DOING BUSINESS IN EGYPT

EGYPT 2017

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A. Introduction

Egypt, officially the Arab Republic of Egypt, is a transcontinental country spanning the northeast corner of Africa and southwest corner of Asia by a land bridge formed by the Sinai Peninsula. Egypt is a Mediterranean country bordered by the Gaza Strip and Israel to the northeast, the Gulf of Aqaba to the east, the Red Sea to the east and south, Sudan to the south, and Libya to the west. Egypt controls the Suez Canal, which is a sea canal linking the Indian Ocean with the Mediterranean Sea. Across the Gulf of Aqaba lies Jordan, and across from the Sinai Peninsula lies Saudi Arabia, although Jordan and Saudi Arabia do not share a land border with Egypt.

Modern Egypt is considered to be a regional and middle power, with significant cultural, political, and military influence in North Africa, the Middle East and the Muslim world. Egypt's economy is one of the largest and most diversified in the Middle East, and is projected to become one of the largest in the 21st century. Egypt is a member of the United Nations, Non-Aligned Movement, Arab League, African Union, and Organization of Islamic Cooperation.

Egypt is the most populous country in the Arab world, with a total population of 98 million according to the latest estimates in 2017 by the United Nations. Arabic is the official and dominant language in Egypt, however, English and French are widely spoken and understood by the educated class.

Egypt's railway network is the oldest in Africa and the Middle East. Generally Egypt's transportation system is relatively developed, with primary and secondary roadways. Established in 1987, Cairo's underground metro system is one of the busiest in the world.

Egypt plays a prominent diplomatic role in the Middle East. Egypt was readmitted to the Arab League headquarters were returned to Cairo from Tunis. Egypt is concerned with enhancing regional stability, and continues to work to strengthen the Arab League's relationship with Turkey and Iran, and to lift the United Nations sanctions on Iraq as a prerequisite for Iraq's regional reintegration.

Egypt also has various investment agreements with the following countries: Germany, the United Kingdom, Sweden, Switzerland, Japan, the Netherlands, Belgium, Luxembourg, France, Thailand, Malaysia, Singapore, China, Indonesia, Italy, Greece, Finland, Romania, Sudan and Morocco.

In July 1999, Egypt and the United States signed a trade and investment framework agreement („TIFA“). TIFA's objective is to enhance the trade co-operation between the two countries, by facilitating greater reciprocal access to the respective markets of both countries through the removal of non-tariff barriers and other impediments to trade and investment flows.

In 2011, Egypt negotiated and initiated a partnership agreement with the European Union. The agreement permits Egypt to join the proposed European-Mediterranean free-trade zone, which was established in 2010. The agreement provides a 12-year transitional period during which tariffs and non-tariff barriers will be phased out.

Last but not least, with more than 7,000 years of unique history, heritage and culture, there are many breathtaking attractions in Egypt to visit. Egypt has risen up the ranks to be one of the world's fastest growing destinations for international tourists in 2017, reported the United Nations World Tourism Organization (UNWTO). For the first time since the uprising, the government believes the number of tourists visiting Egypt in 2017 could come close to the levels seen before the 2011 revolution.

I. Key Data on Egypt

1. Political System

The politics of Egypt is based on republicanism, with a semi-presidential system of government, established following the Egyptian Revolution of 2011, and the resignation of President Hosni Mubarak. The Parliament of Egypt is the oldest legislative chamber in Africa and the Middle East. Egypt was traditionally ruled by royals until 1952, but the first free elected President, Mr. Mohamed Morsi, was in 2012.

Egypt adopted the semi-presidential system in 2012 and under it the President doesn't hold extensive powers. The President can dissolve the Parliament, declare state of emergency and declare wars but the Parliament must approve any law first. The Parliament can impeach the President after two-thirds votes in favour for impeachment and then a public referendum is held to whether or not approve the impeachment of the President.

2013 General Abdel Fattah el-Sisi announced the removal of Morsi from office. El-Sisi then was himself elected head of state in the 2014 presidential election.

2. Legal System

The Egyptian legal system is built on the combination of Islamic (Shariah) law and Napoleonic Code, which was first introduced during Napoleon Bonaparte's occupation of Egypt in 1798 and the subsequent education and training of Egyptian jurists in France.

The Egyptian legal system, being considered as a civil law system, is based upon a well-established system of codified laws. Egypt's supreme law is its written constitution. With respect to transactions between natural persons or legal entities, the most important legislation is the Egyptian Civil Code of 1948 (the "ECC"), which remains the main source of legal rules applicable to contracts. Much of the ECC is based upon the French Civil Code and, to a lesser extent, upon various other European codes and upon Islamic (Shariah) law, especially in the context of personal status.

Despite the non-existence of an established system of legally (de jure) binding precedents, previous judicial decisions do have persuasive authority. Courts are morally and practically bound (de facto binding effect) by the principles and precedents of the Court of Cassation for civil, commercial, and criminal matters, and the Supreme Administrative Court for administrative and other public law matters.

