laws and regulations which bring the Agreement into force	Once and then changes	Notification outstanding	
TBT (Art. 15.2)	Laws and regulations	Once upon entry into force	G/TBT/2/Add.34 22 July 1997	
TBT (Art. 2)	Technical regulations	Ad hoc	G/TBT/Notif.98.280 12 June 1998	Egypt made 6 notifications in 1997 and 1998.
TBT (Annex 3 (c))	Acceptance of Code	Once and then changes	G/TBT/CS/N/17 1 November 1995	
Rules of Origin (Annex II. 4)	Preferential rules of origin	Once and then changes	Notification outstanding	
GATT 1994 (Art. 17(4)(a))	State trading activities	Annual	G/STR/N/4/EGY 1 October 1998	Egypt does not maintain any state trading enterprises in accordance with the working definition contained in Article XVII:4(a)
GATT Council for Trade in Goods (G/L/59)	Non-tariff measures	Every two years beginning January 1996	Notification outstanding	
GATT 1994 (Art. VII)	Customs valuation (Art. 22.1)	Once and then changes	WT/Let/19 15 June 1995	Egypt notified that it would delay application of the Agreement in accordance with its rights under Article 20 of the Agreement
GATS (Art. III.3)	Changes to certain laws and regulations	Annual	Notification outstanding	
GATS (Art. III.4)	Enquiry points	Once	S/EBQ/45 11 July 1997	
TRIMs (Art. 5.1)	Investment measures	March 1995 and subsequent changes	G/TRIMS/N/1/EGY/1 9 October 1995	Egypt has no local content laws or regulations

Table II.3 (cont'd)

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comments
TRIMs (Art. 6.2)	Publications in which TRIMs may be found	Once and then changes	Notification outstanding	
TRIPS (Art. 70.8)	Laws and regulations	Upon entry into force of the WTO Agreement	IP/N/1/EGY/1 21 September 1995	Agency in charge of receiving patent applications for pharmaceuticals and agricultural chemical patents is the Egyptian Patent Office
TRIPS (Art. 70.9)	Granting of exclusive marketing rights	Upon entry into force of the WTO Agreement	Notification outstanding	

a First notification when the WTO Agreement enters into force.

FY Fiscal year.

Source: WTO documents.

35. Egypt has not been involved in any disputes at the WTO, nor was it involved in any dispute settlement procedures under the GATT. There have been no bilateral disputes outside the WTO with any of its trading partners since 1992.

(ii) Regional and bilateral trade agreements

(a) Europe-Mediterranean Partnership

36. As Egypt's largest trading partner (accounting for 42% of Egypt's exports and 38% of its imports in 1997), the European Union's market is particularly important for Egypt. The Euro-Mediterranean Partnership, between the EU and 12 non-member Mediterranean countries, is currently being negotiated, with the aim of establishing a regional free-trade area by 2010.¹⁰ The EU has recently signed association agreements with Tunisia, Morocco, Israel, the Palestinian Liberation Organization and Jordan, and is negotiating similar agreements with Egypt and other Mediterranean countries.¹¹ The association agreements cover political and security matters; economic and financial issues; and social, cultural and human affairs.

37. The agreement with Egypt, when completed, will build on the Cooperation Agreement between the EU and Egypt, originally signed in 1977, which provides preferential access for most Egyptian exports of industrial products to the EU, accounting for around 60% of Egyptian exports to the EU market.¹² Tariff concessions on a seasonal basis are also granted by the EU on some agricultural products, based on reference prices and quotas.¹³ The concessions range between 40% and 80% of the EU's Common External Tariff for the products to which they are applied, including potatoes, onions, tomatoes, dates and citrus fruit. The Agreement is non-reciprocal; EU exports to the Egyptian market are subject to MFN rates.

38. Based on what has been agreed with other countries in the region, the new Euro-Mediterranean agreement may provide duty-free access for Egyptian exports of industrial products to

¹⁰ Given relatively high trade barriers between the 12 non-EU Mediterranean countries, a "hub and spoke" system is likely to emerge, with the EU forming the "hub" and the 12 countries the "spokes" (Licari 1997).

¹¹ These are Algeria, Lebanon and Syria.

¹² The major exceptions are textiles and clothing items which are subject to annual quotas.

¹³ The products are mainly complementary to the EU's agricultural produce, such as dates and mangoes, or onions and potatoes (Licari, 1997).

the EU, while duties on EU exports of most industrial products to Egypt are expected to be phased out over 12 years.¹⁴ The negotiations, which have been under way since 1995, appear to have faced difficulties over market access for Egyptian exports of agricultural goods and processed foods. Egypt has asked for its quota of agricultural exports to the EU to be raised to US\$1.5 billion.¹⁵ Negotiations on rules of origin have also trailed, with the EU apparently willing to allow cumulation of origin with all signatories to the Greater Arab Free-Trade Area (GAFTA) except Morocco and Tunisia with which it has signed Euro-Mediterranean agreements.

