Egypt

RISK & COMPLIANCE REPORT

DATE: March 2017

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Executive Summary - Egypt	
Sanctions:	EU - Financial
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations

Major Investment Areas:

Agriculture - products:

cotton, rice, corn, wheat, beans, fruits, vegetables; cattle, water buffalo, sheep, goats

Industries:

textiles, food processing, tourism, chemicals, pharmaceuticals, hydrocarbons, construction, cement, metals, light manufactures

Exports - commodities:

crude oil and petroleum products, cotton, textiles, metal products, chemicals, processed food

Exports - partners:

US 8.2%, India 7%, Italy 6.7%, Saudi Arabia 6.3%, Germany 4.4%, France 4.2% (2012)

Imports - commodities:

machinery and equipment, foodstuffs, chemicals, wood products, fuels

Imports - partners:

China 11.9%, US 8%, Turkey 5.3%, Italy 5.1%, Germany 4.6%, Russia 4.4%, India 4.1% (2012)

Investment Restrictions:

There are special requirements for foreign investment in particular sectors, such as upstream oil and gas development, where joint ventures are required.

Egypt's trade regulations prohibit foreigners from acting as importers for trading purposes and allow them to act solely as commercial agents. A foreign company wishing to import for trading purposes must do so through an Egyptian importer.

Egypt removed restrictions on foreign property ownership in a number of tourist areas, including resorts on the Red Sea and along the Mediterranean coast west of Alexandria. However, land ownership policies remain complex and unclear in many cases.

Land/Real Estate Law 15 of 1963 explicitly prohibits foreign individual or corporate ownership of agricultural land (defined as traditional agricultural land in the Nile Valley, Delta and Oases).

Contents

Section 1 - Background

The regularity and richness of the annual Nile River flood, coupled with semi-isolation provided by deserts to the east and west, allowed for the development of one of the world's great civilizations. A unified kingdom arose circa 3200 B.C., and a series of dynasties ruled in Egypt for the next three millennia. The last native dynasty fell to the Persians in 341 B.C., who in turn were replaced by the Greeks, Romans, and Byzantines. It was the Arabs who introduced Islam and the Arabic language in the 7th century and who ruled for the next six centuries. A local military caste, the Mamluks took control about 1250 and continued to govern after the conquest of Egypt by the Ottoman Turks in 1517. Completion of the Suez Canal in 1869 elevated Egypt as an important world transportation hub. Ostensibly to protect its investments, Britain seized control of Egypt's government in 1882, but nominal allegiance to the Ottoman Empire continued until 1914. Partially independent from the UK in 1922, Egypt acquired full sovereignty from Britain in 1952. The completion of the Aswan High Dam in 1971 and the resultant Lake Nasser have altered the time-honored place of the Nile River in the agriculture and ecology of Egypt. A rapidly growing population (the largest in the Arab world), limited arable land, and dependence on the Nile all continue to overtax resources and stress society. The government has struggled to meet the demands of Egypt's population through economic reform and massive investment in communications and physical infrastructure. Inspired by the 2010 Tunisian revolution, Egyptian opposition groups led demonstrations and labor strikes countrywide, culminating in President Hosni MUBARAK's ouster. Egypt's military assumed national leadership until a new parliament was in place in early 2012. That same year, Mohammed MURSI won the presidential election and a new constitution was affirmed. In July 2013, the military ousted MURSI and he was replaced by interim president Adly MANSOUR.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Egypt is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Egypt was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, Egypt was deemed Compliant for 5 and Largely Compliant for 20 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 3 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2009):

The Government of Egypt has taken significant steps to set up an AML/CFT regime, compared to 2002, when none existed. The AML/CFT Law criminalizes money laundering in Egypt, the material elements are broadly in line with the Palermo and Vienna Conventions, but participation in some forms of organized crime and adult human trafficking are not crim inalized. Terrorism financi ng is criminalized in the Penal code, but its provisions capture neither the financing of an individual terrorist, nor the collection of funds with the unlawful intention that they should be used or in the knowledge that they are to be used to carry out a terrorist act or acts. With regard to implementation of United Nations Security Council Resolutions, information provided to support the authorities' claim of implementing the Resolutions did not fully meet the requirements set out by the methodology.

The legal and regulatory framework that has been established for the EMLCU, the Egyptian financial intelligence unit, is sound and comprehensive. A strong effort has been made to put in place key customer due diligence (CDD) requirements for financial institutions but significant gaps remain (especially on beneficial ownership, on unusual transactions as defined by Recommendation 11 and for three institutions including a large bank, Arab International Bank). Significant efforts have been made to supervise banks and, more recently, brokers, efforts that need to be sustained and extended to other institutions, where AML /CFT supervision still appears weak. The outcomes, in terms of numbers of suspicious transaction reporting, are low, and even lower for cases that are referred to prosecution.

During the past four years, only four money laundering cases were taken to trial, and only one conviction was achieved. 6. Egypt has issued AML/CFT regulations for some sectors of the Designated Non Financial Businesses and Professions, DNFBPs (casinos are cov ered for some activities; real estate brokers and dealer of precious metals and stones were brought under coverage during the on-site mission,). Lawyers and accountants are not subject to AML /CFT regulations.

The Egyptian system is structured to ensure that legal entities are not used for unlawful purposes and legal provisions on the establishment, registra tion and monitoring of non-governmental organizations are strictly enforced. Egypt's domestic cooperation and coordination has been fairly robust and Egypt has a strong legislative framework for the provision of mutual legal assistance and extradition.

The assessors have identified the following recommendations as short term priorities to improve the effectiveness of the AML/CFT regime and help address the very low numbers of suspicious transactions reporting, ML and TF prosecutions and convictions: (i) develop a comprehensive data base on AML/CFT issues, and a set of indicators to assess the effectiveness of the AML/CFT regime, (ii) promulgate clear processes and procedures for implementing the UN Security Council Resolutions 1267 and 1373, (iii) criminalize participation in organized criminal groups and human trafficking, (iv) strengthen the AML /CFT supervisory regime for the three banks not supervised by the CBE and intensify their on-site supervision, (v) include the remaining DNFBPs in the AML /CFT framework, or develop safeguards so that their continued exclusion does not impair the effectiveness of the AML /CFT regime.

US Department of State Money Laundering assessment (INCSR)

Egypt is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Egypt is not considered a regional financial center or a major hub for money laundering. The Government of Egypt has shown increased willingness to tackle money laundering, but Egypt remains vulnerable by virtue of its large informal, cash-based economy. There are estimates as much as 90 percent of the population does not have bank accounts and the informal economy accounts for approximately 40 percent of the GDP. Consequently, extensive use of cash is common. The Central Bank and the Federation of Egyptian Banks aim to promote financial inclusion by incentivizing individuals and small businesses to enter the formal financial sector.

Countering corruption remains a long-term focus, and there have been cases involving public figures and entities, including allegations leading to the resignation of the Minister of Supply. The EU, Switzerland, UK, and Canada have all instituted targeted sanctions to freeze assets of former president Hosni Mubarak and several members of his regime based on their apparent misappropriation from the Egyptian state.

The government should continue to build its capacity to successfully investigate and prosecute money laundering offenses. In particular, the judicial system should continue to increase the number of judges trained in financial analysis related to money laundering activity. Egypt also should work to more effectively manage all aspects of its asset forfeiture regime, including identification, seizure, and forfeiture.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Sources of illegal proceeds reportedly include smuggling of antiquities and trafficking in narcotics and/or arms. However, some organizations also have turned to funding sources based on new technologies and social media. Intellectual property rights (IPR) violations are often overlooked in Egypt and are a major source of illicit proceeds. The government likely will not begin to target IPR as its resources are entirely directed to anti-corruption, security, and counter- terrorism. Authorities also note increased interception of illicit cross-border fund transfers by customs agents in recent years.

KEY AML LAWS AND REGULATIONS

In January 2016, the Central Bank of Egypt (CBE) increased the amount of U.S. dollars that could be deposited in banks by exporting companies from $50,000 per month to $250,000 per month, without a daily maximum. The amount was increased to $1 million in February 2016. In March 2016, the CBE eliminated limits on individual deposits and withdrawals. These controls were designed to influence Egypt's parallel, less transparent currency market. In November 2016, Egypt floated its currency. The government is also increasing efforts to improve monitoring of remittances from abroad to ensure the remittance system is not used for money laundering purposes. Remittances from Egyptian citizens abroad amount to some $20 billion per year, and authorities are working to more fully integrate these remittances into the formal banking system. The floating of the currency should move more of the remittance transactions back into formal market channels.

Egypt has KYC and STR regulations in place.

Egypt is a member of the MENAFATF, a FATF-Style Regional Body.

AML DEFICIENCIES

Egypt should improve its capacity to successfully investigate and prosecute money laundering offenses. In particular, the judicial system should continue to increase the number of judges trained in financial analysis related to money laundering activity. Egypt needs to create the institutional and legal framework for conducting AML prosecutions independent of action on the predicate offense. In the past, the penal code had obliged prosecutors to press charges on the most serious, readily provable offense and, because other offenses carried higher penalties than money laundering, prosecutors did not pursue money laundering. Now, judges are required to issue two penalties, one for money laundering and another for the predicate offense. However, different circuits of Egypt's Court of Cassation, the country's highest criminal court, have reportedly taken differing positions on whether a conviction for the predicate offense is required for a money laundering conviction. Finally, Egypt's asset forfeiture regime could more effectively identify, seize, and induce forfeiture of assets.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

There are institutional obstacles and disincentives to actually conducting money laundering investigations. For example, the functions of investigation and prosecution of the predicate crimes for money laundering are institutionally separated from prosecution of the money laundering activity itself. The underlying criminal activity is investigated and prosecuted by general and drug crime sections of the Public Prosecution Office (PPO), while money laundering prosecutions are handled primarily by the High State Security Prosecutions section (the same section that prosecutes national security cases). The government is working to incorporate technical and analytical training on the investigation and prosecution of money laundering and related crimes into its judicial curriculum.

Moreover, although not required by Egypt's money laundering statute, it has been the PPO's policy that prosecution for money laundering requires a prior conviction for the underlying criminal activity, which excludes the potential for the independent prosecution of money laundering. Consequently, there have been relatively few money laundering prosecutions in Egypt; the prospective defendants have already been convicted and sentenced for the underlying criminal activity, and the money launderers themselves fall outside the PPO's prosecution policy.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Egypt does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

EU White list of Equivalent Jurisdictions

Egypt is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Egypt is not considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report 2017:

While Egypt is not a major source country of illicit narcotics or precursor chemicals, there is a significant market for hashish and tramadol (a prescription opioid) within the country. Egypt also serves as a transshipment point for narcotics trafficked from Africa to Europe and is developing into a significant smuggling route for fenethylline (an amphetamine-type stimulant) produced in Lebanon and Syria destined for Saudi Arabia and other Gulf countries. The Government of Egypt does not encourage or facilitate illicit production or distribution of narcotic drugs or other controlled substances, nor does it encourage the laundering of proceeds from illegal transactions. Egypt has strict laws and penalties for officials convicted of involvement in narcotics trafficking activities.

The Anti-Narcotics General Administration (ANGA), under the Ministry of Interior, oversees counterdrug operations and cooperates with the U.S. Drug Enforcement Administration (DEA) to identify, detect, disrupt, and dismantle national and international drug trafficking organizations. While ANGA works on a limited budget, updates to its operating equipment occur on a systematic basis. Cooperation between ANGA, the Egyptian Armed Forces' Special Forces, and Border Guard units remains good, including on large-scale anti-drug campaigns.

ANGA continued to seize large quantities of cannabis and psychotropic pills in 2016. During the course of the year, DEA and ANGA coordinated investigations resulted in the seizure of over six metric tons of hashish, 194,730,000 tramadol tablets, and over 19,000,000 fenethylline tablets.
Most cannabis originated in Morocco and Lebanon. The volume of cocaine seized at Cairo International Airport remained relatively low at 13 kilograms, comparable to previous years, while seizures of MDMA (ecstasy) increased significantly, totaling 15,300 tablets in 2016.

Egypt oversees the import and export of all internationally-recognized chemicals through a committee composed of the Ministry of Interior (ANGA), Ministry of Finance (Customs), and Ministry of Health (Pharmaceutical). This committee approves or denies requests to import or export chemicals. Over the past few years, there was a spike in the importation of ephedrine, which is used in the legitimate production of cold and flu medicine but is also a precursor for methamphetamine. Based on the large amount being imported and comparing it to the population of Egypt, it is unlikely that all imported ephedrine is used for legitimate medicinal production. The Egyptian government, however, has stated that it has no reports indicating a large-scale diversion of ephedrine or other chemicals, and it has not made any significant seizures.