It is worth noting that the classical dichotomy of public and private law has resulted in the crystallization of a separate set of legal rules applicable to transactions involving the State (or any of its institutions, subsidiaries, or state-owned enterprises) acting as a sovereign power. This entailed the establishment of the Egyptian Council of State (Conseil d'Etat) by virtue of Law No.112 of 1946 as amended by Law No. 9 of 1949, which consists of administrative courts vested with the power to decide over administrative disputes pertaining to administrative contracts and administrative decrees issued by government officials. These courts apply administrative legal rules, which are not entirely codified; hence, because often no applicable legislative rules exist, the scope of judicial discretion is ample in light of the established precedents laid by the supreme courts.

Egypt’s Arbitration Law 27 of 1994, as amended, serves as a framework for arbitration of domestic and international commercial disputes, as well as disputes between public enterprises and the private sector. Egypt acceded to the International Convention for the Settlement of Investment disputes in 1971. Egypt adheres to the 1958 New York Convention of Enforcement of Arbitration Awards; the 1965 Washington Convention on the settlement of Investment Disputes between States and the national of other states; and the 1974 Convention on the Settlement of Investment Disputes between Arab States and nationals of other states.

3. Economy of Egypt

The economy of Egypt was a highly centralized planned economy focused on import substitution under President Gamal Abdel Nasser. In the 1990s, a series of International Monetary Fund arrangements, coupled with massive external debt relief resulting from Egypt's participation in the Gulf War coalition, helped Egypt improve its macroeconomic performance.

Under comprehensive economic reforms initiated in 1991, Egypt has relaxed many price controls, reduced subsidies, reduced inflation, cut taxes, and partially liberalized trade and investment. Manufacturing had become less dominated by the public sector, especially in heavy industries. A process of public sector reform and privatization has begun to enhance opportunities for the private sector.

Since 2000, the pace of structural reforms, including fiscal, monetary policies, taxation, privatization and new business legislations, helped Egypt move towards a more market-oriented economy and prompted increased foreign investment. The reforms and policies have strengthened macroeconomic annual growth results which averaged 8% annually between 2004 and 2009 but the government largely failed to equitably share the wealth and the benefits of growth have failed to trickle down to improve economic conditions for the broader population, especially with the growing problem of unemployment and underemployment.

After the 2011 revolution Egypt's foreign exchange reserves fell from $36 billion in December 2010 to only $16.3 billion in January 2012, also in February 2012 Standard & Poor's rating agency lowered the Egypt's credit rating from B+ to B in the long term. In 2013, S&P lowered Egypt's long-term credit rating from B- to CCC+, and its short-term rating from B to C on worries about the country's ability to meet its financial targets and maintain social peace more than two years after President Hosni Mubarak was overthrown in an uprising, ushering in a new era.

II. Industrial Sectors

Agriculture, mainly in private hands, has been largely deregulated, with the exception of cotton and sugar production. Construction, non-financial services, and domestic wholesale and retail trades are largely private. This has promoted a steady increase of GDP and the annual growth rate. The Government of Egypt tamed inflation bringing it down from double-digit to a single digit. Currently, GDP is rising smartly by 7% per annum due to successful diversification.

1. <u>Steel Industries</u>

EZDK is a State-owned corporation and is the largest steel company in Egypt and the Middle East. Now a part of Ezz Industries, which consists of four steel plants in Alexandria, Sadat City, Suez and 10th of Ramadan City. In addition, it includes also Al- Jawhara (Gemma) Company for Ceramic and Porcelain tiles. EZDK is the largest independent producer of steel in the Middle East and North Africa (MENA) region and is the market leader in Egypt. It is ranked at the 65th place in the world biggest steel producers as per the World Steel Institute with total production of 4.5 Million Tons per year representing about three quarters of Egypt total annual production (6 Million Tons).

2. <u>Textiles and Clothing</u>

Textiles and clothing is one of the largest manufacturing and exporting processes in the country and a huge employment absorber. The Egyptian apparel industry is attractive for two reasons. Firstly, its proximity to European markets, whose rapidly changing fashions require quick replenishment. Egypt's geographical proximity to style-conscious Europe is a logistical advantage. Secondly, the production of garments is a low-capital and high-labor-intensive industry, and the local population of 66 million provides a ready workforce as well as a natural local consumer market that acts as a springboard for exports.

The textile industry contributes with one quarter of Egypt's non-oil export proceeds, with Cotton textiles comprising the bulk of Egypt's TC export basket. The public sector accounts for 90% of cotton spinning, 60% of fabric production and 30% of apparel production in Egypt. Misr Fine Spinning and Weaving is the largest enterprise of its kind in Africa and the Middle East. The private sector apparel industry is one of the most dynamic manufacturing processes in Egypt.

The requirements of importers to Egypt of textiles and leather products were set out in the Egyptian Ministerial Decrees 626/2011 and 660/2011. The Egyptian trade oversight agency, the General Organization for Export and Import Control (GOEIC), demanded in June 2012 that an inspection certificate accompany each shipment, unless the importer is pre-registered with the GOEIC. The Ministerial Decrees demand that imported goods certify their compliance with the mandatory quality and safety standards in Egypt.

3. Construction and Contracting Sector

Orascom Construction Industries is a leading Egyptian EPC (engineering, procurement and construction) contractor, based in Cairo, Egypt and active in more than 20 countries.

OCI was established in Egypt in 1938 and owned by Onsi Sawiris. It was nationalized in 1953 and then again de-nationalized in 1977. The company is the first multinational Egyptian corporation, and is one of the core Orascom Group companies. As a cement producer, OCI owned and operated cement plants in Egypt, Algeria, Turkey, Pakistan, northern Iraq and Spain, which had a combined annual production capacity of 21 million tonnes.