(b) Free trade agreements in the Middle East and North Africa

39. In an attempt to boost regional trade within the Middle East and North African (MENA) region, which currently accounts for around 10% of the total trade of these countries, several regional trade agreements have been signed over the years.¹⁶ Among the initiatives taken since the previous Trade Policy Review of Egypt is the formation of the Greater Arab Free-Trade Area (GAFTA) sponsored by the Arab League.¹⁷ The GAFTA, which was formed in February 1997, aims to expand intra-regional trade by reducing customs duties by 10% annually from 1 January 1998; seasonal quotas on agricultural exports will be applied until all tariffs are phased out. Egypt is one of 12 original signatories to the agreement; a 10% reduction in tariffs for GAFTA signatories was implemented in 1998.¹⁸

40. Egypt became a member of the 51-nation Common Market for Eastern and Southern Africa (COMESA) in June 1998. COMESA, which was formed in 1993 to promote integration in Africa, aims to create a free-trade zone in Africa by 2004.¹⁹ The goal of the agreement is to have a Common External Tariff (CET) in place by 2004, with rates of 0%, 5%, 15% and 30%, respectively, for capital goods, raw materials, intermediate and final goods. Joining the agreement implies further liberalization of Egyptian customs duties, which show tariff peaks, even excluding "sensitive" items such as beverages and motor vehicles, in excess of the proposed CET rates (Chapter III(2)(iv)).²⁰ According to the authorities, Egyptian tariffs will be reduced by 90% in 1999 and 100% in the year 2000.

(c) Other agreements

41. Egyptian exports are granted preferential access under the Generalized System of Preferences (GSP) of a number of countries, including Belarus, Bulgaria, Canada, Czech Republic, the European Union, Hungary, Japan, New Zealand, Poland, the Russian Federation, Slovakia, Switzerland and the

¹⁴ According to Licari (1997), based on other Euro-Mediterranean agreements, it is likely that more sensitive industrial products such as consumer goods, will not be allowed duty-free access to the Egyptian market, even after the transition period.

¹⁵ News reports indicate that Egypt would like an increase in present quotas to 750,000 tonnes for potatoes (compared to an EU offer of 220,000 tonnes), 300,000 tonnes for oranges (73,000 tonnes offered by the EU), 475,000 tonnes for rice (compared to an offer of 32,000 tonnes) and 30,000 tonnes for cut flowers (compared to 2,000 tonnes) (*Middle East Economic Digest*, 28 March 1997).

¹⁶ Countries included in the MENA region are Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, United Arab Emirates and Yemen (DeRosa and Saber, 1998).

¹⁷ Previously signed agreements include the Arab Common Market which was to serve as a stepping stone towards achieving a Common External Tariff and Arab Economic Unity; and the Arab Cooperation Council, signed in 1989 between Egypt, Iraq, Jordan and Yemen.

¹⁸ US AID (DEPRA Project, 1998a).

¹⁹ WTO document WT/COMTD/N/3, 29 June 1995.

²⁰ COMESA Secretariat (internet address: www://comesa.int/trade/).

United States²¹; as tariffs in export markets are phased out, however, these preferences are gradually being eroded, and, as they are subject to periodic review, are potentially unstable.

42. As a signatory to the Global System of Trade Preferences (GSTP), Egypt grants tariff concessions to all the other signatories on a range of specified products.²²

43. Egypt has signed free-trade agreements with the following countries: Tunisia, in December 1997, to phase out customs duties on around 100 commodities immediately, tariffs currently below 20% over five years, and the rest by 2007; Morocco, in 1998, to create a free-trade zone; and Lebanon, providing duty-free access to each others' imports for a limited number of products. Trade agreements have also been signed with Libya and with Jordan; the latter envisages the creation of a free-trade area by 2005.²³ The authorities are currently negotiating bilateral trade agreements with Bahrain, Canada, Kuwait, Saudi Arabia, Syria, Turkey, the United States, Yemen, and the European Free Trade Association (EFTA) countries.

44. Egypt joined the International Sugar Organization in October 1998, bringing the total membership of the Organization to 53.²⁴ Egypt is also a member of international commodity agreements concerning cotton, jute, olive oil, tropical timber, and wheat.