A U.S.-Egyptian mutual legal assistance treaty has been in force since 2001, and extradition between the two countries is governed in principle by an 1875 convention, though Egyptian cooperation under these instruments has been limited.

US State Dept Trafficking in Persons Report 2014 (introduction):

Egypt is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Egypt is a source, transit, and destination country for women and children who are subjected to forced labor and sex trafficking. Some of Egypt's estimated 200,000 to one million street children—both boys and girls—are subjected to sex trafficking and forced begging; informal criminal groups are sometimes involved in this exploitation. An international organization noted that the poor economic situation in Egypt led to an increase of street children in 2013, and that they are at risk of forced labor and sex trafficking. Egyptian children are also recruited for domestic service and agricultural labor; some of these children face forced labor through restrictions on movement, nonpayment of wages, threats, and physical or sexual abuse. In addition, wealthy individuals from the Gulf, including Saudi Arabia, the United Arab Emirates, and Kuwait, continue to travel to Egypt to purchase Egyptian women and girls for "temporary" or "summer marriages" for the purpose of sexual exploitation, prostitution, or forced labor; these arrangements are often facilitated by the parents of women and girls and by marriage brokers who profit from the transaction. Child sex tourism—the commercial sexual exploitation of children by foreign tourists—occurs in Egypt, particularly in Cairo, Alexandria, and Luxor. Egyptian men are subjected to forced labor in construction, agriculture, and low-paying service jobs in neighboring countries, such as Jordan; NGO and media reports indicate that some workers experience withholding of passports, forced overtime, nonpayment of wages, and restrictions on their movements. An international organization reported in 2013 that a small number of Egyptian women may be subjected to sex trafficking in Sri Lanka.

Men and women from Egypt, South and Southeast Asia, and Africa are subjected to forced labor in Egypt in domestic service, construction, cleaning, begging, and other sectors. Some domestic workers, primarily women from Indonesia, the Philippines, Sudan, Eritrea, Ethiopia, and Sri Lanka are held in forced labor, experiencing sexual, physical, and emotional abuse, withholding of wages and documents, restrictions on movement, and no time off. Employers use some domestic workers' lack of legal status and employment contracts as coercive tools to threaten arrest and abuse if they escape or complain of poor conditions. Indonesians make up the largest number of foreign domestic workers in Egypt, though an international organization reported an observed increase in Sri Lankan domestic workers at risk of forced labor and a decrease in Sudanese domestic workers in 2013. Women and girls, including refugees and migrants, from Asia, sub-Saharan Africa, and to a lesser extent the Middle East, are forced into prostitution in Egypt. Instances of human trafficking, smuggling, abduction, and extortion of migrants—primarily from Eritrea and, to a lesser extent, Sudan, Ethiopia, and Cote d'Ivoire—continue to occur in the Sinai Peninsula at the hands of criminal groups. According to documented victim testimonies, many of these migrants are held for ransom, and forced into sexual servitude or forced labor—such as forcing migrants to work as cleaners or on construction sites—during their captivity in the Sinai. In mid-2013, international organizations observed a temporary decrease in the flow of these migrants into the Sinai, likely in part due to an aggressive Egyptian military campaign in the Sinai in August 2013, as well as to Israel's construction of a fence along the Israel-Egypt border. Nonetheless, international organizations reported that new groups of African migrants—some of whom may be trafficking victims—entered the Sinai and were held by criminal groups in November 2013. There continue to be infrequent reports that Egyptian border patrols shoot and sometimes kill migrants, including potential trafficking victims, in the Sinai; many are also arrested and detained in Egyptian prisons in the Sinai, while some were transferred to Qanatar prison in the greater Cairo area in 2013.

The Government of Egypt does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government reported investigating and prosecuting an increased number of suspected traffickers. It continued to partner with NGOs and international organizations to identify and refer trafficking victims to protective services through its national referral mechanism, as well as to implement public awareness campaigns. Although the government prosecuted other serious crimes, it achieved no trafficking convictions, a decrease from the five convictions in the previous reporting period. The government also did not investigate or punish government officials complicit in trafficking crimes despite reports of such corruption. The government identified a significantly smaller number of victims in 2013 compared to 2012. There continued to be reports that many government officials failed to systematically to employ the referral mechanism to identify victims among vulnerable groups, including foreign migrants, people in prostitution, street children, and women in domestic servitude; as a result, victims continued to be treated as criminals and punished for crimes committed as a direct result of being subjected to human trafficking. Law enforcement officials continued to ignore potential trafficking-related crimes in the Sinai and failed to identify trafficking victims among the vulnerable groups of migrants, refugees, and asylum seekers abused in the Sinai

US State Dept Terrorism Report 2015

Egypt is currently identified by the US Secretary of State as a Safe Haven for International Terrorism

Overview: In 2015, the Egyptian government continued to confront active terrorist groups, which conducted deadly attacks on government, military, and civilian targets throughout the country. During the latter half of the year, the number of reported IEDs, anti-government demonstrations, and attacks on security forces declined considerably, particularly after the Egyptian Economic Development Conference held in Sharm El-Sheikh in March 2015. However, terrorist groups have succeeded in launching several large-scale attacks in Cairo and other urban areas.

Recent attacks and social media propaganda suggest that terrorist groups are increasingly seeking to expand the geographic scope of attacks outside the restive areas of northeast Sinai. The Islamic State of Iraq and the Levant (ISIL)-Sinai Province (ISIL-SP) remained a significant threat; however, a new group calling itself “Islamic State Egypt,” distinct from ISIL Sinai, has begun to claim responsibility for terrorist attacks outside of Sinai. While these organizations receive some external financial and logistical support as a result of their affiliation with ISIL, there is no evidence of a significant presence of non-Egyptian “foreign terrorist fighters” in Egypt.

Egyptian President Abdel Fattah Al Sisi continued to focus on counterterrorism in Egypt. In the wake of the assassination of Egyptian Prosecutor General Hisham Barakat, the Egyptian government approved a new counterterrorism law, increasing the state’s legal authorities to counter terrorism. The law provides a broad definition of terrorism, to include “any act harming national unity or social peace.”

The Egyptian Armed Forces (EAF) had limited success in combatting terrorist groups. The EAF launched a stepped-up counterterrorism campaign (known as Operation "Right of the Martyr") against ISIL-SP on September 7. The EAF also continued to seize and destroy numerous tunnels used for smuggling between Egypt and Gaza. On November 9, security forces killed senior ISIL-SP member Ashraf Gharabli, whom security officials alleged orchestrated several large-scale terrorist attacks. The EAF also undertook actions to counter the movement of ISIL personnel in western Egypt; however, an errant Egyptian counterterrorism operation on September 14, 2015 killed 12 Mexican tourists mistaken for terrorists. The Government of Egypt has taken responsibility for the action and is compensating the victims' families.

Egypt is a member in the Global Coalition to Counter ISIL and the Counter-ISIL Finance Group.

2015 Terrorist Incidents: Groups claiming to be affiliated with ISIL and other terrorist groups carried out numerous attacks throughout Egypt. Methods included vehicle-borne IEDs (VBIEDs), ambushes, kidnappings, and targeted assassinations. The following list details only a small fraction of the incidents that occurred.

- On June 29, an explosive device targeted Prosecutor General Hisham Barakat's motorcade shortly after Barakat departed his home in Heliopolis. Barakat succumbed to his wounds later that afternoon and nine other people were injured. A claim of responsibility by a group that calls itself Giza Popular Resistance could not be confirmed.

- On July 1, as many as 70 ISIL-SP operatives simultaneously attacked several police and security installations in the Sinai's Sheiykh Zuweid region. The multifaceted attack resulted in the deaths of 35 people.

- On July 11, a bomb heavily damaged the Italian Consulate in downtown Cairo and killed one civilian. Islamic State-Egypt claimed responsibility for the attack on social media.

- On July 16, a missile was launched from the shore in Sinai and hit an Egyptian naval vessel and set it ablaze. ISIL-SP claimed responsibility.

- On July 22, Croatian citizen Tomislav Salopek, who worked as a topographer for a French energy company, was kidnapped in the Western Desert, west of the Cairo suburb of 6th of October City. On August 5, in a video posted on a Twitter account associated with ISIL-SP, the group claimed responsibility for the abduction and demanded the release of all female Muslims in Egyptian prisons within 48 hours in exchange for Salopek. Salopek was ultimately beheaded; ISIL-SP claimed responsibility for the killing.

- On August 20, a VBIED attack occurred adjacent to a National Security Sector (NSS) building in Cairo's Shubra El Kheima neighborhood. The explosion resulted in substantial damage to the exterior of the building and injured 30. Islamic State-Egypt claimed responsibility via social media.

- On October 31, an A-321 Airbus operated by the Russian charter company Kogalymavia crashed 23 minutes after taking off from Sharm El-Sheikh International Airport, killing all 224 people on board. While the official investigation remained ongoing at year's end, ISIL-SP claimed responsibility. Russian and other international investigators have claimed that an explosive device was responsible for the crash.

Legislation, Law Enforcement, and Border Security: Egypt adopted two significant new counterterrorism laws by Presidential decree in 2015. The "Terrorist Entities Law," adopted on February 24, establishes a mechanism for designating organizations or individuals as terrorist entities, a procedure which had previously been ad hoc. On August 15, spurred in part by the assassination of Prosecutor General Barakat, the government issued a sweeping new counterterrorism law, after several years of discussion. The government says the law consolidates existing legislation addressing terrorism-related crimes and closes legal gaps. The law expands the definition of terrorism to encompass acts committed outside of Egypt and also establishes penalties for those who travel in order to commit acts of terrorism, as well as those who support and recruit for them. The law also imposes a steep fine, equal to many times the average annual salary of most local journalists, for publishing "false news" that contradicts official government reports on terrorism, which some civil society organizations worry could be used to stifle dissent and could lead to under-reporting on acts of terrorism.

The NSS is primarily responsible for counterterrorism functions in Egypt, but also works with other elements of the Ministry of Interior (MOI), the Egyptian General Intelligence Service, and the EAF. There was interagency cooperation and information sharing among the various counterterrorism elements within the Egyptian government in 2015.

Egypt continued to take actions to improve its border security measures. At border crossings and airports, Egyptian authorities checked for the presence of known security features within travel documents, such as micro-printing, UV features, and digital schemes. They also scanned and cross referenced documents with criminal databases that alert them when there is derogatory information present. Egypt maintains a terrorist watchlist with a simple listing provided to Egyptian immigration officials at the ports of entry and detailed information maintained within the NSS.

Egypt's primary physical border security concerns are along the borders with Gaza and Libya. The EAF aggressively sought to destroy underground tunnels that connect Gaza and Sinai. The EAF also established and de-populated a buffer-zone along the border with Gaza, which extended to 1.5 kilometers from the border at the end of the year. Egypt increased its military presence along the Libya border; the government installed cargo and passenger vehicle x-ray scanning devices at the Libyan border crossing to inspect traffic traveling both into and out of Egypt. The EAF was also working to procure a suite of mobile surveillance technologies to improve its situational awareness along the border with Libya.

In an effort to prevent the travel of foreign terrorist fighters to areas of conflict, the government increased the number of countries for which citizens between the ages of 18 and 40 must first obtain permission prior to travel, and expanded this requirement to include women.

Countering the Financing of Terrorism: Egypt is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Egypt's financial intelligence unit, the Egyptian Money Laundering and Terrorist Financing Combating Unit, is a member of the Egmont Group. Egypt is not considered a regional financial center or a major hub for money laundering. The Government of Egypt has shown increased willingness to tackle money laundering, but Egypt remained vulnerable by virtue of its large informal, cash-based economy. In 2015, the Central Bank, Ministry of Finance, and other government entities strengthened efforts to promote financial inclusion by incentivizing individuals and small and medium enterprises to enter the formal financial sector. Recent measures included digitization of government payments, introduction of smartcards, and increased banking services with mini-branches and more ATMs. Sources of illegal proceeds reportedly included the smuggling of antiquities and trafficking in narcotics and/or arms. However, some organizations have used new technologies and social media to raise funds. For example, ISIL-SP solicited funds using Twitter to finance terrorist activities in Egypt, relying on anonymous prepaid value cards. Authorities also noted increased interception of illicit cross-border fund transfers by customs agents in recent years.

