SUMMARY

1. Egypt's real GDP expanded at an annual average rate of 4.5% over the 2005/06-2016/17 period, although growth began to decelerate in 2011 in the aftermath of political turmoil. Annual average GDP growth slowed down to 3.2% over the 2010/11-2015/16 period, but has accelerated in recent years on the basis of an expansionary fiscal policy that led to strong consumption and investment expenditure, and an economic reform programme aimed at fostering growth. GDP per capita increased from US$1,514 in 2005/06 to US$3,462 in 2015/16, although it is estimated to have declined to US$2,508 in 2016/17 due to the depreciation of the Egyptian pound. Despite the recent acceleration of growth, Egypt's unemployment rate remains at around 12%, with rates higher among young persons and women. Furthermore, despite an increase in per capita income, the share of the population living under the poverty line has increased in the last few years and poverty alleviation continues to be one of Egypt's major challenges.

2. Egypt's economy is diversified. The services sector constitutes the mainstay of the economy in terms of GDP share (55.3% in 2015/16), employment, and exports. The share of agriculture in GDP has been declining over the last few decades and reached 11.9% in 2015/16 (14.5% in 2010/11), although the sector is still important for employment and merchandise export earnings; while the contribution of manufacturing to GDP was 17.1% in 2015/16 (16.5% in 2010/11).

3. In 2014, the Government began to implement a reform programme aimed at stimulating economic growth and improving the business environment. The first wave of reforms focused on rebalancing the macroeconomic situation, and included various fiscal, monetary and exchange rate policy measures: introduction of the value-added tax (VAT) at a rate of 13% in September 2016 (increased to 14% as from July 2017); a shift in the exchange rate regime from a peg to the US dollar to a full float of the Egyptian pound in November 2016; broadening of the tax base; reduction of energy subsidies; and containment of public sector salary increases. A second wave of reforms is currently under way to improve governance and the investment climate. Egypt's economic programme has been supported by the IMF: a three-year US$12 billion Extended Fund Facility (EFF) loan was granted in November 2016, with the aim of helping restore macroeconomic stability, correcting external and fiscal imbalances and restoring competitiveness.

4. Egypt's fiscal deficit has exceeded 10% of GDP since FY2010/11 as a result of the implementation of an expansionary fiscal policy. The deficit reached 12.5% of GDP in 2015/16, which prompted the authorities to introduce, starting in FY2016/17, a three-year fiscal consolidation plan aimed at lowering the budget deficit to between 8% and 8.5% of GDP by 2018/19. As a result of various fiscal consolidation efforts, including streamlining expenditure by reducing subsidies and containing the public wage bill, and increasing revenue by replacing the 10% general sales tax with the VAT, the deficit declined to 10.8% of GDP in 2016/17.

5. The presence of the State in the economy remains strong. The productive structure of the Egyptian economy is skewed towards large public-sector enterprises, which may result, on occasions, in a sub-optimal allocation of resources. In this respect, Egypt could benefit from adopting a more market-oriented approach to economic policy implementation. This has been recognized by the authorities and a more participatory role of the private sector in the economy is one of the objectives of Egypt's Sustainable Development Strategy (SDS) "Egypt Vision 2030", a comprehensive development plan introduced in March 2015 that seeks to foster GDP growth and employment and gradually reduce the budget deficit.

6. Remittances from Egyptians overseas (US$17.1 billion in 2015/16), as well as travel and tourism and Suez Canal revenues, continue to be of primary importance for the Egyptian economy. The introduction of a flexible exchange rate has led to an increase in capital and financial inflows, particularly foreign direct investment, which have partly countered the decline in transfers and the growing merchandise trade deficit. Nonetheless, the current account deficit widened to 5.9% of GDP in 2015/16 from 3.6% the year before, reflecting a fall in exports and strong import demand, a weakening of services exports, notably in tourism, limited growth in Suez Canal receipts due to weak global trade, and a drop in remittances. Although it declined in US dollar terms, the current account deficit increased as a share of GDP to 6.7% in 2016/17 due to the depreciation of the Egyptian pound.

