Arab Republic of Egypt

【Risk Warning】

In 2009, China and Egypt signed *The Memorandum of Understanding Regarding the Pre-shipment Inspection of Chinese Industrial Exports*, further clarifying that the mode of preshipment inspection will be adopted for all Chinese exports to Egypt. The preshipment inspection certificate issued by China Entry-exit Inspection and Quarantine Bureaus should be submitted by the importers to the General Organization for Import and Export Control (GOIEC) of Egypt, and it is an important document for Egyptian Customs to clear the cargo. Chinese exporters are advised to apply promptly and honestly for pre-shipment inspection when signing contracts to ensure smooth Custom clearance.

In addition, it is not uncommon that the Egyptian government makes abrupt import policy changes without notification or opportunity for comment, such as the sudden raise in the rate on poultry. China shows concern over Egypt's inconsistency and uncertainty in its import policies, which has and may continue to cause significant loss for Chinese exporters. Relevant exporters are so advised to keep updated with Egypt's policy changes to avoid further loss.

1. An Overview of Bilateral Trade and Investment

According to China Customs, the total volume of bilateral trade between China and Egypt was USD 5.86 billion in 2009, down by 7% from 2008. China's exports to Egypt accounted for USD 5.11 billion, down by 13.1% over 2008; China's imports from Egypt increased 75.4% to USD 750 million. China ran a trade surplus of USD 4.36 billion with Egypt. China's major exports to Egypt include machinery, electrical appliance, textiles, automobiles, iron and steel products, chemical filament, plastics, organic chemicals, chemical cut staple, glass and its products.

According to the Ministry of Commerce of China (MOFCOM), the accomplished business revenue through contracted projects by Chinese companies in Egypt was USD 800 million in 2009. Transaction value of completed labor contracts totaled USD 1.16 million.

According to MOFCOM, in 2009, China's non-financial FDI in Egypt, approved by or registered at the MOFCOM, totaled USD 90.08 million. Meanwhile, Egypt invested in 13 projects in China totaling USD 10.9 million in actual used amount.

2. An Overview of Trade and Investment Administration Regime

2.1 Trade Administration Regime and Its Development

2.1.1 Tariff Regime

2.1.1.1 Tariff Administration

The Egyptian tariff administration did not change a lot in 2009. *The Customs Law* ,amended in 2005, and *The Regulations of the Customs Law*, enacted in 2006, are the basic laws regarding Customs and tariff administration in Egypt. Tariff policies in Egypt are formulated by the Ministry of Finance and implemented by the Customs. Egyptian General Administration of Customs has 4 substations in Cairo, Alexander, Port Said and Suez. Each substation consists of Department of Tariff Management (which is in charge of the custom affairs with its jurisdiction), Department of Free Zone Management (which is in charge of the custom affairs in the free zone with its jurisdiction), Department of Adjudication, Department of Tax Laws and Department of Appraisal. Normally there are custom offices in harbors, airports, and custom border.

Egypt adopts a port-oriented management mode, inspecting imports and exports directly at ports by focusing human and other resources at the passageways there.

Under *the Customs Law (2005)*, taxes are basically levied on an ad valorem basis in Egypt. Since 1991, Egypt has been undergoing an economic reform planned jointly by the International Monetary Fund (IMF) and World Bank. The programme helped maintain Egypt's tariff rates mostly between 5% and 40%. The current system in Egypt is the Harmonized System (HS). Since its entry into the Kyoto Convention in 2008, Egypt has been working to harmonize its customs clearance procedures with that of the World Customs Organization standard.

2.1.1.2 Tariff Rates and the Adjustments

According to WTO, the simple average MFN tariff applied in Egypt in 2008 was 16.7%, with the tariff of agricultural products at 66.4% and non-agricultural at 9.2%, staying at the same level as that of 2007.

On January 29, 2009, a Presidential Decree was issued to reduce or exempt the import tariffs on 250 items, including manufacturing equipments, raw materials, energy-efficient and environmental-friendly commodities. Tariffs have been reduced to zero on manufacturing equipments needed in wood, printing, textile and chemical industry. The rates on raw materials scarce in Egypt have also been reduced to varying degrees.