Countering Violent Extremism: The Ministry of Islamic Endowments (Awqaf) is legally responsible for issuing guidance to which all imams throughout Egypt are required to adhere, including weekly instructions on a provided theme that aims to prevent extremist language in sermons. The Ministry is also required to license all mosques in Egypt; however, many continued to operate without licenses. The government has the authority to appoint and monitor the imams who lead prayers in licensed mosques, and the government pays their salaries.

Egypt's Dar Al-Iftaa (Egypt's official body for drafting religious edicts) has increased its efforts to counter violent extremism and extremist religious rhetoric, particularly online, where it has millions of followers on social media. Dar Al-Iftaa's countering violent extremism activities included sending scholars to remote areas of the country to engage communities considered vulnerable to violent extremist messaging; organizing international outreach and speaking tours throughout Muslim majority countries and the West; publishing books and pamphlets to undermine the alleged religious foundations of violent extremist ideology; running rehabilitation sessions for former violent extremists; and confronting violent extremists in cyber space.

International and Regional Cooperation: Egypt continued to participate in the Global Counterterrorism Forum, co-chairing (along with the United States) the Criminal Justice and Rule of Law Working Group. Egypt was elected in October to a non-permanent seat on the UN Security Council for a two-year term, beginning in 2016. In December, Egypt was selected to preside over the UNSC Counter Terrorism Committee. It is also a member of the AU.

International Sanctions

On 21 March 2011, the European Union adopted Council Regulation (EU) No 270/2011 ("Regulation") which placed restrictive measures on certain persons and entities identified as being responsible for the misappropriation of Egyptian state funds and persons and entities associated with them. The UK to give full effect to the EU Regulation enacted the Egypt (Asset Freezing) Regulations 2011 (2011/887) (the "UK Regulation"). The UK Regulation entered into force on 22 March.

The key provisions set out in the UK Regulation include:

- A person (“P”) must not deal with funds or economic resources belonging to, or owned, held or controlled by, a designated person if P knows, or has reasonable cause to suspect, that P is so dealing;

- A person (“P”) must not make funds or economic resources available, (1) directly or indirectly, to a designated person or (2) to any person for the benefit of a designated person, if P knows, or has reasonable cause to suspect, that P is so making funds or economic resources available. Funds or economic resources are made available for the benefit of the designated person only if that person thereby obtains, or is able to obtain, a significant financial benefit.

- No person may intentionally participate in activities knowing that the object or effect of them is (whether directly or indirectly) to circumvent any of the prohibitions, or to enable or facilitate the contravention of any such prohibition.

The Regulation states that it applies to nineteen designated persons including:

- Members of the Mubarak family including:

- Hosni Mubarak (former President);

- Suzanne Saleh Thabet (spouse of Mr Mubarak); and

- Alaa Mubarak and Gamal Mubarak (sons).

- Certain senior former officials in the former Mubarak-led government including in some case their spouses and children.

Companies, particularly financial institutions, should be aware that the sanctions regime has broad application beyond the designated persons. Article 2(1) of the EU Regulation states that the key provisions apply not only to the designated persons listed in the sanctions regime but also 'legal persons, entities and bodies associated with them'. Article 2(2) goes on to say that funds cannot be made available 'directly or indirectly'. As a result, firms should bear this in mind when looking at transactions which may involve entities which they believe or have reasonable cause to suspect may be associated with designated persons.

Arab League

November 28, 2011 - The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

- Cutting off transactions with the Syrian central bank
- Halting funding by Arab governments for projects in Syria
- A ban on senior Syrian officials travelling to other Arab countries
- A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states..

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	34
World Governance Indicator – Control of Corruption	35

US State Department

Corruption is pervasive at all levels of Egyptian society. Giving and accepting bribes are criminal acts in Egypt, but corruption laws have not been consistently enforced. It is expected that companies might encounter corruption in meetings with public officials, as well as bribery, embezzlement, and tampering with official documents. Corruption and bribery are particularly reported in dealing with public services, customs, taxes, public utilities, and procurement. The law provides criminal penalties for official corruption, but the government did not consistently enforce the law, and there were allegations that members of prior governments engaged in corrupt practices with impunity.

After the January 2011 revolution, a sizeable number of officials from the Mubarak regime and their close business associates were subject to criminal investigation, tried, and in some cases, convicted on corruption charges. Most of the cases were based on the sale of public assets (predominantly land) at allegedly below-market prices. The Office of the Public Prosecution has been the main entity investigating and prosecuting the recent corruption charges. The Central Agency for Auditing and Accounting is the government's anticorruption body and in the past submitted biennial reports to the People's Assembly that were not available to the public. The auditing and accounting agency stationed monitors at state-owned companies to report corrupt practices. Observers did not judge the agency to be effective, independent, or sufficiently resourced, and it did not actively collaborate with civil society.

A series of civil cases have been brought against private companies which concluded contracts with the Mubarak regime for the purchase of state-owned assets, as part of the regime's privatization drive. Most of the first-instance decisions in these cases have annulled the original sales contract, calling for the renationalization of the company and mandating that the individuals laid off following privatization be re-hired. These cases have caused considerable alarm among current and prospective investors in Egypt.

Transparency International's Corruption Perceptions Index ranked Egypt 114 out of 177 in its 2013 survey (http://cpi.transparency.org/cpi2013/results/), which is a slight improvement from the prior year, but is still a drop from the 2010 rank of 98 out of 178.

In addition, the World Economic Forum's Global Competitiveness Report 2013-14 identified corruption as the fifth most problematic factor to doing business in Egypt. (http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf)

The new 2014 constitution provides for the establishment of an Anti-Corruption Commission to focus on dealing with conflicts of interests, standards of integrity, and government transparency. It also addresses whistleblower protection.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Egypt ratified United Nations Convention against Corruption in February 2005. It has not acceded to the OECD Convention on Combating Bribery or any other regional anti-corruption convention.

Corruption and Government Transparency - Report by Global Security

Political Climate

Following protests that started on 25 January 2011, Mohammed Hosni Mubarak stepped down as president on 11 February 2011. The protests were a response to many grievances held by the Egyptian people, chief among them was police repression, lack of free elections and the rampant corruption that pervades Egyptian society. Social media played a key role, providing a forum for citizens to share their discontent and to organise the initial protests. In June 2012, Mohamad Morsi was elected president of Egypt. In August 2011, Mubarak was sentenced to a lifetime in prison for complicity in the killing of protesters during the uprisings; nevertheless, the court acquitted Mubarak and his sons of charges of corruption, a decision that sparked fury amongst demonstrators.

Prior to the revolution observers agreed that corruption in Egypt was pervasive and anti-corruption measures were perceived to be mere cosmetic changes serving Mubarak's political agenda. Nevertheless, the uprisings spurred the surfacing of multiple official corruption cases as well as the trials of several ministers and businessmen with ties to the former regime. For instance, the former ministers of tourism and interior as well as the ex-Prime Minister all faced trial for corruption and abuse of power. However, the Morsi Administration has taken up the challenge of corruption and passed several laws to fight the phenomena. A 2013 report released by the Social Science Research Centre notes that the new Constitution, signed into law in 2012, guarantees more transparency in the government than the previous one. Amongst others, the Constitution stipulates the public's right to information, data, documents and statistics, and imposes annual financial disclosure on members of Parliament. The report further notes that the Constitution also establishes an Anti-Corruption Commission designed to deal with conflict of interest, standards of integrity and transparency in government. Nevertheless, the US Department of State 2012 notes that the government of Egypt did not consistently implement anti-corruption legislation.

The measures undertaken by the new administration in office remain to be assessed; however, during the year, a 2012 report by Global Partners & Associates reports that corruption is still pervasive in Egypt. The report looks at the different sources of corruption and sites, amongst others, government interference in the economy, manipulation of subsidies, a lack of proper government accounting systems, and widespread nepotism. Some of the causes that fuels corruption in Egypt are the poor wages of public officials, which makes them more vulnerable to accepting bribes, especially amongst tax officials. Nepotism and favouritism are also described as widely accepted phenomena, where employment in public entities is often family or relative-based rather than merit-based. In a positive step towards combating bribery, the upper house of Parliament and the Shura Council presented a bill addressing minimum and maximum wages in Egypt, as reported by a February 2013 article by Egypt Independent. The bill sets the minimum wages for employees of the public and the private sector and requires that all earnings above maximum wages be reimbursed to the state treasury.

Business and Corruption

Companies wishing to invest in Egypt should be aware that several sources identify pervasive corruption as a major obstacle to doing business. According to an August 2011 article by Aljazeera, many in Egypt have raised the idea of re-nationalisation of land and state-owned assets due to the legacies of corruption that privatisation suffered. According to the World Economic Forum Global Competitiveness Report 2012-2013, the surveyed companies identify corruption as the fifth most problematic factor for doing business in Egypt. In the same vein, foreign investors have identified corruption as a major impediment to foreign investment and have also reported requests for bribes from Egyptian government officials, as reported by the US Department of State 2013. Other obstacles to investment include excessive bureaucracy, shortage of skilled labour, limited access to credit, slow and cumbersome customs procedures, and non-tariff trade barriers. In addition, the Heritage Foundation 2013 notes that Egypt has shown a decline in investment freedoms over the last year and that corruption is deteriorating investor's trust in the economic system.

According to the 2007-2011 UNDP Project, the civil service is marred by nepotism in hiring procedures and by general over-staffing. Companies are likely to encounter corruption in meetings with public officials, as officials in various government departments are known for bribery, embezzlement and tampering with official documents. According to the CIPE & Ahram Centre for Political and Strategic Studies Egypt SME Survey Report 2009, 42% of the surveyed SMEs report having paid bribes to obtain necessary licences in the establishment process, while 29% paid bribes to government officials during the operation of the company. On the other hand, the same study shows that those who did pay bribes spent more time establishing their companies and had to obtain more licences than those that did not. This indicates that bribes were not paid to speed up procedures but to receive other benefits, such as being awarded a licence despite failing to meet legal requirements. Another 2012 report by Chatham House, states that the informal sector accounts for 40-70% of the economy in Egypt. Employees from the informal sector resort to bribes in order to avoid the scrutiny of authorities. Nevertheless, the report found that the amounts paid in bribes in fact amount to the rate of taxes imposed.

The Ministry of State for Administrative Development has specified several areas where corruption and bribery are commonly found, including public services, customs and taxes, public utilities, and procurement. Foreign companies should note that they are required to go through a local agent in order to bid directly on a government tender. According to Transparency International's Bribe Payers Survey 2012, 41% of the surveyed companies report to have lost new business or contract because competitors resorted to bribery, and 32% of the surveyed companies believe that the anti-corruption laws of Egypt are not effective in fighting corruption. Nevertheless, on a more positive note, 73% of the companies are willing to get involved in the fight against corruption in Egypt. In this regard, companies are recommended to use a specialised public procurement due diligence tool in order to mitigate the corruption risks associated with public procurement in Egypt. Furthermore, companies are recommended to develop, implement and strengthen integrity systems and to conduct extensive due diligence when planning to do or when already doing business in Egypt.

Regulatory Environment

Since 2005, Egypt has been singled out as one of the world's top reformers by the World Bank & IFC's Doing Business 2013. The country has dramatically improved its performance in a number of areas, including starting a company and trading across borders, areas in which Egypt performs impressively compared to regional averages. Nevertheless, the report notes that major improvements were witnessed before 2009, and that 2012 was marked as the year where there was least focus on reform. According to Doing Business 2013, starting a company in Egypt now requires an entrepreneur to go through just 6 procedures, taking an average of 7 days at a cost of 10.2% of GNI per capita. According to the World Economic Forum Global Competitiveness Report 2012-2013, Egypt holds a competitive advantage with regard to the time and number of procedures required to start a company. However, the same source also states that corruption is considered to be one of the most problematic factors for doing business in the country by surveyed business executives. This is also supported by the Heritage Foundation 2013 which emphasises that an effective eradication of corruption along with a strengthened judicial system and better protection of property rights is crucial if Egypt is to sustain economic development, especially as the Egyptian economy has witnessed turmoil since 2011.