(5) FOREIGN INVESTMENT REGIME

(i) Investment statutes

45. Egypt has undertaken a number of reforms of its foreign direct investment (FDI) policies since its last Review. The result is that, with few exceptions, FDI into Egypt has been liberalized and is, in the main, granted national treatment. Laws that pertain to FDI are largely concerned with incentives. The "negative list" of sectors where foreign investment was actively discouraged, was reduced in 1994 to the Sinai, military equipment, and tobacco, and replaced in May 1998 by a positive list of sectors, where investment is encouraged through the Law of Investment Guarantees and Incentives (8/1997) (see below). Investment in tobacco, whether foreign or domestic, is not encouraged.

46. While there is no specific legislation in Egypt for foreign investment, two main investment statutes contain specific provisions for foreign investors: the Companies Law (159/1981) and the Investment Law (230/1989) amended by the Law of Investment Guarantees and Incentives (8/1997).²⁵ Foreign investors may choose to invest in Egypt either under the Companies Law or the Law of Investment Guarantees and Incentives, depending on the kinds of incentives sought and the areas in

²¹ UNCTAD (1996).

²² The other signatories to the Agreement are Algeria, Angola, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Democratic People's Republic of Korea, Ecuador, Ghana, Guyana, Haiti, India, Indonesia, Iran, Iraq, Libya, Malaysia, Mexico, Morocco, Mozambique, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Qatar, Republic of Korea, Romania, Singapore, Sri Lanka, Sudan, Thailand, Trinidad and Tobago, Tunisia, Tanzania, Uruguay, Venezuela, Viet Nam, Yugoslavia, Zaire, and Zimbabwe.

²³ The phase-out is expected to begin with a 25% decrease in tariffs for all but a few "sensitive" products in 1999, followed by a 15% annual decline in tariffs for three years starting in 2000, and by 10% annually for the following three years. The remaining duties will be phased out gradually (US AID (DEPRA Project, 1998a)).

²⁴ *Financial Times*, 30 October, 1998.

²⁵ Other laws of relevance to foreign investment include the Commercial Register Law (34/1976); the Income Tax Law (157/1981); Industrial Licensing Law (21/1958); the New Urban Communities Law (59/1979); the Industrial Shops Law (453/1954) as well as other laws affecting land ownership and registration (US AID (DEPRA Project, 1997)).

which the investment is to be made. The Companies Law supplements the Civil and Commercial Codes of Egypt and forms the basic Corporation Law. Although the Companies Law does not relate specifically to foreign investment, it does provide limited incentives, including exemptions from stamp duties and related fees, and tax exemptions of up to 50% on income earned from stock exchange registered shares. Previous restrictions on companies registered under this law included a requirement that at least 49% of the shares of the company be initially offered over a period of one month to Egyptians; a majority of directors be Egyptian nationals; and that workers be represented on the Board of all companies with majority foreign equity. These restrictions were removed by Law 3, passed in 1998.

47. Foreign investment in Egypt can also take place under the Law of Investment Guarantees and Incentives passed in May 1997, which, with the exception of Article 20(3), superseded the Investment Law (230/1989).²⁶ The new law allows investment through joint ventures, limited liability companies and partnerships, and governs "inland investments", essentially domestic investment projects, and investment in "free zones", which are treated as outside the domestic economy for taxation, customs and trade purposes.

48. Inland investment and investment in the free zones, whether foreign or domestic, is managed by the General Authority for Foreign Investment and Free Zones (GAFI), established by Presidential Decree 284 of 1997. The Board of Directors of the GAFI is comprised of the Head of GAFI, a Deputy Governor of the Central Bank of Egypt, representatives from the Ministries of Agriculture, Tourism, Finance, Industry, and Mineral Resources, and five investors.²⁷

49. Unlike the Companies Law, which applies to all investment, the Law of Investment Guarantees and Incentives applies to investment (including domestic and foreign private investment) in certain activities or sectors as specified in the Law and as may be amended further by the Cabinet (Table II.4).²⁸

50. Investment incentives under the Law of Investment Guarantees and Incentives include tax holidays for company profits, personal income tax on dividends, and annual stamp duty on capital. Tax holidays are granted for five years for all investments under the Law; up to ten years for companies established in the new industrial zones, new urban communities or remote areas; and up to 20 years from the date of establishment for investments outside the Old Valley. Exemption from stamp duty, and notarization and registration fees is provided for up to three years from registration in the Commercial Register. In addition, amendments made to the Customs Exemptions Law 186 reduce to 5% all customs duties on capital goods imported by companies registered under the Law.²⁹

51. In addition to tax advantages, investors receive certain guarantees under the Law of Investment Guarantees and Incentives. These include, guarantees against confiscation; immunity from administrative sequestration; no controls on prices or profits; and the right to import and export inputs and final products without being required to use agents and export licences.