2.1.2 Import and Export Administration

2.1.2.1 Basic System

The fundamental law of import and export in Egypt is *the Import and Export Law and Its Regulation,* enacted in 1975 and amended in 2005. The Egyptian Ministry of Trade and Industry (MFTI) is the competent and official body responsible for foreign trade affairs. The General Organization for Import and Export Control (GOIEC), directly under the Ministry, exercises its responsibilities by inspecting importing and exporting commodities. The Administrative Bureau of Countries of Origin, subordinate to the GOIEC, is responsible for studying preferential trade policies and non-tariff barriers, releasing news, and issuing certificates of origin.

The certificates of origin and documents of all imports to Egypt must be certified by the Egypt Embassy or Consulate in the exporter’s country, or by other Arabian trade organizations if the Embassy or Consulate is not yet established in the exporter’s country.

2.1.2.2 *The Memorandum of Understanding Regarding the Pre-shipment Inspection of Chinese Industrial Exports*

In April, 2009, the China State Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) signed *The Memorandum of Understanding Regarding the Pre-shipment Inspection of Chinese Industrial Exports* （hereinafter referred to as the Memo）with the Egypt Ministry of Trade and Industry (MFTI), further clarifying that all Chinese industrial exports should be inspected before shipment.

According to the Memo, ① The General Organization for Import and Export Control of Egypt and its subsidiary bodies shall check the pre-shipment inspection certificates issued by local Entry-exit Inspection and Quarantine Bureaus for the industrial products from Chinese exporters as important evidence for Egyptian Customs to clear the cargo from Jul 1, 2009. ② To facilitate exports to Egypt, the pre-shipment inspection on Chinese products exporting to Egypt will start on May 1, 2009 at local Entry-exit Inspection and Quarantine Bureaus. The local inspection and quarantine agents will accept applications for pre-shipment inspection of industrial products exporting to Egypt since May 1, 2009. Exporters may apply for pre-shipment inspection to local authorities based on the requirements of EAIE. Application procedures, requirements of timing and documents are specified in *The Provisions on Entry and Exit Inspection and Quarantine.* ③ The inspected items include product inspection, testing, price checking, process of loading and so forth. ④ Based on the Egyptian law and the Memo, for Chinese industrial products exporting to Egypt, the pre-shipment inspection should be based on the Egyptian mandatory standard, if any when there is no applicable mandatory standards, the inspection should follow related international standards or Egypt national standards； if both are not available, inspection should be done according requirements of LC or corresponding to Chinese national standard. ⑤ After the inspection, Chinese inspection and quarantine agents will issue a pre-shipment inspection certificate to the exporter within 5 working days. The exporter is then supposed to forward the certificate to the importer who should submit it to GOIEC or other Egyptian authorities as import declaration. ⑥In case of fake or disqualified goods, and of deliberate false declaration of products and classification, price or hygiene standards, the exporters and manufacturers involved shall be legally responsible for their conducts based on their national laws.

2.1.3 Trade Remedy System

Issued in 1998, the *Law 161/1998 Concerning the Protection of National Economy from the Effects of Harmful Practices in International Trade and Its Executive Statues* and its regulations are the basic laws of Egyptian trade remedy system. It defines the investigation procedures of trade remedies including anti-dumping, countervailing and safeguard measures. The International Trade Policy Department, under the Ministry of Trade and Industry (MFTI), is responsible for investigating anti-dumping, countervailing and safeguard measures.

2.2 Investment Administration Regime and Its Development

The major laws concerning investment administration in Egypt are *the Companies Law* (2005), *the Investment Guarantees and Incentives Law* and its Regulations (2005), *the Law on Economic Zones of Special Nature* (2002) and *the Income Tax Law* (2005), and *the Law on Capital Market*, *the Insurance Law*, *the Law on Industrial Disputes Tribunal* and *the Law on Immovable Property Tax*, which have been amended in 2008.

The General Authority for Investment (GAFI) is the principal governmental authority concerned with regulating and facilitating investment, improving non-banking financial services, managing state assets (including privatization and reorganization of SOEs) and supervising joint ventures.

The General Bureau of Free Zone under GAFI is Egypt's sole one-stop organization for regulating foreign investment and free zones, making and amending investment laws, improving investment environment, approving and managing the foreign investment, and providing consulting services to foreign investors as well as developing communicational campaigns. GAFI provides services to investors include registration, site selection, leads for potential partnership, and the obtaining of permits, licenses and regulatory approvals. GAFI's headquarter stands in Cairo and has local offices in most provinces.