Despite Egypt's position as a top reformer between 2005 and 2009, Doing Business 2013 shows that companies continue to face time-consuming procedures, particularly in relation to taxation, registering property, contract enforcement, and dealing with construction permits. According to the same source, companies report that obtaining the necessary licences, permits and completing the required notifications and inspections requires 22 administrative steps and takes 218 days at a cost of more than 135% of income per capita - more cumbersome and time-consuming than the MENA region average. The US Department of State 2013 stresses that despite the government's efforts to the transparency of government policy, excessive bureaucracy is still considered an obstacle to investment, and notes that bureaucratic impediments are often imposed arbitrarily. Companies should know that Egypt's vast privatisation programme poses a licensing and entry barrier in certain sectors. Due to the privatisation process, no licences are issued for the establishment of new companies in the banking and insurance sectors. In effect, this means that companies can only enter into the insurance and banking market through acquisitions and mergers. The former government's privatisation process has been plagued by corruption and cases have surfaced in the post-revolution era. According to the US Department of State 2013, the court annulled contracts between private companies and the Mubarak regime, and renationalised the sold enterprises.

Egypt has established free zones and qualified industrial zones to attract foreign investment, whereas the General Authority for Investment and Free Zones (GAFI) operates as a one-stop shop for investment that offers a range of services, including company registration, partner identification, contracts and licences acquisition. These services are provided free of charge for investors. However, the Heritage Foundation 2013 notes that although services of the one-stop shop have made starting a business less time-consuming and costly, these services will fail to create real entrepreneurial growth without substantial reform in other areas. The

Ministry of Investment's Egyptian Investment Portal provides business information concerning investment and joint venture opportunities. The government's Business Services Portal presents business related legislation (mostly in Arabic). The Egyptian government has also prioritised investment dispute resolution and has succeeded in resolving some disputes with foreign investors. However, companies should note that the resolution of disputes in Egypt is both costly and time-consuming due to an inefficient judicial system. Companies can access the Investment Conflict Resolution Committee (in Arabic) for information regarding decisions on commercial disputes. Egypt is a signatory to the International Centre for the Settlement of Investment Disputes (ICSID) and the related framework regarding dispute settlement is in place. The US Department of State 2013 advises companies to include clauses in their contracts specifying provisions for binding international arbitration of disputes. The Cairo Regional Centre for International Commercial Arbitration provides access to arbitration laws and information and services to companies seeking international arbitration solutions to commercial disputes. Access the Lexadin World Law Guide for a collection of legislation in Egypt.

Section 3 - Economy

Occupying the northeast corner of the African continent, Egypt is bisected by the highly fertile Nile valley, where most economic activity takes place. Egypt's economy was highly centralized during the rule of former President Gamal Abdel NASSER but opened up considerably under former Presidents Anwar EL-SADAT and Mohamed Hosni MUBARAK. Cairo from 2004 to 2008 aggressively pursued economic reforms to attract foreign investment and facilitate growth. Poor living conditions combined with limited job opportunities for the average Egyptian contribute to public discontent. After unrest erupted in January 2011, the Egyptian Government backtracked on economic reforms, drastically increasing social spending to address public dissatisfaction, but political uncertainty at the same time caused economic growth to slow significantly, reducing the government's revenues. Tourism, manufacturing, and construction were among the hardest hit sectors of the Egyptian economy, pushing up unemployment levels, and economic growth remains slow amid political uncertainty, government transitions, unrest, and cycles of violence. Cairo since 2011 has drawn down foreign exchange reserves and depended on foreign assistance, particularly from Gulf countries, to finance imports and energy products and prevent further devaluation of the Egyptian pound, fearing higher inflation from a weaker currency.

Agriculture - products:

cotton, rice, corn, wheat, beans, fruits, vegetables; cattle, water buffalo, sheep, goats

Industries:

textiles, food processing, tourism, chemicals, pharmaceuticals, hydrocarbons, construction, cement, metals, light manufactures

Exports - commodities:

crude oil and petroleum products, cotton, textiles, metal products, chemicals, processed food

Exports - partners:

US 8.2%, India 7%, Italy 6.7%, Saudi Arabia 6.3%, Germany 4.4%, France 4.2% (2012)

Imports - commodities:

machinery and equipment, foodstuffs, chemicals, wood products, fuels

Imports - partners:

China 11.9%, US 8%, Turkey 5.3%, Italy 5.1%, Germany 4.6%, Russia 4.4%, India 4.1% (2012)

Banking

According to the Central Bank of Egypt (CBE), the Egyptian banking system currently consists of 39 banks, split between commercial and non-commercial, public and private sector banks. In practice, the vast majority of these banks operate as commercial banks, although there are a few specialized banks (such as for agriculture and real estate). National Bank of Egypt is a large public sector bank, as is Bank Misr, and Banque du Caire. All banks in Egypt are subject to supervision by the CBE. However, the Arab International Bank, Nasr Social Bank, and the National Investment Bank are exempted due to special provisions in law and treaty.

Egypt aggressively consolidated and reformed the banking system under the 2003 banking law (Law 88 of 2003) Presidential Decree (No. 64 for 2005 which raised the minimum capital requirements for banks sharply (from LE 100 million to LE 500 million for domestic banks and from $10 million to $50 million for branches of foreign banks).

Stock Exchange

The Cairo and Alexandria Stock Exchanges, now called the Egyptian Stock Exchange (EGX), is the only stock exchange in Egypt and it has grown significantly in volume and value in the past few years. The volume of listed securities has more than quadrupled from 5,311 in 2005 to about 25,556 in 2008 and the total value traded has more than tripled from LE 160,635 million in 2005 to LE 529,000 million in 2008.

Section 4 - Investment Climate

Executive Summary

Egypt remains a country at the crossroads. Massive popular demonstrations culminated in a military-led change of government in July 2013. Since then, two interim governments have made progress along a political road map to govern Egypt's transition back to elected government, adopting a new constitution and holding presidential elections. Parliamentary elections are expected in fall 2014. The country remains divided politically, struggling with slow economic growth, collapsing foreign investment, and a dramatic drop in tourism, a vital foreign exchange-earner and a major employer. The government has been unable to address its budget woes, as it continues to spend more than 20 percent of its budget on non-targeted subsidies. Egypt has received billions of dollars in assistance from Gulf countries to provide temporary economic relief. Major structural reforms and political stability, however, are vital to Egypt's future economic growth and development.

Egypt honors its pre-revolution laws, treaties, and trade agreements. It is party to 111 bilateral investment treaties and is a member of the World Trade Organization (WTO), the Common Market for Eastern and Southern Africa (COMESA), and the Greater Arab Free Trade Area (GAFTA). In most sectors, there is no legal difference between foreign and domestic investors. Special requirements exist for foreign investment in particular sectors, such as upstream oil and gas development, where joint ventures are required. There have also been recent legal challenges to the privatization of former state-owned enterprises.

Egypt has several schemes intended to attract foreign direct investment into special economic and trade zones. The General Authority for Investment (GAFI) implements Egypt's policies and procedures to facilitate doing business, including maintaining Egypt's "one-stop shop" for investors. The Egyptian tax code taxes personal income and corporate profits for both foreigners and nationals at a maximum marginal rate of 25%. The World Bank's 2014 Ease of Doing Business Index ranked Egypt 128 out of 185 economies.

Significant impediments to investment exist. Investors report there can be delays of several weeks for legitimate transfers of foreign exchange to be executed, although availability of foreign exchange is improving. Labor rules prevent companies from hiring more than 10% non-Egyptians (25% in Free Zones), and foreigners are not allowed to operate sole proprietorships or simple partnerships. The lack of protection of intellectual property rights (IPR) is a major hurdle to direct investment in Egypt, which remains on the U.S. Trade Representative's Special 301 Watch List. A foreign company wishing to import for trading purposes must do so through an importer which is wholly Egyptian-owned.

Egypt is a signatory to international arbitration agreements, but its courts do not always recognize foreign judgments. Dispute resolution is slow, with the time to adjudicate a case to completion averaging three to five years. The judicial system can be subject to political influence. Other obstacles to investment include excessive bureaucracy, regulatory complexity, a mismatch between job skills and labor market demand, slow and cumbersome customs procedures, and non-tariff trade barriers. Business people complain that many government officials are reluctant to make decisions, which has a negative impact on business activity.

1. Openness To, and Restrictions Upon, Foreign Investment

Business Sectors:

Banking: The Central Bank of Egypt has not issued a new commercial banking license since 1979. The only way for a new commercial bank, whether foreign or domestic, to enter the market (except as a representative office) is to purchase an existing bank. In 2013 QNB Group acquired NSGB and Emirates NBD, Dubai's largest bank, bought the Egypt unit of BNP Paribas. In 2009, the Central Bank announced that it had no plans to privatize the three remaining state-owned banks (Banque Misr, Banque du Caire, National Bank of Egypt), citing poor market conditions. These three banks control at least 40 percent of banking sector assets.

Insurance: The government does not issue licenses for new insurance companies. As in the banking sector, foreign firms can only enter the Egyptian insurance market through purchase of a stake in an existing insurance company. Certain regulatory approvals are required for foreign and local investments in insurance companies (as with Egyptian banks) exceeding 10 percent of the issued shares. In 2006, the government began restructuring public insurance companies in preparation for privatization. In September 2007, the companies were merged and placed under an insurance holding company, and real estate assets were stripped out of the companies and transferred to a newly established affiliate. The firms still have not been privatized.

Oil and Gas: The petroleum industry is one of the most dynamic industries in Egypt; hydrocarbon production is by far the largest single industrial activity. Petroleum, natural gas, and petrochemicals are Egypt’s top exports. The Egyptian government encourages international oil companies (IOC) to participate in the oil and gas sector, and currently dozens of IOCs are operating in Egypt. The hydrocarbon industry is managed by the Ministry of Petroleum and Natural Resources, under which four state-owned companies function as government agencies. One of these is the Egyptian General Petroleum Corporation (EGPC), which concludes concession agreements in cooperation with IOCs, in the form of production-sharing agreements (PSAs). Egypt grants concessions in specific areas through the promulgation of a “special law” by the Egyptian Parliament, which allows the Minister of Petroleum to conclude an agreement between the Egyptian Government on one side and a state-owned company such as EGPC acting as the concession holder and the foreign oil investor (IOC) acting as a contractor on the other side. This legislative act gives new agreements supremacy in application over contrary legislation or regulation. After concluding the agreement, any contractual changes are remedied through amicable adaptation of its provisions or arbitration. These safeguards were specifically devised by the Government of Egypt (GOE) to help forge trust with foreign investors and improve investment in the hydrocarbon sector. In some cases, the Egyptian military needs to grant permission for firms to access and operate in their concession areas.

The Ministry of Petroleum is actively seeking investment from foreign investors in new oil and gas bid rounds. The government owes several billion dollars in payments to foreign oil and gas companies, however, and cannot easily repay its arrearages, due to ongoing fiscal challenges. Fuel is heavily subsidized in Egypt, with approximately 20 percent of government expenditures dedicated to energy subsidies. Egypt has become an energy importer, and absent energy subsidy reform and a reduction in domestic demand for energy, hydrocarbon exports may not increase in the short term. Should Egypt undertake these reforms, prospects for the industry will be bright, with untapped oil and gas resources and promising potential reserves.

Telecommunications: Egypt still has a single domestic fixed-line operator, Telecom Egypt (TE), despite Telecommunications Law 10 of 2003, which required TE to have relinquished its monopoly status by January 2006. Egypt has issued three mobile phone operator licenses, with the most recent acquired by Etisalat in July 2006 at a cost of US$2.9 billion. Etisalat Egypt, Mobinil, and Vodafone Egypt continue to compete aggressively in the mobile telecommunications market, which now has an estimated 100 million mobile lines. A major focus of these companies will continue to be expansion of data services, which is still seen as an area with potentially high profit margins. In December 2012, the National Telecommunications Regulatory Authority (NTRA) approved the issuance of a fourth mobile services license for Telecom Egypt, initially as a Mobile Virtual Network Operator (MVNO) allowing it to lease and resell capacity from the three other mobile operators. Once implemented, this would make Telecom Egypt the first and only company to hold a unified license, pursuant to which it can offer both fixed-line, and internet and mobile services. In April 2014, the National Telecommunication Regulatory Authority (NTRA) approved a unified license system under which Egypt's three mobile telecom operators can acquire rights to offer fixed-line services for a fee of LE 100 million (approximately $14.3 million) as part of a unified license. As of April 2014, neither of these two NTRA decisions has yet received required approval from the cabinet of ministers.

Tourism and Travel: Prior to January 2011, tourism was Egypt's second-largest source of foreign currency and a significant source of employment. In 2010, the sector brought in $12.5 billion in revenue, and employed 2.5 million Egyptians --over 10 percent of the workforce. Political instability and security concerns since the 2011 revolution have led to a dramatic drop in foreign tourists, particularly in higher-end cultural tourism. Beach resorts have fared better, but have cut prices to attract business. According to the Ministry of Tourism, Egypt received 11.5 million visitors in 2012, and the sector brought in nearly $10 billion in revenue. This suggests improvement over 2011, but business leaders note that government statistics may overstate actual tourist numbers. In 2013, the tourism industry took another hit with the political violence surrounding the removal of President Morsy from power and ongoing security concerns. The country's tourism revenues fell to $5.9 billion in 2013, a 41% drop compared to 2012.