4. Banking Sector

The banking sector has gone through many stages since the establishment of the first bank in 1856, followed by the emergence of private sector and joint venture banks during the period of the Open Door Policy in the 1970s. Moreover, the Egyptian banking sector has been undergoing reforms, privatization, and mergers and acquisitions from 1991 up to today.

The banking system comprises 57 state owned commercial banks. This includes 28 commercial banks, four of which are state-owned, 26 investment banks (11 joint venture banks and 15 branches of foreign banks), and three specialized banks. Although private and joint venture banks are growing, many remain relatively small with few branch networks.

Egypt's banking system has undergone major reforms since the 1990s and today consumers are faced with a liberalized and modernized system which is supervised and regulated according to internationally accepted standards. Although the mortgage market is underdeveloped in Egypt and as yet foreigners cannot yet obtain a mortgage for a property in Egypt. In the near future, a new mortgage law will enable purchasers to take out property loans. This will open up the market considerably and create a storm of development and real estate activity in the near future.

Law 88 of 2003 regulating the Central Bank, the Banking and Monetary Sectors and its Executive Regulations replaced and superseded, among others, the old Banking Law 163 of 1957, the Central Bank Law 120 of 1975, the Banking Secrecy Law 205 of 1990, and the Foreign Currency Control Law 38 of 1994. Supervision of the banking sector is vested with the Central Bank of Egypt. The Law allows branches of foreign banks to deal in Egyptian currency and guarantees them the same treatment as national banks. The law embodies the principle of a market-determined foreign-exchange rate and defines the governmental and Central Bank roles in monetary policy. The Law permits foreigners to own up to 100% of an Egyptian bank's shares. However, no individual is permitted to own more than 10% of the shares of an Egyptian bank without the prior approval of the Central Bank.

5. ICT Sector

The Egyptian information and communications technology (ICT) sector has been growing significantly since it was separated from the transportation sector. The market for telecommunications market was officially deregulated since the beginning of 2006 according to the World Trade Organisation (WTO) agreement.

The government established Information Technology Industry Development Agency (ITIDA) through Law 15 of the year 2004 as governmental entity. This agency aims at paving the way for the diffusion of the e-business services in Egypt capitalizing on different mandates of the authority as activating the Egyptian e-signature law and supporting an export- oriented IT sector in Egypt.

While the move opened the market for new entrants, added and improved the infrastructure for its network, and in general created a competitive market, the fixed line market is de facto monopolized by Telecom Egypt.

The cellular phone market was a duopoly with prices artificially high but witnessed in the past couple of years the traditional price war between the incumbents Mobinil and Vodafone. A 500 minutes outbound local and long distance calling plan currently costs approximately US$30 as compared to approximately US$90 in 2005. While the current price is not so expensive, it is still above the international price as plans never allow "unlimited night & weekend minutes."

The main barrier to growth for Egypt's ICT sector is the monopoly of telecommunication corporations and quarreling workforce.

6. Oil & Gas Sector

Oil and gas is one of the most dynamic industries in Egypt, and hydrocarbon production is by far the largest single industrial activity, representing approximately 16 percent of Egypt's GDP.

Egypt has significant energy resources, both in traditional fossil fuels and in renewable energy.

Egypt's proven hydrocarbon reserves stood at 3.5 billion barrels of oil and 65.2 trillion cubic feet (tcf) of natural gas at the end of 2015. The Egyptian government encourages international oil companies (IOC) to participate in the oil and gas sector, and currently more than fifty IOCs are operating in Egypt.

Egypt plays a vital role in international energy markets through the operation of the Suez Canal and Suez-Mediterranean (SUMED) pipeline. Expanded in 2015, the Suez Canal is an important transit route for oil and liquefied natural gas (LNG) shipments travelling southbound from North Africa and along the Mediterranean Sea to Asia. Fees collected from the operation of these two transit points are significant sources of revenue for the Egyptian government.

Egypt has the largest refinery capacity in Africa at a nominal 840,000 barrels per day, although it operates well below this capacity, with 522,000 barrels per day processed in 2015. Currently the government is updating existing refineries, and a new private-sector refinery is also set to begin production. Egypt plans to invest USD 14.5 million developing its petrochemicals sector over the next five years. The petrochemical sector represents about 12% of industrial production and generates revenues totaling USD 7 billion, equivalent to nearly 3% of GDP.

The petroleum industry in Egypt is managed by the Ministry of Petroleum, under which five companies function as government agencies.

1. The Egyptian General Petroleum Corporation (EGPC)
2. Egyptian Natural Gas Holding Company
3. Egyptian Petrochemicals Holding Company
4. Ganoub El-Wadi Holding Company
5. Egyptian Geological Survey and Mining Authority

The Egyptian General Petroleum Corporation (EGPC) concludes concession agreements in cooperation with IOCs in the form of production sharing agreements (PSA). Egypt grants concessions in a specific area through the promulgation of a "special law" by the Egyptian Parliament.

The oil sector in Egypt has signed 73 oil and gas exploration deals with IOCs in the past three years, worth at least USD 15 billion, and signing bonuses of more than USD1 billion for the drilling of 306 wells. In May 2016, a new international bidding round was announced, including 11 blocks for Gulf of Suez and Western Desert.