The Egyptian government has introduced three modes of investment in an attempt to advocate business and attract foreign investments: Free Zones, Industrial Parks and Special Economic Zones, each having their own governing laws and preferential policies.

2.2.1 Industrial Zones

In accordance with *the Investment Guarantees and Incentives Law*, foreign investments in the Industrial Zone can enjoy the following preferential treatments: the foreign investments will be under administrative guardianship and shall not be detained, frozen or confiscated; requisition of foreign investments for the purpose of public interest will be compensated at market price by the Egyptian government; investors enjoy the free inflow of funds regardless of the nationalities; profits and capitals of the companies are not under foreign exchange control and can be remitted freely at anytime; enterprises enjoy the right of pricing; the foreign invested enterprises are exempt from taxes and fees notified by the government for 10 years; the establishment of companies and business-related loans and mortgage contracts are exempted from stamp duties, notarial fees and registration fees for 5 years starting from the first year following the year of its formal operation; the registration of land contracts necessary for establishment of the companies shall also be exempted from the aforementioned tax and fees; the enterprises can freely be engaged in import and export; companies within the zone are subject to a unified 5% customs tax on imported machines, equipments, and instruments necessary for their establishment; imports of raw materials are taxed at normal rates but can benefit from export rebates; imports of raw materials used for the production of exporting goods are subject to temporary custom clearance procedures; land within the Industrial Zone can be mortgaged, guaranteed and transferred by companies with permanent right of use.

2.2.2 Free Zones

In accordance with *the Investment Guarantees and Incentives Law*, foreign investments in the Free Zones can enjoy the following preferential treatments: investment protection, free flows of capital, free remittance of foreign exchange and unrestricted pricing policies; fixed assets (excluding cars) and capital goods necessary for operation are exempt from all taxes and tariffs; companies pay an annual management fee amounting to 1% of their total revenue to the Administration of the Free Zones; import and export regulations do not apply in Free Zones; imported goods are duty free while goods in transit with a specified destination are exempted from service charges; goods imported from Egypt are exempt from sales tax; sales activities in Egyptian domestic market are subject to custom duties, but the spare parts bought in Egypt are duty free; land of the Free Zone can be leased on an annual basis at about USD 3.5 per square meter.

2.2.3 Special Economic Zones

In accordance with *the Law on Economic Zones of Special Nature*, investors of the Special Economic Zones can enjoy the following preferential treatments: investment protection, free flow of capitals, free remittance of foreign exchange, and unrestricted pricing; enterprises are subject to a 10% tax rate on incorporation deeds, revenues and profits, esplees and non-residential real estates; and a 5% income tax on salary, bonus, subsidiary and allowance; all the imported machines, equipments, instruments, tools, raw materials and spare parts are exempt from all taxes and fees; enterprises are permitted to import and export without procedures of licensing or registration; besides, companies are granted an up-to-50-year right of land use by paying land use fee annually; the period of land use can be extended.

2.3 Trade and Investment Related Administration Regime and Its Developments

Egypt has a national exchange market with a floating exchange rate. Foreign exchange can be freely converted in banks and money shops and exchange rate is posted daily in banks. Egyptian state-owned and private companies in need of foreign currencies in importing transactions may apply to banks and usually prepay 10-35% of the contract value to the bank (The bank will pay the interests). According to the Law No.117/1991 of *Foreign Exchange Transaction Law*, all natural or legal persons (except government organizations and public sectors where the foreign exchange budget has been planned) may hold, deposit and convert foreign exchange as well as make international payments in foreign exchange via 38 authorized banks and 4 specialized banks.

Entry of foreign exchange into, or its exit from the country shall be warranted for all travelers, and shall be declared at Custom if the amount exceeds USD 10,000.

2.4 Technical Trade Measures Taken in 2009

2.4.1 Technical Regulations

2.4.1.1 On October 30, 2009, the Egyptian Organization for Standardization and Quality (EOS) issued Ministerial Decree No. 614, specifying the standard for children’s cots, distribution transformers, internal combustion engines, gas cylinders, hazardous substances, implants for surgery and microwave ovens as follows:

① For children's cots (HS 9403), compliance with the Egyptian standard ES 6979/2009 is mandatory. This standard is identical with the international standard ISO 7175-1/1997. The date of entry into force is January 1, 2010.