In 2005, Egypt removed restrictions on foreign property ownership in a number of tourist areas, including resorts on the Red Sea and along the Mediterranean coast west of Alexandria. However, land ownership policies remain complex and unclear in many cases. Requirements to build on land to maintain tenure encourage rapid, large-scale development over conservation and more sustainable projects.

Since the 2011 revolution, many Western governments, including the United States, have advised their citizens to avoid travel to Egypt or to avoid travel to certain parts of the country such as the Sinai at various periods. The security situation in the Sinai, particularly in the north and including the major east-west coastal highway and the towns of El Arish, Shaykh Zuwayd, El Gorah and Rafah has been marked by ongoing violent attacks on Egyptian security personnel and by continuing, and frequently intense, security operations against the sources of violence. On February 16, 2014 a bomb was detonated on a tourist bus, killing four and injuring 14 people in Taba, a Sinai resort near the Israeli border.

Research and Development: The new 2014 constitution includes article 23 which explicitly states that the country can spend "no less than 1% of Gross National Product on scientific research." When implemented, this would double the government's current R&D budget.

Large-scale R&D activities, however, are relatively modest. The majority of government-funded R&D programs are in agriculture, health, and, to a lesser extent, manufacturing. There are no reports of discrimination against U.S. or other foreign firms wishing to participate in R&D programs in Egypt. Most Egyptian R&D programs are established by government initiative.

Broad Overview of Investment-Related Laws: Investment Incentives Law 8 of 1997 was designed to encourage domestic and foreign investment in targeted economic sectors and to promote decentralization of industry away from the Nile Valley. The law allows 100 percent foreign ownership of investment projects and guarantees the right to remit income earned in Egypt and to repatriate capital. Other key provisions include: guarantees against confiscation, sequestration, and nationalization; the right to own land; the right to maintain foreign-currency bank accounts; freedom from administrative attachment; the right to repatriate capital and profits; and equal treatment regardless of nationality.

Law 94 of 2005 amended the Investment Incentives Law and made companies incorporated under the Investment Incentives Law subject to relatively simpler incorporation. It also granted companies established under the Companies Law or the Commercial Law certain incentives under the Investment Incentives Law, including protection from nationalization, imposition of obligatory pricing and cancellation or suspension of licenses to use immovable property. It also granted companies the right to own real estate required for their activities and the right to import raw materials, machinery, spare parts and transportation methods without being required to register at the Importers Register.

Companies Law 159 of 1981 applies to domestic and foreign investment in sectors not covered by the Investment Incentives Law, whether shareholder, joint stock, or limited liability companies, representative offices, or branch offices. The law permits automatic company registration upon presentation of an application to GAFI, with some exceptions. It also removed a previous legal requirement that at least 49 percent of shareholders be Egyptian, allows 100 percent foreign representation on the board of directors, and strengthens accounting standards.

Public Enterprise Law 203 of 1991 permits sales of state enterprises to foreign entities. Egypt began a privatization program under the Public Enterprise Law for the sale of several hundred wholly or partially state-owned enterprises and all public shares of at least 660 joint venture companies (joint venture defined as mixed state and private ownership, whether foreign or domestic). Bidding criteria for privatizations are generally clear and transparent. Since 2008, however, the GOE has not undertaken any new privatizations.

The President recently signed a new law Limiting Appeal Rights on State-concluded Contracts to limit third-party challenges to government privatization deals. The law is intended to reassure and attract investors unnerved by legal challenges brought against privatization deals and land sales dating back to the Mubarak government. Court cases have put many of these now private firms, many of which have foreign ownership, in legal limbo.

Tenders Law 89 of 1998 requires the government to consider both price and best value in awarding contracts and to issue an explanation for refusal of a bid. However, the law contains preferences for Egyptian domestic contractors, who are accorded priority if their bids do not exceed the lowest foreign bid by more than 15 percent.

Capital Markets Law 95 of 1992 and its amendments and regulations govern Egypt's capital markets. Foreign investors can buy shares on the Egyptian Stock Exchange on the same basis as local investors. Brokerage firms have capital requirements of LE 5 million (US$715,300), and same-day trading on the Egyptian stock market is allowed. As of January 2011, 47 brokerage firms have licenses for same-day or intra-day trading. Law 123 of 2008 amended the Capital Markets Law to allow local and foreign institutions to issue bonds at a par value of LE 0.10 (US$0.0143).

Decree No. 719 for 2007 by the Ministry of Industry and Foreign Trade and Ministry of Finance provides incentives for industrial projects in the governorates of Upper Egypt (Upper Egypt refers to governorates in southern Egypt). The decree provides an incentive of LE 15,000 (US$2,149) for each job opportunity created by the project, on the condition that the investment costs of the project exceed LE 15 million (US$2.15 million). The decree can be implemented on both new and on-going projects.

Land/Real Estate Law 15 of 1963 explicitly prohibits foreign individual or corporate ownership of agricultural land (defined as traditional agricultural land in the Nile Valley, Delta and Oases).

Prime Ministerial Decree No. 548 for 2005 removed restrictions on foreign property ownership in a number of tourist and new urban areas, namely the Red Sea coast, including Hurghada, and the Mediterranean beach resorts of Sidi Abdel-Rahman and Ras Al-Hekma in the Matrouh Governorate. Foreign owners are still limited to a maximum of two residences in Egypt. Companies/citizens of other Arab countries have customarily received national treatment in this area.

Insurance Law 156 of 1998 removes a 49 percent ceiling on foreign ownership of insurance companies, allows privatization of state-owned insurance companies, and abolishes a ban on foreign nationals serving as corporate officers. Electricity Law 18 of 1998 allows the government to sell minority shares of electricity distribution companies to private shareholders, both domestic and foreign. A draft electricity law expected to be enacted in 2011 will further open electricity generation and distribution to the private sector.

Maritime Law 1 of 1998 permits private companies, including foreign investors, to conduct most maritime transport activities, including loading, supplying, and ship repair.

Commercial Law 17 of 1999 has more than 700 articles covering general commerce, commercial contracts, banking transactions, commercial paper, and bankruptcy.

Central Depository Law 93 of 2000 reduces risks associated with trading securities, enhances market liquidity, and tries to streamline the securities exchange process by standardizing registration, clearance and settlement procedures.

Investment Trends

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address

TI Corruption Perceptions index	2013	32 (114 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2014	52.9 (135 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(128 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(108 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 3000	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

Measure	**Year**	**Index/Ranking**	**Year**	**Index/Ranking**
MCC Gov't Effectiveness	2014	-0.38 (19%)	2013	-0.16 (38%)
MCC Rule of Law	2014	0.01 (54%)	2013	0.05 (56%)
MCC Control of Corruption	2014	0.00 (50%)	2013	-0.16 (31%)
MCC Fiscal Policy	2014	-9.6 (4%)	2013	-8.2 (13%)

MCC Trade Policy	2014	71.4 (29%)	2013	73.8 (41%)
MCC Regulatory Quality	2014	-0.17 (42%)	2013	0.01 (53%)
MCC Business Start Up	2014	0.969 (85%)	2013	0.978 (84%)
MCC Land Rights Access	2014	0.93 (95%)	2013	0.92 (96%)
MCC Natural Resource protection	2014	65.8 (65%)	2013	96.2 (84%)
MCC Access to Credit	2014	39.0 (54%)	2013	11.1 (3%)
MCC Inflation	2014	8.6 (16%)	2013	39 (59%)

2. Conversion and Transfer Policies

Following the January 2011 revolution, the Central Bank issued restrictions on conversion and transfers of funds out of Egypt. Individuals were only permitted transfers up to a total maximum of $100,000. In January 2014, however, the Central Bank permitted individuals who had already reached that limit to transfer an additional $100,000. Although businesses do not face these restrictions for transfers for legitimate business purposes, extensive documentation can be required. Foreign investors say that lack of availability of foreign exchange can result in delays of up to several weeks, although the situation is improving. Egyptian law allows individuals and businesses to conduct all normal foreign exchange transactions, including accepting deposits, and opening letters of credit.

The OECD Arrangement on Officially Supported Export Credits rates country transfer and convertibility risk on a scale of 0 to 7, with 7 being the most risky. For many years Egypt's rating had been at 4, but dropped to 5 in January 2012 and then to 6 in June 2013. The downgrades reflect higher risks from macroeconomic instability associated with the political transitions. (http://www.oecd.org/tad/xcred/cre-crc-current-english.pdf)

The 1992 U.S.-Egypt Bilateral Investment Treaty provides for free transfer of dividends, royalties, compensation for expropriation, payments arising out of an investment dispute, contract payments, and proceeds from sales. Transfers are to be made in a "freely convertible currency at the prevailing market rate of exchange on the date of transfer with respect to spot transactions in the currency to be transferred."

The Investment Incentives Law stipulates that non-Egyptian employees hired by projects established under the law are entitled to transfer their earnings abroad. Conversion and transfer of royalty payments are permitted when a patent, trademark, or other licensing agreement has been approved under the Investment Incentives Law.

Banking Law 88 of 2003 regulates the repatriation of profits and capital. The government has repeatedly emphasized its commitment to maintaining the profit repatriation system to encourage foreign investment in Egypt. The current system for profit repatriation by foreign firms requires sub-custodian banks to open foreign and local currency accounts for foreign investors (global custodians), which are exclusively maintained for stock exchange transactions. The two accounts serve as a channel through which foreign investors process their sales, purchases, dividend collections, and profit repatriation transactions using the bank's posted daily exchange rates. The system is designed to allow for settlement of transactions in less than two days.

Foreign Exchange

A growing gap between the demand and supply of foreign exchange in the market emerged following the institution of a new currency regime in January 2013, whereby the Central Bank of Egypt began a series of currency auctions in order to conserve foreign exchange. The government also instituted new capital controls limiting the amount of money that could be physically carried in and out of the country to $10,000 per person per trip. A parallel foreign exchange market exists in Egypt outside of the official banking system in which US dollars were trading at around a 7% premium over the official rate as of April 2014

3. Expropriation and Compensation

The Investment Incentives Law provides guarantees against nationalization or confiscation of investment projects under the law's domain. The law also provides guarantees against seizure requisition, blocking, and placing of assets under custody or sequestration. It offers guarantees against full or partial expropriation of real estate and investment project property. The U.S.-Egypt Bilateral Investment Treaty also provides protection against expropriation. Private firms are able to take cases of expropriation to court, but the judicial system is very slow and can take several years to resolve a case.

4. Dispute Settlement

The U.S. Embassy recommends that U.S. companies put clauses specifying binding international arbitration of disputes in their commercial agreements. Egypt acceded to the International Convention for the Settlement of Investment Disputes in 1971 and is a member of the International Center for the Settlement of Investment Disputes (ICSID), which provides a framework for arbitration of investment disputes between the government and foreign investors from another member state, provided that the parties agree to such arbitration. Without prejudice to Egyptian courts, the Investment Incentives Law recognizes the right of investors to settle disputes within the framework of bilateral agreements, the ICSID or through arbitration before the Regional Center for International Commercial Arbitration in Cairo, which applies the rules of the United Nations Commissions on International Trade Law.

The U.S.-Egypt Bilateral Investment Treaty allows an investor to take a dispute directly to binding third-party arbitration. The Egyptian courts generally endorse international arbitration clauses in commercial contracts. For example, the Court of Cassation has, on a number of occasions, confirmed the validity of arbitration clauses included in contracts between Egyptian and foreign parties.

Egypt adheres to the 1958 New York Convention on the Enforcement of Arbitral Awards; the 1965 Washington Convention on the Settlement of Investment Disputes between States and the Nationals of Other States; and the 1974 Convention on the Settlement of Investment Disputes between the Arab States and Nationals of Other States. An award issued pursuant to arbitration that took place outside Egypt may be enforced in Egypt if it is either covered by one of the international conventions to which Egypt is party or it satisfies the conditions set out in Egypt's Dispute Settlement Law 27 of 1994, which provides for the arbitration of domestic and international commercial disputes and limited challenges of arbitration awards in the Egyptian judicial system. The Dispute Settlement Law was amended in 1997 to include disputes between public enterprises and the private sector.