GOE investment in natural gas was expanded by 33% in FY 2016, adding to an expansion of 32% the previous fiscal year. Crude oil projects did not see a similar favorable return on investment, but that is not to say the opportunities are not there, as several multinational firms announced commitments to increase their investment to total USD 10 billion over the next years.

In August 2015, Italian Energy Company Eni made a supergiant gas discovery at its Zohr

Prospect in the deep waters off Egypt's Mediterranean coast, with a potential 30 trillion cubic feet (tcf) of lean gas in a reservoir of about 100 square km. Zohr is the largest gas discovery ever made in Egypt or the Mediterranean Sea. The Ministry of Petroleum announced that early production will take place in December 2017, with startup up to 1,000 mmscdf to reach full production of 2,700 mmscfd in 2019.

B. Corporate Structures

I. Limited Liability Company

1. Formation

Foreign investors may usually opt for their investment either the legal form of an Egyptian Limited Liability Company (شركة ذات المسؤلية المحدودة –Shirka dat al masulia al mahduda) or an Egyptian Joint Stock Company (شركة المساهمة – Shirka-t-al musahama).

In general, a Limited Liability Company (LLC) with Egyptian and/or foreign shareholders must comply with the Egyptian governing companies, taxation, labor and social insurance laws.

Foreign investors are allowed to own up to 100% of the company's share capital, which makes it an attractive investment opportunity compared to other countries in the region. Exceptions to this are companies active in the banking and insurance sector (prior approval of the authority is required for more than 10% foreign share capital) and companies intending to invest on the Sinai Peninsula (requires 55% Egyptian share capital).

The constitutive document of the LLC, the statues must comply with the Model Articles of Association issued by the Minister of Investment. Variations thereof are only permissible upon approval of the Ministry and provided they are in accordance with the mandatory provisions of the Egyptian Companies' Law. It is recommended to use the Model Articles without significant changes in order to avoid problems and in worst case the rejection of registration.

The LLC must have a minimum number of two shareholders at all times and a maximum of 50, which can either be natural persons or legal entities and has to be registered in the Commercial Registry. The shareholders liability will be limited to the value of the shareholder`s investment. In addition, the company has to maintain a register of its shareholders at its head office, which must record the details of each shareholder, the number of shares owned by the shareholders, the sum paid and any assignment or transfer of shares.

The name of the LLC should refer to its corporate activity and may include one or more of the partners' names. Additionally, the words 'Limited Liability Company' must be included in the name. All correspondence, invoices and other printed material must include the name of the company.

Foreign employees are required to obtain work and residence permits to work in Egypt. The work license will only be granted if there is no Egyptian worker qualified for the position. An Egyptian substitute worker is considered to be available if he/she can attain the required qualifications within a 3 to 6 months training.

According to the Egyptian Labor Law, LLCs are not allowed to employ more than 10% foreign workers and foreign wages should not be more than 20% of the total payroll. Those numbers excludes the employment of the LLC`s managers. For more on Egyptian Labor Law see Section.

2. <u>Financial Requirements</u>

There is no minimum or authorized share capital to be paid for incorporation of an LLC. The requirement for a minimum capital had been gradually reduced by ministerial decree in 2007 from an initial minimum capital of 50,000 Egyptian Pounds (EGP) to a minimum requirement of 1,000 EGP. In 2008 it had been further reduced to 200 EGP, before it was entirely cancelled in 2009. The amount of the share capital is now left to the sole discretion of the shareholders. However, the issued share capital must be fully paid up at formation and placed in a blocked bank account until it is released upon registration in the Commercial Registry. Any capital increase will require an extraordinary general meeting resolution.

If the company`s capital equals or exceeds 250,000 EGP, 10% of its net profits, but not more than the total wages paid in the relevant fiscal year, has to be allocated to its employees as profit-sharing.

The LLC must keep financial books and records and must have an Egyptian external auditor who provides his annual report on the company`s financial standing and signs the balance sheet of the company. The auditor will also have to approve the company`s annual tax return in case its annual turnover exceeds 2 Million EGP.

Shares can be freely transferred, however, before a sale of shares outside the company, shares first have to be offered to other partners in the company by way of an official or unofficial agreement according to the company`s statutes. Existing shareholders then have the right to purchase those shares on a pro rata basis within one month from the time of the tender. In general, any outside sale of shares will require a shareholder resolution to obtain approval of the sale.

3. <u>Management</u>

A LLC may be managed by one or more managers, one of whom must be an Egyptian national, if the LLC`s share capital is 100% foreign. The company may also employ a third party as manager. In order to be appointed as manager, a foreign shareholder must obtain a residence visa. The manager has full authority to represent the company subject to any restrictions contained in the statues or resolved by a shareholder resolution. The representation may include all transactions related to the company`s corporate activity or may require prior approval of the partners for specific transactions according to the company`s Articles of Association. If the company has more than 10 shareholders a supervisory council has to be established. Employees will not participate in the management of the company.

II. Joint Stock Company

1. Formation

The status of the Joint Stock Company (JSC) is expected to comply with the Model Articles of Association issued by ministerial decree. To avoid difficulties in the process of registration, any major changes should be avoided although amendments are permissible after prior approval. Shareholders of JSC can enter into shareholder agreements that supplement its statutes.