② For distribution transformers (HS 8504), the energy efficiency of distribution transformers should comply with the Egyptian mandatory standard ES 6977/2009. This standard complies with IEC 60076-ser/2008. The proposed date of entry into force is January 18, 2010.

③ For internal combustion engines, compliance with the following Egyptian standards is mandatory: ES 6975-1/2009 *Internal Combustion Engines – Piston rings –PART 1: Keystone rings made of cast iron*, and ES 6975-2/2009 *Internal Combustion Engines Piston rings – PART 2: Half keystone rings made of cast iron*. These standards are identical with the international standard ISO 6624-1/2001– ISO 6624-2/2003. The proposed date of entry into force is January 18, 2010.

④ For gas cylinders (HS 7311, HS 7613), compliance with the Egyptian standard ES 6974/2009 *Transportable Gas Cylinders - Fully Wrapped Composite Cylinders* is mandatory. This standard is identical with European Standard EN 12245-2002. The proposed date of entry into force is January 18, 2010.

⑤ For hazardous substances (HS 9802), compliance with following Egyptian standards is mandatory: ES 698-1/2009 Part 1 of *Control Of Hazardous Substances, General Requirements for Control of Harmful Exposures of Hazardous Substances*, and ES 6978-2/2009 Part 2 of *Control Of Hazardous Substances, Ventilation in Places of Work*. The proposed date of entry into force is January 18, 2010.

⑥ For implants for surgery (HS 9021), compliance with the following Egyptian standards is mandatory: ES 6972/2009 *Implants for Surgery -- Dimensions of Metal Bone Screws with Asymmetrical thread, Hexagonal Drive Connection, Spherical Under-Surface of Head,* and ES 6973 /2009 *Implants for Surgery -- Metal Bone Plates --Holes Corresponding to Screws with Asymmetrical Thread and Spherical Under-Surface*. These standards are identical with the international standard ISO 5836/1988 – 5835-1991. The proposed date of entry into force is January 18, 2010.

⑦ For microwave ovens (HS 8516.5000), compliance with the following Egyptian standard is mandatory: ES 6976/2009: *Safety Requirements for Household and Similar Electrical Appliances*

– *Particular Requirements for Microwave Ovens, including Combination Microwave Ovens*. This standard is identical with IEC 60335-2-25/ 2002 +A1/2005 +A2/2006. The proposed date of entry into force is January 18, 2010.

2.4.1.2 On December 30, 2009, the EOS issued the Egyptian Standard for Essential Requirements for Safety of Toys, covering toys of HS 9501, 9502 and 9503. The standard specifies the "essential requirements" which toys must meet for safety concerns. The safety criteria involves general principals, protection (against physical & mechanical flammability, chemical, hygienic and radio activity risks), as well as warnings and indications of precautions to be taken when using toys. This standard complies with EU Directive for "Safety of Toys" (88/378/EEC). Its date of enforcement is yet to be decided.

2.4.2 Sanitary and Phytosanitary Measures

(1) On March 16, 2009, the Egyptian General Organization for Veterinary Services (GOVS) notified WTO of its Ministerial Decree No. 1102/2008 for *Imported One-day Old Parent Broiler Chicks and One-day Old Broiler Chicks*. The Decree specifies that one-day old parent broiler chicks and one-day old broiler chicks must be imported from countries free from any contagious and infectious diseases including avian influenza according to the current health status pronounced by the responsible international organization. The imported birds must not be vaccinated against avian influenza and have no antibodies for these diseases. And the imported birds will not enter into the country in case of alteration of the health status of the country of origin at the time of the arrival of the consignment to Egyptian ports. Immediately after arrival of chicks consignment, it will be quarantined under observation of the GOVS and samples should be collected for laboratory tests which will be done in the Animal Health Research Institute according to the internationally approved laboratory tests. The release of the consignment will be done after negative samples results. The Decree has been implemented since December 2008.

(2) On March 16, 2009, the Egyptian General Organization for Veterinary Services (GOVS) notified WTO of its Ministerial Decree No.1409 /2008 for Imported Broiler Ducks. The Decree specifies that one-day old broiler ducks must be imported from countries free from any contagious and infectious diseases including avian influenza according to the current health status pronounced by the responsible international organization; the imported birds must not be vaccinated against avian influenza and have no antibodies for these diseases; the imported birds will not enter the country in case of alteration of the health status of the country of origin at the time of arrival of the consignment to Egyptian ports. Immediately after arrival of consignment, it will be quarantined

under observation of GOVS and during the quarantine period. Samples should be collected for laboratory tests which will be done in the Animal Health Research Institute according to the international approved laboratory tests, the release of the consignment will be done after negative samples results. And all the ducks will receive two-dose vaccination against avian influenza before releasing the consignment. The Decree entered into force on December 1, 2008.