Bankruptcy

Egypt does not have a bankruptcy law per se, but Commercial Law 17 of 1999 includes a chapter on bankruptcy. The terms of the bankruptcy chapter are silent or ambiguous on several key issues that are crucial to the reduction of settlement risks. The Ministry of Industry and Foreign Trade has identified the lack of a functioning bankruptcy code as a significant weakness for investment in Egypt and has indicated in public statements that efforts are underway to initiate new bankruptcy legislation.

Duration of Dispute Resolution

The Egyptian judicial system functions extremely slowly, and cases can remain in the system for several years. Arbitral awards are made in the original currency of the transaction, via the competent court in Egypt, usually the Cairo Court of Appeals. A special order is required to challenge an arbitration award in an Egyptian court. To enforce judgments of foreign courts in Egypt, the party seeking to enforce the judgment must obtain an exequatur. To apply for an exequatur, the normal procedures for initiating a lawsuit in Egypt must be satisfied. Moreover, several other conditions must be satisfied, including ensuring reciprocity between the Egyptian and foreign country's courts and verifying the competence of the court rendering the judgment.

5. Performance Requirements and Investment Incentives

No performance requirements are specified in the Investment Incentives Law. The ability to fulfill local content requirements is no longer a prerequisite for approval to set up assembly projects, but in most cases, assembly industries still must meet a minimum local content requirement in order to benefit from customs tariff reductions on imported industrial inputs.

Article 6 of Decree 420/2000 allows for the reduction of customs tariffs on intermediate goods if the final product has a certain percentage of input from local manufacturers, beginning at 30 percent local content. As the percentage of local content rises, so does the tariff reduction. In certain cases, a Minister can grant tariff reductions of up to 40percent in advance to certain companies without waiting to reach a corresponding percentage of local content. In 2010, Egypt revised its export rebate system to provide exporters with additional subsidies if they used a greater portion of local raw materials. See the section "Import and Export Policies" for more details on the export rebate system.

Manufacturers wishing to export under trade agreements between Egypt and other countries must fulfill certificate of origin and local content requirements contained therein. Oil and gas exploration concessions, which do not fall under the Investment Incentives Law, do have performance standards, which are specified in each individual agreement and which generally include the drilling of a specific number of wells in each phase of the exploration period stipulated in the agreement.

There are no formal geographical restrictions on investments. However, due to congestion in Cairo, the government generally denies approval for investments in manufacturing facilities in Cairo, unless a compelling economic rationale exists. The government offers incentives to move existing manufacturing facilities out of Cairo. Upon request, government officials assist investors in locating a site for a project, often in one of the new industrial sites located outside Cairo and sometimes provide necessary infrastructure.

In addition to the new industrial sites outside Cairo, the government has targeted Upper Egypt for development by private investors. Land in industrial zones in Upper Egypt is offered free of charge. The government also provides hookups to infrastructure (water, sewer, electricity, and gas) and transfers land title to the developer three years after project startup. As noted above, approval by the security services is generally required for investments in the Sinai Peninsula.

In July 2007, MOI finalized procedures for granting usufruct rights (use by an investor of a plot of land for a certain period of time to establish a project and profit from it, after which both project and land are given to public ownership) in the Sinai, with the aim of boosting investment levels in the region. The procedures include facilitation of real estate registration; enabling use of usufruct rights as a guarantee for loans; and enabling banks to register pledges on real estate and foreclose in cases of non-payment.

6. Right to Private Ownership and Establishment

By law, foreign and domestic private firms have the right to establish and own business enterprises and engage in all forms of remunerative activity, except for the restrictions on foreign business noted previously. Private enterprises may freely establish, acquire and dispose of interests in business enterprises. In practice, private firms sometimes find themselves at a disadvantage when competing for resources with state-owned firms. For example, state-owned firms often have easier access to bank credit from the state-dominated banking system than do private firms, whether domestic or foreign. Despite sufficient bank capitalization, access to credit is a particular issue for Small and Medium Enterprises, which are often not considered sufficiently well established to merit the risk. In addition, some companies have experienced difficulties in dissolving companies.

7. Protection of Property Rights

Real Property

The Egyptian legal system provides protection for real and personal property, but laws on real estate ownership are complex and titles to real property may be difficult to establish and trace. Reforms in 2007 simplified the registration process for residential construction in new urban areas built on the outskirts of Cairo and Alexandria. According to the World Bank's 2014 Doing Business Report, Egypt ranks 105 out of 189 for ease of registering property. (http://www.doingbusiness.org/data/exploreeconomies/egypt/~/media/giawb/doing%20business/documents/profiles/country/EGY.pdf?ver=2)

A National Title Registration Program was introduced by the Ministry of State for Administrative Development and implemented in nine areas within Cairo. This program was intended to simplify property registration and facilitate easier mortgage financing. Real estate registration fees, long considered a major impediment to development of the real estate sector, were capped in May 2006 at no more than LE 2000 (US$286), irrespective of the property value. In November 2012, the government decided to postpone implementation of an enacted overhaul to the real estate tax system until 2014, although no action has yet been taken. The Ministry of Finance plans to submit proposed amendments to the law to the new parliament once it is seated.

There is an extensive rent control system for older residential and commercial real estate property resulting in some apartment rents as low as US$10 per month. However, these rent controls do not apply to real estate put into service in recent years. Foreigners are limited to ownership of two residences in Egypt and specific procedures are required for purchasing real estate in certain geographical areas.

The mortgage market is still undeveloped in Egypt. Real Estate Finance Law 148 of 2001 authorized both banks and non-bank mortgage companies to issue mortgages. The law provides procedures for foreclosure on property of defaulting debtors, and amendments passed in 2004 allow for the issuance of mortgage-backed securities. According to the regulations, banks can offer financing in foreign currency of up to 80 percent of the value of a property.

Intellectual Property Rights

The lack of protection of intellectual property rights (IPR) is a major hurdle to direct investment in Egypt, which remains on the U.S. Trade Representative's Special 301 Watch List for IPR violations. Both legal protection and enforcement are weak.

Law 82/2002 reflects the provisions of the TRIPs Agreement. Egypt's new 2014 constitution includes new language (article 69) that calls on the state to protect intellectual property rights in all fields and to establish a body to regulate these rights.

Nonetheless, Egypt ranks poorly at international and regional levels. According to the 2013 intellectual property rights index (IPRI), Egypt ranked 86 out of 130 globally and 17 out of 21 regionally. (http://www.internationalpropertyrightsindex.org/profile?location=Egypt)

2013 Intellectual Property Rights Index			
Category	Score	Global Rank	Regional Rank
Intellectual Property Right Index	4.8	86 of 130	17 of 21
Legal & Political Environment	4.0	90 of 130	16 of 21
Judicial Independence	5.9	49 of 130	13 of 21
Rule of Law	4.2	76 of 130	13 of 21
Political Instability	2.4	115 of 130	17 of 21
Control of Corruption	3.6	101 of 130	16 of 21
Physical Property Rights	5.7	85 of 130	15 of 21
Protection of Physical	5.7	80 of 130	18 of 21
Registering Property	7.7	97 of 130	15 of 21

Intellectual Property Rights	4.7	83 of 130	16 of 21
Protection of Intellectual Property Rights	5.5	87 of 130	9 of 21
Patent Protection	5.5	87 of 130	9 of 21
Copyright Protection	3.9	53 of 130	12 of 21

Egypt remains on the Special 301 Watch List in 2013, which cites a number of IPR challenges for Egypt: 1) the failure to issue deterrent-level sentences for IPR violations when offenders are convicted; 2) the need for additional training for enforcement officials; 3) the need to provide customs officials with the authority to take ex officio action; and 4) the need to finalize long-awaited regulations to clarify border procedures for the destruction of counterfeit products.

Although Egypt is working to upgrade its trademark registration system, rights holders have expressed concerns that Egypt has issued certain registrations improperly. Rights holders continue to express significant concerns that businesses offering pirated television content are impairing the ability of legitimate distribution outlets to operate in the market, and that print piracy continues to harm domestic and foreign publishers.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://wipo.int/directory/en/.

IPR Contact at Embassy Cairo:

- Veronica Torres
- Environment, Science, Technology and Health Officer
- 20-2-2797-33300
- TorresV@state.gov

Local attorneys list: http://egypt.usembassy.gov/professional-services.html

8. Transparency of the Regulatory System

The Egyptian government has made efforts to improve the transparency of government policy. The process has proven difficult and has faced strong resistance from entrenched bureaucratic interests. Significant obstacles continue to hinder private sector investment, including the often-arbitrary imposition of bureaucratic impediments and the length of time needed to resolve them.

Law 89 of 1998 amended the Tenders and Bidding Law 9 of 1983 to improve equality and transparency in government procurement. Key provisions of the law include: a prohibition on reopening negotiations after final bids have been received; more transparency in the criteria for bid acceptance and rejection; equality among bidders, contractors, and government agencies; more weight given to the technical aspects of a tender or bid; protection of contractor rights; reduction of insurance fees; and immediate return of deposits once the government announces bid or tender results.

In 2005, parliament passed the Law on Protection of Competition and Prohibition of Monopolistic Practices. A new agency, the Egyptian Competition Authority, began operating in 2006 to implement the law. The MOI also issued corporate governance guidelines as Ministerial Decree No. 332 in 2005. The non-binding guidelines – formulated along the lines of OECD principles – apply to corporations and limited liability companies as well as brokerages. In 2006, MOI issued corporate governance guidelines for public sector companies.

Accounting standards in government entities are still not fully consistent with international norms, although efforts were underway to bring standards into conformity with International Financial Reporting Standards (IFRS). The MOI issued a directive in 2006 with new accounting standards for all companies listed on the Egyptian stock exchange, including public entities. The new standards, which came into effect in 2007, are close, but not identical to IFRS.

Egyptian law does not require that proposed legislation be published prior to consideration by the parliament. In practice, proposed legislation occasionally is circulated among concerned parties such as business associations and labor unions. On a number of occasions during the latest parliamentary term, parliamentary committees held 'social dialogue' sessions with concerned parties and organizations to discuss proposed legislation; however, responsiveness on the part of legislators to feedback received from concerned parties has been limited. After approval by parliament, new laws are referred to the President for approval, after which they are published in the Official Gazette, similar to the Federal Register in the United States. In the absence of a seated Parliament, Legislative Committees within each ministry are tasked with introducing new legislation to their respective Ministers, who in turn present it to the Cabinet during the weekly Cabinet meetings. After the legislation is discussed and approved by the Cabinet it is referred to the President for approval and is afterwards published in the Official Gazette.

Egypt has not had a comprehensive approach to regulatory reform. In the past decade, the Egyptian Government, led by the Ministry of Finance and the Ministry of Investment, made some strides to enhance the regulatory framework, particularly for businesses for the purpose of promoting investment and creating job opportunities. Such strides included tax and banking reform as well as facilitating start-up business registrations through "one-stop shops" where businesses could obtain start-up licenses without having to pass by and get approval from several different government offices. These "one-stop shops" were created by the Ministry of State for Administrative Development, which also set up e-government services.

The Egyptian Competition Authority is the body that ensures free competition in the market, prohibits anticompetitive practices, and serves consumer and producer interests. The Egyptian Competition Law was enacted in 2005 and covered three categories of violations: 1) cartels; 2) abuse of dominance; and 3) vertical restraints. Laws Number 190/2008 and Number 193/2008 have been amendments to the Competition Law and aim to protect competition and prohibit monopolistic practices and assure free competition and free entry and exit from the market based on economic efficiency. The main challenges to implementing the competition law, however, include the lack of competition policy at the country level, a significant informal sector, and the lack of availability of information and data. Some have questioned the independence and effectiveness of the Egyptian Competition Authority.

9. Efficient Capital Markets and Portfolio Investment

The Egyptian Exchange (EGX) is Egypt's registered securities exchange. In April 2014, 182 companies were listed on the EGX, with a market capitalization of nearly LE 500 billion. Stock ownership is open to foreign and domestic individuals and entities. The government of Egypt issues dollar-denominated and Egyptian pound-denominated debt instruments. Ownership is open to foreign and domestic individuals and entities.

The Capital Market Law 95 of 1992, along with the Banking Law of 2003, constitutes the primary regulatory framework for the financial sector. The law grants foreigners full access to capital markets, and authorizes establishment of Egyptian and foreign companies to provide underwriting of subscriptions, brokerage services, securities and mutual funds management, clearance and settlement of security transactions, and venture capital activities. The law also authorizes the issuance of corporate bonds and bearer shares, and makes income from most stocks and bonds non-taxable (compared to 20% tax rate on interest from Egyptian treasury bills). The law specifies mechanisms for arbitration and legal dispute resolution and prohibits unfair market practices. Law No 10/2009 created the Egyptian Financial Supervisory Authority (EFSA) and brought the regulation of all non-banking financial services under its authority.