7. Egypt's export base has become more diversified during the review period: the share of exports of fuel products declined from 43% of total exports in 2005 to 14.3% in 2016. Despite this, fuel remains Egypt's single most important export product, followed by vegetables, which represented 12.5% of total merchandise exports in 2016 (8.7% in 2011), precious stones and metals (11.8%), chemicals (11.3%), and textiles (11.2%). Egypt's merchandise exports declined in US dollar terms between 2011 and 2016, to US$22.5 billion. In 2016, the European Union was Egypt's main export destination, followed by the United Arab Emirates, Saudi Arabia and Turkey. Merchandise imports (c.i.f.) amounted to US$58.1 billion in 2016. Machinery and electrical equipment is the single most important import group, accounting for 16.1% of total merchandise imports in 2016, followed by mineral fuels (14.2%) and base metals (11.4%). In 2016, 32.4% of Egypt's merchandise imports came from the European Union; China and other Asian countries were the source of 27.3% of Egyptian imports.

8. Egypt's Constitution was amended several times during the review period. The current Constitution, which was approved in January 2014, provides for the separation of powers between the executive, the legislature and the judiciary, and reformed the legislative branch by making it unicameral. The next presidential election is scheduled for May 2018.

9. Egypt's trade policy objectives are set out in the Industrial Development Strategy (IDS) for 2016-2020, in accordance with Egypt's SDS "Egypt Vision 2030". The aim is to help Egypt become a leading industrial economy in the Middle East and North Africa region and a main export hub for medium-technology manufactured products by 2025. The IDS covers the following areas: industrial development for micro, small and medium enterprises (MSMEs); export promotion and import rationalization; innovation promotion; energy conservation; the development of technical and vocational education; and improvement of the business climate. The main goals are to accelerate industrial growth, increase the contribution of MSMEs to GDP, spur export growth and create productive jobs.

10. Egypt participates actively in the multilateral trading system, both in the regular work of the WTO and in the Doha Development Agenda negotiations. It grants at least MFN treatment to all WTO Members. Egypt is a party to the Agreement on Trade in Civil Aircraft, and to the Information Technology Agreement (ITA), but not to the Agreement on Government Procurement GPA). In June 2017, Egypt ratified domestically the Trade Facilitation Agreement (TFA), but has still to submit to the WTO its instrument of acceptance of the Agreement. Egypt notified its category "A" commitments, in January 2015, and the authorities are currently working on category "B" and "C" commitments. Egypt submitted numerous notifications to the WTO during the period under review. Some lagging notifications, for instance with respect to agriculture, were submitted to the WTO during the review process. Under the WTO Dispute Settlement Mechanism, Egypt has been involved in four trade disputes as a respondent and seven as a third party during the review period. This is the fourth Trade Policy Review of Egypt; its previous one was in 2005.

11. Egypt participates in several preferential trade agreements, which play an increasingly important role in its trade policy. In addition to preferential agreements with the European Union, the European Free Trade Association (EFTA), Turkey and MERCOSUR, Egypt is party to the Pan Arab Free Trade Agreement (PAFTA), the Common Market for Eastern and Southern Africa (COMESA), and the Agadir Agreement. Egypt benefits from the Generalized System of Preferences (GSP) schemes of several countries. On the other hand, Egypt offers improved market access to least developed countries (LDCs). Egypt also participates in the Framework Agreement on the Trade Preferences System of the Organization of Islamic Cooperation (TPS-OIC), which is still to enter into force.

12. There have been important changes to Egypt's investment regime since its last Trade Policy Review in 2005. In May 2017, the new Investment Law No. 72/2017 entered into force. Investment incentives under the new law include deductions on taxable profits and preferential import duty rates. Exemptions from stamp duty, and notarization and registration fees are provided for up to five years from registration in the Commercial Register. In October 2017, the regulations to implement the law were approved and published in the *National Gazette*. The new law and regulations aim at updating Egypt's investment regime and incentives schemes to attract more investment. Egypt's foreign direct investment (FDI) inflows averaged some US$6 billion per year during 2013-16, below the US$9 billion annual average in 2005-07. The European Union is the main foreign investor in Egypt, followed by the United States and some Arab countries.