(3) On April 30, 2009, the Egyptian General Organization for Veterinary Services (GOVS) issued Ministerial Decree No.(205/2009) *To Allow Importation of Heat-Treated Feathers Powder*. According to the Decree, the importation of heat-treated feather powder will be allowed if they meet the following requirements: the exported country is free from avian influenza; all obvious faucal contamination on the heat-treated feather powder has been removed; having undergone heat treatment at 135°C and under pressure of two bar for four hours; free from additives and containing at least 75 per cent of digested protein; free from any causes of disease, fungus (specially aflatoxins) and any offensive odor; humidity not more than 8 per cent; 7. containing cured protein not less than 80 per cent; the content of ash may not be more than 4 per cent. The Decree was effective on February 5, 2009.

(4) On April 30, 2009, Egypt issued the Addendum of the Notification of Emergency Measures, allowing a 6-month extension of the period of permission to import meat and offal from approved slaughterhouses without inspection by the technical veterinary committees of GOVS. The extension was effective from 31 March 2009, so that importing companies can complete necessary arrangements and their trading contracts.

(5) On May 4, 2009, the fish committee of GOVS issued a notification, allowing the importation of whole herring fish by proceeding with a test (indirect immuno- fluorescent technique or PCR) at the arrival of consignments that are imported from places infected by infectious salmon anaemia according to current health status of OIE. The test will be done for consignments imported from infected places only. The regulation became effective on February 23, 2009.

(6) On October 30, 2009, the EOS issued the *Hygiene Rules for Milk and Dairy Products (HS 04)*, specifying hygiene rules for milk and dairy products. This standard complies with EU Regulation (EC) No (853/2004) for "Hygiene Rules for Milk and Dairy Products". The date of its enforcement is yet to be decided.

3. Barriers to Trade

3.1 Tariffs and Tariff Administration Measures

In 2009, tariffs remained high for automobiles, garments and some alcoholic beverages. Passenger cars with engines under 1,600 cc are taxed at 40 percent; cars with engines over 1,600 cc at 135 percent. Garments face high tariffs at 30%, and alcoholic beverages are subject to import duties from 1200% to 3000%. Wine sold at hotels is subject to a sales tax of 40% in addition to a 300% import duty.

In addition, the Egyptian government tends to make abrupt import policy changes without notification or opportunity for comment. For instance, the tariff rate on poultry was reduced from 32 % to zero in 2006, but was re-imposed at 32 % in 2007. China shows concern on these aspects and hope Egyptian side can keep the transparency and consistency of its policies. Importers to Egypt may keep updated with its policy changes so as to make arrangements accordingly in time.

On January 17, 2009, the Egyptian Ministry of Trade and Industry (MFTI) issued a ministerial decree to impose a temporary one-year duty on import of cotton yarn, mixed yarn, cotton textiles and sugar. Cotton yarn and mixed yarn are imposed at no-less-than 25% of the CIF value; cotton textiles at no less than 25% CIF value in addition to a temporary duty of USD 0.5/kg; sugar at a duty of USD1/kg. On February 12, 2009, Egypt announced the imposition of a 10% tariff on import of cold rolled tinplate; the rate will include CIF value at a minimum charge of USD 150 per ton. However, a ministerial decree issued on April 7, 2009 withdraws these aforementioned fees and taxes to stabilize the domestic market. Despite Egypt’s effort to pre-terminate the protective measures, China shows concern on the adverse effect those abrupt tax increases had on Chinese exporters.

3.2 Import Restraints

Passenger vehicles may only be imported into Egypt within one year of the production.

The Egyptian Ministry of Health and Population (MOH) prohibits the importation of natural products, vitamins, and food supplements in the form of finished goods. These items can only be marketed in Egypt by licensed local companies, or enter Egypt as ingredients and premixes to be prepared and packed by local pharmacies according to MOH specifications. Only local factories are allowed to produce food supplements and to import raw materials used in the manufacturing process.