52. Exemptions from corporate income and property taxes for up to ten years under the New Communities Law (59/1979) and for tourist and hotel establishments (Law 1/1973) were abolished

²⁶ Article 20(3) of Law 230/1989 concerns the distribution of net profits among the employees of a company.

²⁷ Article 4 of Presidential Decree 284/1997. According to the authorities, the five investors are selected on the basis of various investment activities.

²⁸ Article 1 of Law 8/1997 indicates that the Cabinet of Ministers may add other activities to those already mentioned.

²⁹ Article 23 of Law 8/1997.

under the Law of Investment Guarantees and Incentives. However, under Article 16 of the Law of Investment Guarantees and Incentives, tax exemptions of up to ten years are granted for companies set up in the New Industrial Zones and New Urban Communities or for new projects financed by the Social Fund for Development. According to a recently completed study, other specific laws also provide corporate tax holidays for companies with at least 50 employees (five years), for cooperative fishing projects (ten years), and for fishing, livestock and poultry production (five years).³⁰

Table II.4

Fields of investment under the Law of Investment Guarantees and Incentives Law (8/1997)

Air transportation and directly related services
Animal, poultry and fish farming
Financial leasing
Hospital and medical centres offering 10% of their service capacity free of charge
Hotels, motels, boarding houses, tourist villages, tourist travel and transportation
Housing projects whose units are to be leased unfurnished for non-administrative purposes
Industry and mining
Infrastructure relating to drinking water, sewage, electricity, roads and communications services
Oil services in support of exploration and the transport and delivery of natural gas
Overseas maritime transport
Production of computer software and systems
Projects funded by the Social fund for Development
Reclamation and cultivation of barren and/or desert lands
Transport of goods in refrigerated vans; refrigerators for the preservation of agricultural products, industrial products, and foodstuffs; container depots and grain silos
Underwriting subscriptions to securities
Venture capital

Source: General Authority for Investment (GAFI), *Law of Investment Guarantees and Incentives and its Executive Regulations*, May 1997.

53. Land ownership by foreigners is governed by Law 15 of 1963, which forbids foreign ownership of agricultural land; Law 230 of 1996, which allows non-Egyptians to own up to two private residences in Egypt (each of an area up to 4,000 m²) but which cannot be sold for a minimum of five years from the date of purchase³¹; and Law 143 of 1981, which requires that Egyptians have a majority share in any desert land, defined as land beyond two kilometres from the border of a city. Law 143/1981 has priority over the Law of Investment Guarantees and Incentives; thus, a joint-venture company formed under the latter wishing to pursue an activity requiring the ownership of desert land, would require majority Egyptian ownership.³²

54. There appear to be no restrictions on repatriation of funds by companies or rules requiring foreign companies to hold foreign currency accounts.

55. Investors in the free-trade areas or "public free zones", of which there are currently six in Egypt, as well as in private free zones, are exempt from rules concerning imports and exports or customs procedures for imports and exports (Chapter III(2)(iv)(f)) and III(2)(xvi)). They are also exempt from payment of customs tax, general sales tax or any other kind of tax or duties over the duration of individual projects. However, an annual charge of 1% is payable to GAFI on the (c.i.f.)

³⁰ US AID (DEPRA Project, 1997).

³¹ According to the authorities, exceptions to these two conditions may be granted by the Prime Minister.

³² Ministry of Economy (undated).

value of commodities entering the free zone for storage goods and for manufactured and assembled items exiting the free zone.³³ Goods that transit the free zone are exempt from this charge, whereas for goods neither exiting nor entering the zone, for example services provided, the charge is 1% of total revenues realized.³⁴ In addition, there is a service fee of a half per thousand (0.05%) of the capital cost of the project, payable annually to GAFI.³⁵

(ii) International investment agreements

56. Egypt has a number of bilateral investment agreements. The Egypt-United States Bilateral Investment Treaty (BIT) came into effect on 27 June 1992. The Treaty includes international legal standards for expropriation and compensation; free financial transfers; and procedures including international arbitration for the settlement of investment disputes. Between January 1992 and March 1998 Egypt signed bilateral treaties with 37 countries.

57. Egypt is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

³³ Law of Investment Guarantees and its Executive Regulations, Section 3, Article 35.

³⁴ Law of Investment Guarantees and its Executive Regulations, Section 3, Article 35.

³⁵ Law of Investment Guarantees and its Executive Regulations, Part VII, Article 51. The minimum and maximum amounts are LE 300 and LE 3,000, respectively.