13. During the period under review, Egypt continued its reform process, with a view to making its customs administration more efficient and transparent, by reducing the number of documents required for import and export processes and allowing their presentation electronically. Egypt's customs regime is still based on the Customs Law of 1963 as amended, although a new Draft Customs Law is currently being examined to incorporate, among others, the amendments needed to implement the TFA and the Kyoto Convention. However, some changes have already been introduced to facilitate trade. These changes include activating the Authorized Economic Operator (AEO) system, introducing x-ray devices in most customs posts to facilitate customs control and reduce release times, and implementing an e-freight import and export system for air freight. A Ministerial Steering Council for Egyptian Trade Facilitation (EgyTrade) has been established, aiming at the creation of an Egyptian National Single Window (ENSW) system.

14. Egypt's simple average applied MFN tariff rate was 19.1% in 2017, slightly down from 20% in 2005, but higher than 16.5% in 2012. Some two thirds of all tariff lines face rates of 10% or lower. The 51.6% average tariff in agriculture reflects tariff peaks for alcohol and tobacco, which can be as high as 3,000%. Egypt has bound 99.3% of its tariff lines; the general simple average bound tariff is 37.2%. In 2017, some 46 lines exceeded their bindings. Despite recent reforms, Egypt's tariff system remains somewhat complex, with a number of exemptions, reductions, and concessions. All tariff rates are *ad valorem*, with the exception of 21 lines. In addition to tariffs, imports are now subject to a value-added tax of 14% which also applies to domestically produced goods; exported goods are exempted and services are zero-rated. Egypt also applies excise taxes on some products in addition to the general VAT rate.

15. Import prohibitions and restrictions are maintained for economic, environmental, health, religious, safety, sanitary, and phytosanitary reasons. They are applied equally to all trading partners. Import prohibitions apply to chicken offal and limbs, fowl livers, goods bearing marks considered sensitive to religious beliefs, and various hazardous chemicals and pesticides, among others. There are also restrictions on the importation of used products, which must meet certain conditions. A number of products are subject to quality control inspections when imported. Additionally, the importation of a relatively large number of items is subject to "special conditions" and requires a licence, including passenger cars; shoes; apparel; home textiles; carpets; car parts; household appliances; eyeglasses and watches; petroleum products; milk and milk products; oils and fats; pasta; and soaps. The importation of certain products is subject to specific administrative formalities and requires government approval; such is the case for wheat grains, corn used for the feed industry, and soya bean seeds for oil extraction. Egypt has not submitted any notifications to the WTO with respect to its import licensing regime.

16. Egypt is a relatively active user of trade remedy measures: between January 2005 and 30 June 2017, it initiated 31 anti-dumping investigations, 16 of which resulted in the imposition of definitive anti-dumping duties. Three anti-dumping measures were extended. During the same period, Egypt initiated 14 safeguard investigations, imposed provisional measures in all and final safeguard measures on three products: blankets, steel rebar, and cotton and mixed yarns. Although few final measures were adopted, the application of provisional measures could have acted as a deterrent to trade. There are currently no countervailing measures in place.

17. Egypt imposes export taxes on a number of products, including sugar, waste plastic, some fertilizers, fish, sand, some skins, marble, and raw granite, among others. Egypt introduced an export tax of LE 3,000 per ton of sugar for an unlimited duration effective end-March 2017. According to the authorities, the rationale for applying export taxes is, in all cases, to ensure a sufficient domestic supply of those products. Exports of rice of any kind have been banned since August 2016; this measure has unlimited validity and was imposed due to the lack of water resources. In addition, Egypt bans the exportation of raw or tanned hides, skins or leather in its wet state. Exports can be prohibited or restricted in order to meet local demand or for environmental purposes.

18. New regulations for the establishment of free zones are contained in Law No. 72/2017. The incentives offered in free zones are meant primarily to attract investment, to provide employment for Egyptians, and to encourage exports. There are two types of free zones: public and private. Public free zones are established for several projects, whereas private free zones are confined to one specific project or company, and must meet certain conditions, *inter alia* with respect to minimum capital (US$10 million) and exports (they must amount to no less than 80% of the production value). Enterprises in free zones benefit from complete exemption from import tariffs,

income taxes and the VAT. They are charged, however, a fee of 1% or 2% in lieu of taxes. Free-zone investors may sell all or part of their products on the Egyptian market after payment of the relevant customs duties. There are currently nine public free zones in operation. Egypt also has one Special Economic Zone, which benefits from special and simplified customs procedures, tariff-free imports of inputs and equipment, and lower taxes.