The Egyptian Nutrition Institute and MOH's Drug Planning and Policy Center are responsible for the registration and approval of all nutritional supplements and dietary foods. Importers must apply for an import license and the approval process may take 4 to 12 months. Annual renewal of the license costs approximately USD 500. Besides, if a similar dietary product is available in the local market, the application will not be approved.

The import of new, used, and refurbished medical equipments and supplies must be approved by the MOH. The same is true for sophisticated computer-based imaging devices and basic equipments.

The government is supportive of the production of agricultural biotech products and has made regulations on the review and approval of biotech seed. Importers of agricultural biotech products will get the import license with proof that the same products are sold in the country of origin.

Poultry can only be imported to Egypt in whole with a Halal certification. The import of poultry parts is forbidden

3.3 Export Restrictions

In March 2008, the Egyptian Ministry of Trade and Industry (MFTI) issued a ministerial decree to restrict export of rice, cement and steel products. The term of restriction is six months, from April 1, 2008 to October 1, 2008. In June 2008, the MFTI decided to extend the term of restriction on rice export from October 2008 to April 2009.

In March 2009, in response to the rise in the global rice price, the Ministry issued another decree to double its export duty of rice from £E 1000/ton to £E 2000/ton (approximately USD 357/ton) to ensure its domestic supply. And the term of export restriction was further extended by the government to October 2009.

3.4 Technical Barriers

The Egyptian Organization for Standardization and Quality (EOS) of MFTI establishes the standard and technical regulations by consulting with other departments. However, the verification and assessment are made by other ministries including the Ministry of Health and Population and the Ministry of Agriculture. The assessment of imported goods is made by the GOEIC of MFTI.

Among Egypt's current 5,000 standards, compliance with 543 is mandatory. EOS reports that it has begun to harmonize its mandatory standards with international standards and that about 80 percent of its mandatory standards are based on standards issued by international institutions. According to the Ministerial Decree No. 180/1996, if a relative mandatory Egyptian standard is absent, importers may choose a standard from seven international systems including ISO, European Standards, American Standards, Japanese Standards, British Standards, German Standards, and Codex for food. However, importers report that products that have met international standards and displayed international trademarks are still subjected to standards testing upon arrival at the port of entry.

The EOS is responsible to issue quality and conformity marks. The conformity marks are mandatory for certain goods that may affect health and safety. The quality mark is issued by the EOS upon request by a producer and is valid for two years. However, goods carrying the mark are still subject to random testing.[1] China worries that the haphazardness of Egypt in its inspection and quarantine may cause significant loss and risks for importers.

3.5 Sanitary and Phytosanitary Measures

Sanitary and phytosanitary measures in Egypt are of troublesome procedures and lack transparency. Food imports are sometimes subject to quality standards that appear to lack technical and scientific justification. The sanitary and phytosanitary measures of fruits and vegetables vary frequently. In addition, the importers should fulfill the complicated labeling and packaging requirements which would raise the processing costs of the imported goods. Poultry and meat products, for instance, must be shipped directly from the country of origin to Egypt and provided with details in Arabic. Local products are not subject to all of these tough requirements. These requirements have run against the basic principle of national treatment of WTO, and will largely raise the processing costs and reduce exporters' competitiveness in the Egyptian market.

For imports of poultry and meat products, they must be preserved in sealed packages and shipped directly from the country of origin with content details in Arabic both inside and outside of the package. These details include the country of origin, the title of the commodity as well as the registered trade mark, the name of slaughterhouse, the date of slaughter; the name of the importer, the name of supervision institution (by the Islamic law, these institutions must be accredited by the commerce authorities of the country of origin).

All the imported goods are subject to strict inspection by the Egyptian standard. The appendix of

[1] Foreign Trade Barriers 2009

the Import and Export Law of Egypt listed 135 categories of goods for mandatory inspection. But in fact any imported goods would face the possibility of selective inspection. Egypt reports to WTO that that its import inspection is conducted for safety, hygiene and environment protection concerns only. However, the imported goods are frequently “declined by the government” for inconformity with “the Egyptian standards” in quality and specification. Once the imported goods are considered as so, they would be shut out by the Customs. Lots of trade disputes between China and Egypt recently are due to this kind of inconformity to “the Egyptian standards”. Importers are advised to pay special attention to “the Egyptian standards” so as to avoid unnecessary loss.