The Joint Stock Company is commonly used when major investment is needed for example in manufacturing projects. An advantage is that it is not required to pay the full capital upon establishment, but can be paid in several steps over a number of years. The capital is divided into shares and the liability of shareholders is limited to the value of their shares. The JSC must have at least three shareholders at all times which can be natural persons or legal entities and must be registered in the Commercial Register. In case the number of shareholders exceeds 100, the company will be considered as a listed company.

In general, the capital can be 100% foreign, though there are some restrictions on foreign ownership banking, insurance and aviation companies or companies held in the Sinai Peninsula. Moreover, a JSC engaged in importation activity or representation of foreign companies must be 100% owned by Egyptians.

The name of the company should indicate the activity of the company. All official papers of the company, such as invoices, contracts ect. must indicate the name of the company, its registered address, and its issued capital.

JSC may not employ more than 10% foreign employees or pay them more than 20% of the total annual wages excluding members of the Board of Directors.

2. Financial Requirements

There is a minimum issued share capital of 250,000 EGP for closed companies required and 500,000 EGP for companies that intend to offer shares to the public. At least 10% of the issued share capital has to be paid in upon time of incorporation. Another 25% has to be paid within three months and the remainder to be paid within five years.

The authorized share capital is not to exceed 10 times the issued capital. Any increase in the authorized capital will require an extraordinary general meeting resolution, whereas an increase of the issued capital may be effected by a board resolution. Shares can only be issued after receiving the approval of the Egyptian Financial Authority (EFSA). The nominal value of the share must not be less than 1 EGP or more than 1,000 EGP. Beside registered and bearer shares, the company may issue preferred shares which carry preferential rights with respect to voting, profit distribution and or liquidation.

The company`s after tax profits for each fiscal year may be distributed after a legal reserve equal to at least 5% of its issued capital funding until it reaches 50% of capital. The distributable profit may be distributed according to a resolution of the general assembly.

The JSC is required to allocate employee shares with a minimum of 10% of its distributable profits, but not exceeding the aggregate annual paid salaries.

The JSC must maintain financial books and records and submit annual audited tax returns. The company must also have an Egyptian Auditor.

3. Management

The JSC is managed by a board of directors comprised of at least three members at all times who are required to elect a chairman. The board of directors is the legal representative with full authority vis-à-vis third parties and entrusted with the day-to-day business which it usually exercises through its Managing Director. The board members including the chairman can be foreign nationalities. They are elected for a three-year term.

Employees have the right to participate in the management of the JSC. The Egyptian law provides means of employees participation through board member ship, share ownership or an administrative committee from among the employees.

III. Branch and Representative Office

1. Branch Office

Foreign companies are allowed to open branches in Egypt to carry out construction work, establish hotel managements, commercial use, financial gains and finally, industrial activities or generally to execute works of contractual nature. The Company should make a Power of Attorney for the lawyer that will proceed with the formalities to create the branch.

The Company should appoint someone as a Branch Manager for the Egyptian Branch, and to legally give him the Power to represent the Company in all matters related to its activity and existence, to handle matters of complicated or specialized nature such as taxes, and legal disputes. Afterwards, the foreign company, or its attorney, will apply to the competent commercial registration office for registration of a branch.

2. <u>Representative Office</u>

Foreign companies can establish representation in Egypt, liaison, or scientific offices. The object of such offices is limited to studying the Egyptian market and exploring the possibility for their companies to manufacture or carry out business in Egypt. This is without actually performing any kind of commercial activity including commercial agency work, or performing any activity which may generate income. Representation, liaison, or scientific offices should be registered at the Companies Department before they are allowed to work in Egypt.

The manager of the representation, liaison, or scientific office can be a foreigner. But the manager of a scientific office of a pharmaceutical company, which is registered at the Imports and Exports Authority, must be an Egyptian who is a licensed member of one of the medical professions in Egypt.

There is no minimum capital for a representation, liaison, or scientific office, but the funds required to establish any such office and to run it should be transferred from abroad in foreign convertible currency and deposited at one of the accredited banks in Egypt. However, scientific offices of pharmaceutical companies are allowed to use the royalties and promotion allowances accruing thereto as indicated above in meeting their expenses or part thereof. On the other hand, the managers and employees of these offices are subject to the salary tax on the salaries and other remunerations they receive.

IV. Free Zones

Free Zones are a gateway to investment in Egypt, since its establishment in 1971 it provides the best advantages, incentives, exemptions, and guarantees, and much more freedom on transactions the Imports, as it is not subject to the same import and export procedures applied in the country.

In Egypt, the free zone system is regulated by Incentives and Securities of Investment Law No. 8 of 1997, its executive regulation and modifications. This system is applied by the General Authority for Investment and Free Zones (GAFI). According to the regulations, while the free zone areas are located in Egypt, they are considered to be offshore areas.

The Egyptian government has established nine free zones (Alexandria, Nasr City, Port Said, Domitta, Ismalia, Media, Shebin El-Koom, Suez Public Free Zones and the Public Free Zone of Keft) distributed all over the republic and supplied with facilities and essential infrastructure services such as electricity, water, sanitation, telecommunication, and natural gas necessary for the establishment and running of investment projects. The free zone locations were chosen taking into account the proximity of the sea and air ports, as well as the proximity of large cities (where workers and supporting factors are available, in order to attract the investment enterprises to them).