19. Egypt implements a number of incentives programmes, which can be general or sector-specific. There are also regional support programmes, and programmes for MSMEs, which include facilitating access to credit at preferential conditions. There are currently 13 investment zones specialized in various fields; they enjoy the same benefits as free zones in terms of facilitation of licence issuance but are not granted tax exemptions. A new governmental agency was created in 2017 to provide support to MSMEs; its budget for this purpose was about LE 5 billion in 2017. Under the new Investment Law, Egypt also provides regional incentives in the form of a discount on taxable net profits, depending on the region.

20. Egypt has accepted the WTO Code of Good Practice for the Preparation, Adoption and Application of Standards. Technical regulations are issued by the different ministries. As at December 2016, Egypt had in place some 860 technical regulations covering five sectors, with the largest number pertaining to engineering and chemical products, food, textiles and measurement products. All imported goods subject to technical regulations are inspected to verify conformity with each regulation. The Egyptian Accreditation Council (EGAC) is the sole national body for the assessment and accreditation of conformity assessment bodies and laboratories in Egypt performing testing and calibration, inspection, and certification activities for products, systems and personnel. Egypt submitted its first TBT notification in 1997; between then and late October 2017, it submitted 221 notifications including addenda and corrigenda.

21. There are various controls and inspection procedures for food products, live animals, and animal and plant products, implemented by the corresponding responsible agency. Importers of plants must obtain an import permit prior to importation and are also required to notify the exporting trading partner of the corresponding import regulatory requirements, which are set according to the potential risk associated with pests. Imports of live animals require an import permit from the Central Administration of Veterinary Quarantine. Importers of meat products and chicken must provide a number of certificates before the product is accepted, including a slaughter certificate proving that the animal was slaughtered in accordance with the Islamic ritual (halal), a veterinary certificate, and a certificate of origin. Egypt submitted it first SPS notification in September 2005; between then and November 2017, it submitted 80 notifications to the WTO.

22. During the period under review, the legal framework for Egypt's competition policy underwent far-reaching changes. Competition policy is mainly regulated by the new Constitution of 2014, and the Egyptian Competition Law of 2005, its Executive Regulations, and their amendments. The Competition Law sets out prohibitions in respect of the abuse of dominant position and provides a list stating nine different prohibited acts. It also prohibits vertical agreements or contracts between a person and its supplier or clients if they are intended to restrict competition. The Law applies to all types of persons or enterprises carrying out economic activities, be they public or private. This includes state-owned enterprises, except for public utilities managed directly by the State. Recent amendments to the Competition Law gave the Egyptian Competition Authority (ECA) the power to initiate criminal lawsuits and to settle with violators, and in general strengthened its enforcement faculties. Between its inception in 2006 and April 2017, the ECA completed 109 investigations, 37 studies and 13 advisory opinions. During this period, the ECA proved 36 violations of the law, 28 of which were during the 2012 to 2016 period.

23. Egypt is not a party to the GPA. The two main procedures for public procurement of goods and services in Egypt are public tender and public reverse auction. Both procurement methods may be open to both Egyptian and foreign suppliers, and must be advertised in at least two daily newspapers of major circulation. A 15% price preference is given to Egyptian products in all government procurement. Egyptian subsidiaries of foreign companies can benefit from the preference. Additionally, MSMEs must be given an extra 10% preference in any tender. The presence of the State in the economy is important in Egypt, which has about 150 state-owned enterprises engaged in activities in a number of sectors, including petroleum, transportation, telecommunications, post and industrial activities. Three state-owned banks own some 40% of the banking sector's assets.

24. Egypt is a member of most of the main international treaties on intellectual property rights (IPRs). In April 2008, Egypt notified the WTO that it had accepted the Protocol Amending the TRIPS Agreement. The Intellectual Property Law No. 82/2002 is a unified Law that covers the major areas referred to in the TRIPS Agreement. There are no provisions in Egypt's IPR legislation that expressly allow or prohibit parallel imports. According to the authorities, Egypt's IPR policy recognizes the importance of IPR protection as a key factor in economic growth and development; through it, the Government aims to promote the effective use of the IPR system and to fully utilize inventions, and attract FDI. The enforcement of IPR legislation is handled by various specialized authorities, some of which are entitled to act ex officio regarding IPR crimes. Border measures may be applied on all forms of intellectual property.