The Central Securities Depository and Registration Law and its executive regulations, issued in 2000, eased registration and deposit of securities. Settlement of transactions takes one day for treasury bonds, two days stocks. Although Egyptian law and regulations allow companies to adopt bylaws limiting or prohibiting foreign ownership of shares, virtually no listed stocks have such restrictions. A significant number of the companies listed on the exchange are family-owned or dominated conglomerates, and free trading of shares in many of these ventures, while increasing, remains limited. Companies are de-listed from the exchange if not traded for six months.

In 2002, the then Minister of Foreign Trade added an additional chapter to the executive regulations of the Capital Market Law to allow margin trading to increase liquidity and trading in the market through brokerage firms and financially solvent licensed companies. In April 2003, the U.S. Securities and Exchange Commission included the Egyptian Exchange in its list of accredited stock exchanges, allowing U.S. financial institutions to invest in the Egyptian stock market without undertaking the cumbersome procedures previously required. In May 2006, the CMA issued Decree No. 50 for 2006, organizing online trading on the CASE. The decree allows brokerage companies to receive requests for buying/selling of shares by clients via the Internet. The decree also mandates infrastructure requirements, mainly web security provisions, which brokerage firms must meet in order to provide online services. To date, 114 companies have obtained online trading licenses.

Leasing Law 95 of 1995 allows for the leasing of capital assets and real estate and was designed to reduce the high start-up costs faced by new investors. Notably, the law specifically allowed for the purchase of real estate assets through leasing mechanisms. The Leasing Law was amended in 2001 to make leasing more attractive for investors by exempting financial leasing activities from sales taxes and fees; specifying financial standards that leasing companies must adhere to; increasing the control, organization and efficiency of the leasing activities; and incorporating clear guarantees for the parties involved.

10. Competition from State-Owned Enterprises

State Owned Enterprises compete directly with private companies in several sectors of the Egyptian economy. They are structured as individual companies controlled by boards of directors and grouped under government holding companies that are arranged by industry, for example – Spinning & Weaving; Metallurgical Industries; Chemical Industries; Pharmaceuticals; Food Industries; Building & Construction; Tourism, Hotels & Cinema; Maritime & Inland Transport; Aviation; and Insurance. The holding companies are headed by boards of directors appointed by the Prime Minister with input from the relevant Minister. According to Public Sector Law 203 of 1991, SOEs should not receive preferential treatment from the government, nor should they be accorded any exemption from legal requirements applicable to private companies. In addition to SOE groups above, 40% of the banking sector's assets are controlled by three state-owned banks (Banque Misr, Banque du Caire, and National Bank of Egypt). In March 2014 the government announced that nine public holding companies will be placed under an independent sovereign fund, but details are forthcoming.

In an attempt to encourage growth of the private sector, privatization of SOEs and state-owned banks accelerated under an economic reform program that took place from 1991 to 2008, but then stalled. Following the 2011 revolution, third parties have brought cases in court to reverse privatization deals, and in a number of these cases, Egyptian courts have ruled to reverse the privatization of several former public companies. Most of these cases are still under appeal.

11. Corporate Social Responsibility

Corporate social responsibility (CSR) programs have grown in popularity in Egypt over the last ten years. Most programs are limited to multinational and larger domestic companies. Education is the most popular sector for CSR investment, but environmental programs are garnering greater participation.

A number of organizations work to foster the development of CSR in Egypt. The American Chamber of Commerce has an active corporate social responsibility committee, and Apache Corporation was named a finalist in the 2013 for the Secretary's Award for Corporate Excellence for its work building and maintaining village girls schools throughout the country. Microsoft Was named a finalist in 2012. The Egyptian Corporate Responsibility Center, which is the UN Global Compact local network focal point in Egypt, aims to empower businesses to develop sustainable business models as well as improve the national capacity to design, apply, and monitor sustainable corporate social responsibility policies. In March 2010, Egypt launched an environmental, social, and governance (ESG) index, the 2nd of its kind in the world after India, with the training and technical assistance of Standard and Poor's.

OECD Guidelines for Multinational Enterprises

Egypt adhered to the OECD Guidelines for Multinational Enterprises as in 2007.

12. Political Violence

Throughout the first half of 2013, Egypt witnessed regular protests against the government of President Mohamed Morsy, ultimately leading to his removal on July 3, 2013. In July, Muslim Brotherhood (MB) supporters staged two sit-ins in the Cairo metropolitan area to protest

Morsy's ouster, which security forces forcefully dispersed on August 14, 2013, leaving at least 632 dead.

Since the July 3, 2013, transfer of executive power, pro-MB demonstrations have been commonplace throughout Egypt's cities and universities, often resulting in clashes with security forces. The November 24, 2013, adoption of a law that restricts protest activity without prior authorization by security authorities provided the legal basis for quashing demonstrations. In late 2013 and 2014, terrorists attacked military installations and personnel in the Sinai Peninsula in addition to police and military facilities and personnel in a few cities on the mainland, including Cairo.

13. Corruption

Corruption is pervasive at all levels of Egyptian society. Giving and accepting bribes are criminal acts in Egypt, but corruption laws have not been consistently enforced. It is expected that companies might encounter corruption in meetings with public officials, as well as bribery, embezzlement, and tampering with official documents. Corruption and bribery are particularly reported in dealing with public services, customs, taxes, public utilities, and procurement. The law provides criminal penalties for official corruption, but the government did not consistently enforce the law, and there were allegations that members of prior governments engaged in corrupt practices with impunity.

After the January 2011 revolution, a sizeable number of officials from the Mubarak regime and their close business associates were subject to criminal investigation, tried, and in some cases, convicted on corruption charges. Most of the cases were based on the sale of public assets (predominantly land) at allegedly below-market prices. The Office of the Public Prosecution has been the main entity investigating and prosecuting the recent corruption charges. The Central Agency for Auditing and Accounting is the government's anticorruption body and in the past submitted biennial reports to the People's Assembly that were not available to the public. The auditing and accounting agency stationed monitors at state-owned companies to report corrupt practices. Observers did not judge the agency to be effective, independent, or sufficiently resourced, and it did not actively collaborate with civil society.

A series of civil cases have been brought against private companies which concluded contracts with the Mubarak regime for the purchase of state-owned assets, as part of the regime's privatization drive. Most of the first-instance decisions in these cases have annulled the original sales contract, calling for the renationalization of the company and mandating that the individuals laid off following privatization be re-hired. These cases have caused considerable alarm among current and prospective investors in Egypt.

Transparency International's Corruption Perceptions Index ranked Egypt 114 out of 177 in its 2013 survey (http://cpi.transparency.org/cpi2013/results/), which is a slight improvement from the prior year, but is still a drop from the 2010 rank of 98 out of 178.

In addition, the World Economic Forum's Global Competitiveness Report 2013-14 identified corruption as the fifth most problematic factor to doing business in Egypt. (http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf)

The new 2014 constitution provides for the establishment of an Anti-Corruption Commission to focus on dealing with conflicts of interests, standards of integrity, and government transparency. It also addresses whistleblower protection.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Egypt ratified United Nations Convention against Corruption in February 2005. It has not acceded to the OECD Convention on Combating Bribery or any other regional anti-corruption convention.

14. Bilateral Investment Agreements

Egypt has signed a number of international agreements covering investment, including bilateral investment agreements with Belgium, China, Finland, France, Germany, Greece, Italy, Japan, Libya, Luxembourg, Morocco, the Netherlands, Romania, Singapore, Sudan, Sweden, Switzerland, Thailand, Tunisia, the United Kingdom, and the United States. The U.S-Egypt Bilateral Investment Treaty provides for fair, equitable, and nondiscriminatory treatment for investors of both nations. The treaty includes provisions for international legal standards on expropriation and compensation; free financial transfers; and procedures for the settlement of investment disputes, including international arbitration.

In addition to specific investment agreements, Egypt is also a signatory to a wide variety of agreements covering trade issues. Egypt joined the Common Market for Eastern and Southern Africa (COMESA) in June 1998. In July 1999, Egypt and the United States signed a Trade and Investment Framework Agreement (TIFA), a step toward creating freer trade and increasing investment flows between the U.S. and Egypt. In June 2001, Egypt signed an Association Agreement with the European Union (EU) which entered into force on June 1, 2004. The agreement provides for immediate duty free access of Egyptian products into EU markets, while duty free access for EU products will be phased in over a twelve-year period. In 2010, Egypt and the EU completed an agricultural annex to their FTA, liberalizing trade in over 90 percent of agricultural goods.

Egypt is also a member of the General Arab Free Trade Agreement (GAFTA), and a member of the Agadir Agreement with Jordan, Morocco, and Tunisia, which relaxes rules of origin requirements on products jointly manufactured by the countries for export to Europe. Egypt also has an FTA with Turkey, in force since March 2007, and an FTA with the Mercosur bloc of Latin American nations, which Egypt ratified in January 2013, but which is not yet in force.

In 2004, Egypt and Israel signed an agreement to take advantage of the U.S. Government Qualifying Industrial Zone (QIZ) program. The purpose of the QIZ program is to promote stronger ties between the region's peace partners, as well as to generate employment and higher incomes, by granting duty-free access to goods produced in QIZs in Egypt using a specified percentage of Israeli and local input. Under Egypt’s QIZ agreement, U.S. imports from Egypt are eligible for duty-free treatment if the value includes not less than 35 percent U.S./Egyptian/Israeli content, with a minimum 10.5 percent Israeli content.

The industrial areas currently included in the QIZ program are Alexandria, areas in Greater Cairo such as Sixth of October, Tenth of Ramadan, Fifteenth of May, South of Giza, Shobra El-Khema, Nasr City and Obour, areas in the Delta governorates such as Dakahleya, Damietta, Monofeya and Gharbeya, and areas in the Suez Canal such as Suez, Ismailia, Port Said, and other specified areas in Upper Egypt. Egyptian exports to the U.S., ready-made garments in particular, have risen rapidly since the QIZ program was introduced in December 2004. The value of the Egyptian QIZ exports to the U.S. amounted to $901 million in 2013, approximately 55 percent of Egypt's total exports to the United States (Data Source: USITC).

Bilateral Taxation Treaties

Egypt has a bilateral tax treaty with the United States.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) has approved $500 million in financing to support lending to small businesses in Egypt and Jordan, including the following: 1) $150 million commitment in partnership with Abraaj Capital, a leading private equity group, to enable growth of smaller companies; 2) $150 million investment guaranty with Citibank for a loan to Citadel Capital, the leading private equity firm in the Middle East and Africa, to expand its subsidiaries working in critical sectors in the MENA region that include $125 million specifically for Egypt; and 3) $250 million 10 year partnership with Egyptian banks working directly with SMEs.

The U.S. Trade and Development Agency (USTDA) also links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries. USTDA provides grant funding to overseas project sponsors for the planning of projects that support the development of modern infrastructure and an open trading system. The hallmark of USTDA development assistance has always involved building partnerships between U.S. companies and overseas project sponsors to bring proven private sector solutions to developmental challenges.

16. Labor

Egypt sees upwards of 700,000 new entrants into the labor market each year. Official statistics put the labor force at 27.3 million, with 3.65 million unemployed. Following the 2011 January Revolution, Egypt’s unemployment rate has gradually increased. The Q4/2013 unemployment rate stood at 13.4 percent, with unemployment significantly higher for women (25 percent) and for young people (60.5% for women between the ages of 20-24 and 32% for male youth).

Government statistics show that 69 percent of unemployed people were aged between 15 and 29; more than 82 percent hold diplomas and university degrees. More than one in three young people are unable to find work. Unemployment is at its highest among educated youth, particularly graduates of vocational secondary education. This issue was exacerbated by the 2011 Revolution and concomitant political and economic instability. Many consider the limited employment opportunities for youth as a serious challenge to Egypt’s social cohesion and democratic transition. Millions of Egyptians continue to seek employment abroad.

The government bureaucracy and public sector enterprises are substantially over-staffed compared to the private sector. Business highlight a mismatch between labor skills and market demand, despite high numbers of university graduates in a variety of fields. Foreign companies frequently pay internationally competitive salaries to attract workers with valuable skills.