According to the Egyptian regulations, free zone companies are committed to export more than 50 % of their total production. Moreover, free zone projects are not subject to taxes. With an investment in Egyptian Free zones the investors get many incentives and guarantees, such as freedom in:

- Choosing investment field
- Transfer of the profits and invested money
- Import from both domestic and external markets
- Specify products pricing
- Import and export without restriction
- No Limits to capital

C. Investment Climate

The Egyptian equity market is one of the most developed in the region with more than 633 listed companies. Market capitalization on the exchange doubled in 2005 from USD 47.2 billion to USD 93.5 billion in 2006, peaking at USD 139 billion in 2007. Subsequently, it has fallen to USD 58 billion in 2012 after the uprising in 2011. It has started noticeable recorvering after the new presidential elections in 2014.

Private equity has not been widely used in Egypt in the past as a source of funding for businesses. The government, however, has instituted a number of policy changes and reforms specifically intended to develop internal private equity funds and to attract private equity funding from international sources.

The major industries include textiles, hydrocarbon and chemical production, and generic pharmaceutical production. Unemployment is high at about 10.5%.

Until 2003, the Egyptian economy suffered from shortages in foreign currency and excessively elevated interest rates. A series of budget reforms were conducted in order to redress weaknesses in Egypt's economic environment and to boost private sector involvement and confidence in the economy.

Major fiscal reforms were introduced in 2005 in order to tackle the informal sector which according to estimates represents somewhere between 30% to 60% of GDP. Significant tax cuts for corporations were introduced for the first time in Egyptian history. The new Income tax Law No 91 for 2005 reduced the tax rate from 40% to 20%. According to government figures, tax filing by individuals and corporations increased by 100%.

Many changes were made to cut trade tariffs. Among the legislators' goals were tackling the black market, reducing bureaucracy and pushing through trade liberalization measures. Amendments to Investment and Company law were introduced in order to attract foreign investors. For example, the number of days required for establishing a company was dramatically reduced.

Significant improvement to the domestic economic environment increased investors' confidence in Egypt. The Cairo & Alexandria Stock Exchange is considered among the best ten emerging markets in the world. The changes to the policy also attracted increased levels of foreign direct investment in Egypt. According to the UN Conference on Trade and Development's World Investment Report, Egypt was ranked the second largest country in attracting foreign investment in Africa.

Given the large number of amendments to laws and regulations, Egypt has succeeded to a certain extent in conforming to international standards. Very recently the Cairo & Alexandria Stock Exchange (CASE) was welcomed with full membership into the World Federation of Exchanges (WFE); the first Arab country to be invited.

I. Why to invest in Egypt?

After several years marked by turbulence and uncertainty, Egypt‘s economy received two welcome boosts in 2015. The first was the successful conclusion to the Egypt Economic Development Conference (EEDC) in the first quarter of the year, which drew more than 70 senior executives from global firms, the leaders of major financial institutions such as the IMF‘s Christine Lagarde, 15 heads of state, and the finance or foreign ministers of nations like Russia, the UK, the US and China, along with more than $72bn worth of commitments. The second was the successful passage of the 2015/16 budget, which builds upon delicate but necessary reforms to improve Egypt‘s public finances.

The combination of the two – along with a range of efforts including new economic zones and power plants to improve industrial production and energy output, and a slate of public works projects including an expansion to the Suez Canal – means that Egypt is proceeding along an increasingly smooth, if still occasionally pot-holed, road to growth. There are challenges still to be tackled, but the country‘s outlook is brighter than it has been since the 2011 revolution.

II. Foreign Investment

The EEDC, the new investment law and the apparent return to political stability all contribute to Egypt‘s efforts to restore the high levels of foreign investment it once enjoyed. The global economic crisis saw total foreign net investment in the country fall from a peak of nearly $13.2bn in 2007/8 to $8.1bn the following year, according to the MoF, and by 2010/11, the year in which Egypt's domestic tensions were translated to revolution, foreign direct investment (FDI) had fallen to a new low of $2.2bn. However, more recently the trend has reversed and foreign investment levels are once again beginning to expand.

In terms of origin, the UK is the largest source of FDI, accounting for 47% of total inflows in 2013/14, followed by the US (20.5%), the UAE (3.7%) and France (3.2%). As the range of deals signed at the EEDC demonstrated, the energy sector, including oil, gas, electricity and renewables, is likely to be the biggest beneficiary of FDI, although the Ministry of Investment has also identified infrastructure and small and medium-sized enterprises in garment manufacturing and food processing as other key destinations.

III. Taxation

1. Corporate Income Tax

The general applicable tax rate on all corporations is 22.5% except for certain governmental authorities and oil and gas exploration and production companies for which the rate is 40.55%.