3.6 Trade Remedy Measures

In 2009, Egypt initiated one anti-dumping investigation on alternators from China, the ever first trade remedy investigation since July 2007 of Egypt against China. By the end of 2009, Egypt has initiated 17 trade remedy investigations against imports from China, concentrated largely in products of light industry, mechanics, chemicals and minerals. Of the 17 investigations, 16 are anti-dumping cases and one concerns safeguard measures.

Table 1： Anti-dumping Investigation against China in 2009

No.	**Date of registration**	**Product covered**	**HS Code of the products**	**Progress**
1	September 3, 2009	Alternators	85015220	Under investigation

3.7 Government Procurement

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

Egyptian law requires that technical factors, not just price, be considered in awarding contracts. A preference is granted to state-owned companies when their bids are 15 percent lower than the other bids. According to *Small and Medium Sized Enterprises (SMEs) Development Law (2004)*, SMEs are given 10 percent of the value of all government procurement in any tender. Egyptian law grants suppliers certain rights, such as speedy return of their bid bonds and a written explanation of why a competing supplier was awarded a contract.

In 2006, the *Tenders and Bids Law* was amended to streamline procurement procedures. The changes shorten the period required between the announcement and the submission of bids, reduce the cost for tender documents, and require procuring entities to hold pre-bid meetings to clarify items in tenders and provide model contract terms that set out the rights and obligations of contractors. The amendments also allow SMEs to count tender documents as costs.

Egyptian law forbids any direct purchasing except for cases involving national security or national emergency. A Prime Minister's decree issued in 2004 demands all ministers strict observe the law.

3.8 Subsidies

On December 1, 2009, the Egyptian Minister of Trade and Industry declared a 50% rise in export subsidies, funded by the Egyptian Exports Development Fund, to domestic industries in response to the world financial crisis. China considers it as a violation of the *Agreement on Subsidies and Countervailing Measures* of WTO since such subsidies are defined as "prohibited subsides" in that Agreement.

3.9 Barriers to Trade in Services

Egypt restricts foreign equity to 49% at most in telecommunication and construction industries. However, large sum of foreign capitals are allowed in computer services sector as long as the Ministry of Communication and Information Technology decides the service is an integral part of a business mode and would benefit the country. Egypt limits the employment of non-nationals to 10 percent generally and, in computer-related industries, at least 60 percent of its senior management must be Egyptians with 3 years of related working experience.

3.9.1 Banking Industry

As a result of "not issuing any new banking license in ten years" by the government, no foreign bank has been established in Egypt in 2009.

3.9.2 Express Delivery and Mail Service

Express delivery and mail service providers must be authorized by the Egyptian National Postal Organization (ENPO) to operate in Egypt. In addition, private delivery service providers must pay a 10% of its annual tax to the ENPO as postal agency fees.

3.9.3 Other Services

Egypt is strict on importing business and only Egyptians can be registered in that sector. In addition, non-nationals are not permitted to engage in commodity circulation and wholesale business in Egypt. Supermarket and chain stores may not be open without approval by special committees. Only Egyptians can be registered to operate agencies of bidding.

According to the Egyptian Labor Law, foreigners cannot be employed as export and import customs clearance officers, or as tourist guides.

4. Investment Barriers

4.1 Foreign Exchange Administration

Since the first half of 2003, a mandatory system of exchange settlement and sales has been implemented on export-oriented enterprise. Travel agencies and hotels may charge foreign exchanges directly from tourists, without having to convert U.S. dollars into Egyptian pounds in advance. Exporters and tourist units that receive foreign exchanges are required to sell 75% of their foreign exchange earnings to banks. Therefore, it will be difficult for investors in Egypt to get foreign exchange needed in raw materials import or remit outward their profits under the existing foreign exchange administration system.

4.2 Labor Force Administration

According to the *Egyptian Labor Law*, Chinese investors cannot be granted work visa unless their Egyptian employees account for 90% of the staff (75% in cases of free zones). Worse still, the time limit of work visa to Egypt is rather short, while the procedures are rather cumbersome. These inconveniences negatively affect the normal operations of investment projects.

On February 2, 2009, the Egyptian Minister of Labor & Emigration declared the finalization of the *Report on Egyptian Textile Industry's Countermeasures against the Global Financial Crisis* drafted jointly by the Ministry of Labor & Emigration and the Ministry of Foreign Trade and Industry. The report, aiming at reducing foreign workforce in Egyptian textile industry, has been submitted to the office of Egyptian Prime Minister for further consideration.