The Unified Labor Law (Law 12 of 2003) provides comprehensive guidelines on labor relations, including hiring, working hours, termination of employees, training, health, and safety. The law grants a qualified right for employees to strike, as well as rules and guidelines governing mediation, arbitration, and collective bargaining between employees and employers. Non-discrimination clauses are included, and the law complies with labor-related International Labor Organization (ILO) conventions regulating the employment and training of women and eligible children (Egypt ratified ILO Convention 182 on combating the Worst Forms of Child Labor in April 2002). The law also created a national committee to formulate general labor policies and the National Council of Wages, whose mandate is to discuss wage-related issues and national minimum-wage policy, but it has rarely convened.

Under the Unified Labor Law, workers may join trade unions, but are not required to do so. A trade union or workers' committee may be formed if 50 employees in an entity express a desire to organize. All trade unions are required by law to belong to the Egyptian Trade Union Federation. Though the law remains in place, in practice, employees may form independent worker organizations at the factory, governorate, and national level. In March 2011, the Minister of Manpower and Migration issued a decree recognizing complete freedom of association. The Minister decided that aspects of the Trade Union Law (Law 35 of 1976) violated, and were trumped by, Egypt's ILO and UNHRC commitments. Since March 2011, the Ministry has registered well over 1600 independent trade unions without interference, while hundreds more have formed, but have not yet registered.

The new 2014 Constitution stipulates in article 76 that "establishing unions and federations is a right that is guaranteed by the law." Only courts are allowed to dissolve unions. The 2014 constitution maintained past practice in stipulating that "one syndicate is allowed per profession," because the Egyptian constitutional legislation differentiates between white-collar syndicates (for professional workers e.g. doctors, lawyers, journalists) and blue-collar workers (e.g. transportation, food, mining workers). The government has drafted a Freedom of Association Law, but not yet passed the legislation. Employers complain that the incongruence between labor provisions in the 2014 Constitution, the 2011 Ministerial Decree, and the Trade Union Law of 1976 causes uncertainty when dealing with workers' representatives. The ILO's Committee of Experts recognized Egypt's 2011 declaration on freedom of association as a positive step and emphasized that a law codifying these changes should be enacted as soon as possible.

Workers in Egypt have the right to strike peacefully, but strikers by law must notify the employer and concerned administrative officials of the reasons and time frame of the strike ten days in advance. The law prohibits strikes in strategic or vital establishments in which the interruption of work could result in disturbing national security or basic services provided to citizens. In practice, however, workers strike often in all sectors without following these procedures. The number of strikes increased significantly after January 2011. The ILO Committee of Experts has criticized the 1976 Trade Union Law for mandating that only formerly government-controlled Trade Union Federation may organize strikes and that workers must notify employers in advance of strike actions.

Collective negotiation is allowed between trade union organizations and private sector employers or their organizations. Agreements reached through negotiations are recorded in collective agreements regulated by the Unified Labor law and usually registered at the Ministry of Manpower and Migration. Collective bargaining is technically not permitted in the public sector, though it exists in practice. The government often intervenes to limit or manage collective bargaining negotiations in all sectors.

The Ministry of Manpower and Migration sets worker health and safety standards, which also apply in public and private free zones and the Special Economic Zones (see below). Enforcement and inspection, however, are uneven. The Unified Labor Law prohibits employers from maintaining hazardous working conditions, and workers have the right to remove themselves from hazardous conditions without risking loss of employment.

Egyptian labor laws allow employers to close or downsize for economic reasons. The government, however, has taken steps to halt downsizing in specific cases. The unemployment insurance law, also known as the Emergency Subsidy Fund Law No. 156 of 2002, sets a fund to compensate employees whose wages are suspended due to partial or complete closure of their firm or due to its downsizing. The Fund allocates financial resources that will come from a one percent deduction from the base salaries of public and private sector employees. According to foreign investors, certain aspects of Egypt's labor laws and policies are significant business impediments, particularly the difficulty of dismissing employees.

The Labor Law 12 of 2003 requires that foreign workers account for no more than 10 percent of the total workforce of a firm, though this requirement can be waived by the Ministry of Manpower and Migration. This law's requirements do not apply to the oil and gas industry, but most or all individual concession agreements have some sort of requirement on percentage of local employees.

In 2011, the Ministry of Manpower and Migration enacted regulations designed to restrict access for foreigners to Egyptian worker visas, though application of these provisions has been inconsistent. Visas for unskilled workers will be phased out. For most other jobs, employers may hire foreign workers on a temporary six-month basis, but must also hire two Egyptians to be trained to do the job during that period. Only jobs where it is not possible for Egyptians to acquire the requisite skills will remain open to foreign workers. In practice, it is not clear how diligently the government is enforcing these provisions.

17. Foreign Trade Zones/Free Ports

Public and private free zones are authorized under the Investment Incentive Law and are established by a decree from GAFI. Free zones are located within the national territory, but are considered to be outside Egypt’s customs boundaries, granting firms doing business within them more freedom on transactions and exchanges. Companies producing largely for export (normally 80 percent or more of total production) may be established in free zones and operate in foreign currency. Free zones are open to investment in any sector, by foreign or domestic investors. Companies operating in free zones are exempted from customs duties, sales taxes or taxes and fees on capital assets and intermediate goods.

There are currently 10 public free zones in operation in the following locations: Alexandria, Damietta, East Port Said Port Zone, Ismalia, Koft, Media Production City, Nasr City, Port Said, Shebin el Kom, and Suez. Private free zones may also be established with a decree from GAFI but are usually limited to a single project. Export-oriented industrial projects are given priority. There is no restriction on foreign ownership of capital in private free zones.

The Special Economic Zones (SEZ) Law 83 of 2002 allows establishment of special zones for industrial, agricultural, or service activities designed specifically with the export market in mind. The law allows firms operating in these zones to import capital equipment, raw materials, and intermediate goods duty free. Companies established in the SEZs are also exempt from sales and indirect taxes and can operate under more flexible labor regulations. The first SEZ was established in the northwest Gulf of Suez.

Law No. 19 of 2007 authorized creation of investment zones, which require Prime Ministerial approval for establishment. The government regulates these zones through a board of directors, but the zones are established, built and operated by the private sector. The government does not provide any infrastructure or utilities in these zones. Investment zones enjoy the same benefits as free zones in terms of facilitation of license-issuance, ease of dealing with other agencies, etc., but are not granted the incentives and tax/custom exemptions enjoyed in free zones. Projects in investment zones pay the same tax/customs duties applied throughout Egypt. The aim of the law is to assist the private sector in diversifying its economic activities.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign direct investment came to a virtual standstill following the 2011 revolution and is still well below pre-2011 levels.

Measurements of foreign direct investment (FDI) in Egypt vary according to the source and the definitions employed to calculate the figure. The Central Bank records figures on quarterly and annual investment flows based on financial records for Egypt's balance of payments statistics and are reported in the table below. The Ministry of Petroleum keeps statistics on investment in the oil and gas sector (which accounts for the bulk of FDI in Egypt), while GAFI keeps statistics on all other investments, but statistics are not always current. GAFI's figures are calculated in Egyptian Pounds at the historical value and rate of exchange, with no allowance for depreciation and are cumulative starting from 1971. GAFI statistics indicated that U.S. investors had FDI in Egypt at a total of $5.8 billion for the period of 1971-2008 outside the oil/gas sector. The U.S. has historically ranked first in terms of FDI in Egypt, but starting in 2007 was outpaced by the EU.

U.S. firms are active in a wide range of manufacturing industries, producing goods for the domestic and export markets. Examples of U.S. investors include American Express, AIG, American Standard, Apache Corporation, Bechtel, Bristol-Myers Squibb, Cargill, Citibank, Coca-Cola, Dow Chemical, ExxonMobil, Eveready, General Motors, Guardian Industries, H.J. Heinz, Johnson & Johnson, Devon Energy, Mondelez, Microsoft, Proctor and Gamble, Pfizer, PepsiCo, Pioneer, and Xerox. Leading investors from other countries include BG, ENI-AGIP, BP, and Shell (in the oil/gas sector), Unilever, the M.A. Kharafi Group (Kuwait), and the Kingdom Development Company (Saudi Arabia).

Table 2a: Annual FDI and Portfolio Investment (billions of USD)

Fiscal Year *(starting July 1)*	Net FDI	Net Portfolio Investment	US FDI Inflows
2003/04	0.4	-0.2	0.2

2004/05	3.9	0.8	2.0
2005/06	6.1	2.8	4.6
2006/07	11.0	-0.9	4.7
2007/08	13.2.	-1.4	6.4
2008/09	8.1	-9.2	3.5
2009/10	6.8	7.9	1.4
2010/11	2.2	-2.6	1.8
2011/12	4.0	-5.0	0.6
2012/13	3.0	-1.5	2.2

(Source: Central Bank of Egypt for Net FDI and Net Portfolio Investment: http://www.cbe.org.eg/English/Economic+Research/Time+Series/

For U.S. FDI inflows: http://cbe.org.eg/CBE_Bulletin/2014/Bulletin_2014_3_Mar/48_32_Net_Foreign_Direct_Investment_In_Egypt_(FDI)_by_country.pdf)

TABLE 2b: Key Macroeconomic data, U.S. FDI in host country/economy

			Source of data
Economic Data	Year	Amount	
Egypt Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	262.8	http://www.worldbank.org/en/country
Foreign Direct Investment			
U.S. FDI in Egypt (*Millions U.S. Dollars, stock positions)*	2012	17,134	http://www.bea.gov • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data

			• U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Egypt FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	-303	http://www.bea.gov • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

mixed legal system based on Napoleonic civil law and Islamic religious law; judicial review by Supreme Court and Council of State (oversees validity of administrative decisions)

International organization participation:

ABEDA, AfDB, AFESD, AMF, AU, BSEC (observer), CAEU, CD, CICA, COMESA, D-8, EBRD, FAO, G-15, G-24, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, LAS, MIGA, MINURSO, MONUSCO, NAM, OAPEC, OAS (observer), OIC, OIF, OSCE (partner), PCA, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNISFA, UNMIL, UNMISS, UNOCI, UNRWA, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Egypt has a free market exchange system. Exchange rates are determined by supply and demand without interference from the central bank or the Ministry of the Economy.

Treaty and non-treaty withholding tax rates

Dividends paid to non-residents are not subject to withholding tax under Egyptian domestic law. Consequently, the following table sets forth maximum withholding rates provided in Egypt's tax treaties for interest and royalties only.

Egypt has signed double tax treaties with Armenia, Bangladesh, Greece, Ireland, Kazakhstan, Mongolia, Norway, Oman, Senegal, Seychelles, the Slovak Republic, Spain, Sri Lanka, Tanzania, Thailand, Uganda and Vietnam but these treaties have not yet been ratified.

Tax treaty negotiations are underway with Congo, Macedonia and North Korea.

	Interest (%)	*Royalties (%)*
Non-treaty countries	20	20
Treaty countries		
Albania	10	10
Algeria	5	10
Austria	15	0
Bahrain	–[1]	–[1]
Belarus	10	15
Belgium	15	15/20
Bulgaria	12.5	12.5
Canada	15	15
China	10	8
Cyprus	15	10
Czech Republic	0	10
Denmark	15	20
Finland[1]		
From Finland	0	20
From Egypt	20	20

	Interest (%)	*Royalties (%)*
France	20	15/20[3]
Germany	15	15/20[3]
Hungary	15	15
India	20	–[1]
Indonesia	15	15
Iraq:		
From Iraq	10	15
From Egypt	20	15
Italy	20	15
Japan	20	15
Jordan	15	20
Korea (South)	10/15	15
Kuwait	10	10
Lebanon	10	5
Libya	20	20
Malaysia	15	15
Malta	10	12
Morocco	20	10
Netherlands	12	12
Norway:		
From Norway	0	0
From Egypt	20	15
Pakistan	15	15
Palestine	15	15
Poland	12	12
Romania[4]	15	15
Russia	15	15
Singapore	15	15
South Africa	12	15
Sudan	20	10/3[5]
Sweden	15	14
Switzerland	15	12.5
Syria	15	20

	Interest (%)	Royalties (%)
Tunisia	10	15
Turkey	10	10
Ukraine	12	12
United Arab Emirates	10	10
United Kingdom	15	15
United States	15	15
Yemen	10	10
Yugoslavia[6]	15	15

1 According to domestic law in each country.

2 A final draft of a new tax treaty with Finland was initialled on 17 September 1997 but the new treaty has not yet been ratified.

3 The higher rate applies to trademarks.

4 The treaty with Romania is being renegotiated.

5 Films, otherwise 10%.

6 The treaty with Yugoslavia applies to the republics that formerly comprised Yugoslavia.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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