In 2015, a new law was issued regarding an additional corporate income tax, at a rate of 5%, which shall be imposed on natural and juristic person's net profit exceeds EGP one million per annum. The tax is paid on the net profit of the entity in question, established by duly audited financial statements. Profits from the following activities are exempted from Corporate Income Tax:

- Ministries and governmental authorities
- Non-governmental organizations and institutions established under the Non-Governmental Organizations Law 84 of 2002
- Non-profit organizations with objectives falling under social, scientific, cultural or sporting activities
- Profits realized from private insurance funds established under Law 54 of 1975 Regarding the Issuance of Private Insurance Funds
- International organizations exempted by means of international treaties
- Profits realized from investment funds established under the Capital Market Law 95 of 1992
- Dividends on bonds registered in the official registers of the Egyptian Stock Exchange
- Dividends realized by resident juristic persons from their investments in securities registered with the Egyptian Stock Exchange
- Dividends realized by juristic persons from securities issued by the Central Bank of Egypt
- Distributions and dividends realized by resident juristic persons due to their shareholdings in other resident juristic persons

- Profits realized by land reclamation projects for a period of ten years starting from the commencement of the company's activities or the production, as the case may be
- Livestock and fish farming activities for a period of ten years starting from the commencement of the activities of the company

2. Taxation of Individuals

The salary tax applies to all salaries, wages, benefits and the like paid to persons residing in Egypt, and to persons residing abroad for services rendered in Egypt. The taxable salary will include overtime, bonuses, any fringe benefits and other allowances at the following rates:

- Amounts of LE 6,500 and below → tax exempt
- Amounts above LE 6,500 to 30,000 → would be subject to a 10% salary tax
- Amounts above LE 30,000 to 45,000 → would be subject to a 15% salary tax
- Amounts above LE 45,000 to 200,000 → would be subject to a 20% salary tax
- Amounts above LE 200,000 → would be subject to a 22.55% salary tax

As an exception to the above, a tax shall also apply to the amounts obtained by non-residents irrespective of the entity employing them as well as those amounts acquired by residents from sources other than their original work (employer) at a flat rate of 10% without any cost reduction or any other deductions of any kind. Therefore, non-resident employees will be required to pay a 10% flat rate on their earnings.

3. VAT

The VAT Law No. 67/2016 was issued early in September 2016 to repeal and replace the General Sales Tax Law No. 11/1991 and entered into force the day after it was published the Official Gazette.

The general VAT rate has been set at 13% for the fiscal year ending June 30, 2017. From July 1, 2017, it has been increased to 14%. Machinery and equipment used in producing taxable or non-taxable goods or rendering services are subject to a 5% VAT rate, whereas exported goods and services are zero-rated. However, special rates apply to a number of goods and services listed in Table (1) of the VAT Law.

According to the VAT Law, all local and imported goods and services are subject to VAT except those specially exempted. Services – as defined in the law – include any imported or local work done and not classified as goods. The VAT rates are applied subject to the classification of the services and goods under three main categories:

- Goods and services subject to the schedule tax and VAT;
- Goods and services subject to schedule tax only; and
- Goods and services exempted from VAT.

The VAT registration is obligatory to all persons or legal entities selling goods or services with gross sales of both taxable and exempted goods and services equal or higher than EGP 500,000 in the 12 months preceding the date of the VAT Law entering into force. The person or legal entity is obligated to register with the Egyptian Tax Authority (ETA) within 30 days of the effective date.

Non-resident and non-registered persons supplying taxable goods or rendering taxable services in Egypt to non-registrants who do not perform an activity through a permanent establishment (PE) in Egypt, will need to appoint a fiscal representative responsible for all requirements listed in the new law. If such non-resident and non-registered persons deal with resident persons in Egypt, and non-registered persons deal with resident persons in Egypt, the resident person must ensure that a fiscal representative has been assigned, otherwise the resident will be liable to pay the tax due.

IV. Investment Guarantees

A new Investment Law No. 72 of 2017 (Investment Law 2017 or new Law) was officially published on 31 May 2017 and came into effect on 1 June 2017. The new Law repeals the Investment Guarantees and Incentives Law No. 8 of 1997. The new Investment Law No. 72 aims to promote foreign investments by offering further incentives, reducing bureaucracy, and simplifying and enhancing processes.

The provisions of Investment Law No. 72 shall not affect the benefits and tax exemptions, and other guarantees and incentives for existing companies and establishments. These companies and establishments shall retain their privileges, exemptions, guarantees and incentives until the end of the related investment periods. In this regard, Investment Law No. 72 also retains the amendments to Law No. 8 introduced in 2015.

The investment guarantees set forth under the new Law are:

- The Government shall treat foreign investors in a similar way like national investors.
- Preferential treatment may be established for foreign investors in accordance with the principle of mutual agreement.
- Invested funds are not subject to arbitrary proceedings.
- Non-Egyptian investors shall be granted residence in the Arab Republic of Egypt throughout the operation of the project.
- The Government is obliged to respect and enforce the contracts it concludes.
- Nationalization of investment projects shall not be allowed.
- The funds of investment projects shall not be seized except for the public interest and in return for fair compensation.

- A final judicial ruling will have the authority to impose guardianship.
- Project funds may only be seized by a court order, with the exception of tax debts and social insurance contributions.
- Administrative authorities may not cancel the license issued for the project until a warrant of violation has been issued to the investor, after a hearing for the investor and the opportunity to dismiss the violation.
- The investor has the right to finance the project from abroad in foreign currency and is entitled to derive profits, transfer profits abroad, or liquidate the project and transfer the output of liquidation abroad.
- Administrative authorities must notify a company under liquidation of their obligations within a maximum period of 120 days from the date of submission of the liquidator request; otherwise, the company will have no responsibility.
- The right of investment projects to import the necessary raw materials, production necessities, equipment and spare parts, without the need to register in the importers' register. They also have the right to export their products without registering them in the exporters' register and without a license.
- The investment project has the right to employ foreign workers up to 10% of the total number of employees. This shall be increased to 20% in the absence of national labor with the necessary qualifications. In addition, foreign workers have the right to transfer their remuneration abroad.