25. Egypt's agricultural policy is primarily aimed at meeting the rising demand for food at reasonable prices; to this end, Egypt has made more land available for crops where it has a relative comparative advantage such as fruits and vegetables, and has resorted to subsidies. It has also discouraged the production of crops that use water intensively, such as cotton and sugar. Although Egypt provides state support for both production and consumption of agricultural goods, actual spending for direct farming support is much lower than for food subsidies. The fishing industry remains of moderate importance to Egypt, which is a net importer of fish and fish products, though aquaculture is a growing business.

26. Manufacturing continues to be of considerable importance for the Egyptian economy and the sector is relatively diversified. During the period under review, the contribution of the manufacturing sector (excluding petroleum) to Egypt's GDP has averaged around 17% and it has represented about 30% of employment. The State continues to play an important role in Egypt's manufacturing sector. Food, textile, cement and basic metallurgy are the main subsectors.

27. The Government is pursuing its efforts to solve the electricity supply crisis by raising electrical generation and distribution capacity through a combination of new investments and of regulatory reforms, opening and partially unbundling the sector. Egypt has adopted a number of measures to promote renewable energies and to facilitate public-private partnerships in them. It has also undertaken measures recently to diminish energy subsidies granted to consumers, which weigh heavily on Egypt's budget.

28. The financial services sector is well supervised and open. Egypt has a large banking sector, though during the period under review the number of banks has declined somewhat as Egypt has not delivered any new banking licences since 2009. Banks, both domestic and foreign-owned, must register with, and obtain a licence from, the Central Bank of Egypt. A number of conditions must be met prior to registration, including a minimum capital requirement of LE 500 million, or US$50 million for a foreign bank branch. There are no legal limitations to the number of licences that can be granted, but there is a policy of consolidation of existing banks. Licences are open-ended. Despite a rather low rate of penetration, Egypt has a well-developed insurance sector. Insurance companies must take the form of joint stock companies and have a minimum capital of LE 60 million. Foreign companies applying for a licence in Egypt must have been granted a licence in their home country. Branches of foreign insurance companies are not allowed.

29. Egypt is an important market for telecommunication services in view of the size of its population. The fixed telecommunications penetration rate is relatively low while the coverage of mobile telephony already surpasses the population, a result achieved during the period under review. Internet usage is also on the rise and reaches more than a third of the population. Mobile telecommunications services are open to foreign investment, though state ownership remains present in two of the four licence holders. Fixed-line services have been gradually liberalized since 2009, but the effects of this liberalization have not materialized yet.

30. Egypt has a liberal aviation policy with few restrictions. All domestic airlines are privately owned and foreign investment plays a large role in some of them. Except for two management contracts, airports remain publicly owned and managed and third-party handling is not allowed. Maritime transport is the main means of transportation used for Egypt's international trade. Cabotage in maritime transport is reserved for national flag carriers. However, waivers can be granted to foreign vessels to practice cabotage in case of the breakdown of an Egyptian vessel and when a supplier terminates its service. Three such waivers were granted in 2015. The bilateral and plurilateral agreements signed by Egypt do not grant any reciprocal preferential treatment to partner States for cargo sharing. There are no restrictions for the exercise of onshore maritime

transport activities and auxiliary services (except for maritime agency services). There are no foreign ownership restrictions for cargo handing/maritime terminal activities or for specialized ports. Egypt grants no preferential treatment for national flag vessels' access to ports and port services. The Suez Canal is of a vital economic importance for Egypt, as it generated US$5.12 billion in revenue in fiscal year 2015/16, accounting for 9.8% of total external account receipts; its enlargement is the most significant development regarding inland waterways transport in Egypt during the period under review.

31. Despite being severely affected by events in the past few years, tourism continues to be a key service in Egypt as it employs, directly and indirectly, 12.6% of the total work force and is one of the main earners of foreign exchange. The sector is largely open to foreign investment and the authorities are trying to promote it through the incentives contained in the new Investment Law.