D. Commercial Agencies

Foreign companies or establishments may not establish scientific, technical, consulting or other services unless they have a commercial agent in Egypt in accordance with the Egyptian laws and regulations. Such companies and establishments can carry out any act of commercial agency or mediation only through a registered agent or commercial intermediary.

Law no. 120 of the year 1982 and the Ministry of Economy Decision No. 342 of 1982 set out the general principles of the Commercial Agencies and intermediaries in Egypt and the Commercial Law no. 17 of the year 1999 which states the substantive regulations, in addition to the general laws and regulations stipulated in the Civil Code.

I. Requirements for registering a commercial agency

A Commercial Agent is a natural person or a legal entity carrying out the business of submitting tenders or concluding purchase, sale or lease contracts on behalf of and for the account of producers, manufacturers or distributors. Such person or entity must be recorded in the Register for Commercial Agents maintained at the Ministry of Economy and Foreign Trade. He must be either an Egyptian national or an Egyptian juristic entity whose name has been registered with the Commercial Agents and Intermediaries Register at the Ministry of Economy and Foreign Trade (MEFT). Furthermore, the person / entity must meet specific requirements, such as:

With regards to natural persons:

1. To be reputable and who has never been sentenced to a felony or a penalty restricted to freedom in a crime against honor or in any of the crimes stipulated in the law or the laws of import or export, customs, taxes or taxes supply, companies or trade unless he has been rehabilitated.
2. He shall not be bankrupt unless he has been rehabilitated.
3. He shall not be an employee of any local governmental units or public bodies or companies and units of the public sector. And not to be a relative of the first degree of an employee of the rank of General Director or any level of members (Purchasing, selling or deciding committees in such unites and bodies).

With regard to companies' registration:

1. The company's Headquarter shall be in Egypt.
2. Undertaking the work of commercial agencies or mediation shall be one of the company's objectives provided in its Articles of Association.
3. The capital shall be wholly owned by the Egyptian partners, taking into account at least ten years in the case of obtainment of Egyptian nationality by naturalization.
4. The capital of the company shall not be less than 20,000 (Twenty Thousand Egyptian pounds).

II. Commission and Termination or Non-renewal

Commission rates vary according to the type of product or service, volume of sales and involvement needed by the agent. Typically, the larger the volume of sales, the smaller the commission. For commodities such as rice, wheat, sugar, lumber and cotton, the commission ranges between one and three percent; for chemicals and foodstuffs, 3-5 percent; for medical equipment, earthmoving equipment, and office/business equipment, about 10 percent; for expensive laboratory and scientific equipment, 15 percent. For major related projects such as a complete civil engineering project, the commission is typically 3-5 percent. In tenders, the commission is calculated in the quoted bid. If a bidder reduces the bid price, the agent typically is asked to share in the reduction. Commission rates must be reported in bid packages for government tenders, with the government reserving the right to reduce any commission it deems extravagant. Commission rates also must be noted in the Ministry of Trade and Industry

Commercial Registry documents signed by the Egyptian agent. Agent exclusivity is not required by law; the majority of foreign firms have one or two Egyptian agents for different products, although a few have more.

Agencies can be split geographically and/or by product, although this is generally avoided in Egypt, where activity is centered around the capital city of Cairo. If there is a geographic split, it is generally Alexandria, with or without the Delta cities on one hand, and Cairo and the Nile Valley on the other. Agencies also can be split between private and public customers, with one agent specializing in tenders and others handling private-sector customers. Agents often appoint subagents to cover smaller cities.

The registration shall be renewed every five years from the date of registration or the date of the last renewal, provided that the application shall be submitted within the 90 days preceding the expiry duration. However, the renewal shall be accepted if submitted within the 90 days following the expiry of the period if the applicant has paid the fees. In this case, the fees will be multiplied. The registration of the agent or mediator shall be canceled in case of failure to submit the renewal request within the 90 days referred to.

III. Obligations and Penalties

The commercial agent shall keep regular books of accounts that include true data, and he shall record in these books all the commissions due to him and the banks where such amounts are deposited. He shall also notify the competent department in the Commercial Agents and Mediators Register when he ceases his activities within 30 days from the date of such cessation.

Without prejudice to a stricter penalty stipulated in any other law, a penalty of imprisonment for a period not less than 6 months and a fine not less than 500 EGP and not exceeding 10000 EGP or any of these two penalties shall be inflicted upon any person who commits any of the following:

– Practice the profession of commercial agency or carry out any activity of commercial mediation without being registered in the Commercial Agents and Mediators Register.

– Record or renew his registration in the Commercial Agents and Mediators Register based on untrue information concerning the fulfillment of the conditions of entry.

A penalty of imprisonment for a period not more than 6 months and a fine not more than 5000 EGP or one of two penalties shall be inflicted upon any commercial agent or mediator continues intentionally to practice his activity after lapse of any of the requirements.

E. Regulations in regard to Products and Service

I. Import Regulations

Egypt joined the International Convention on the Simplification and Harmonisation of Customs Procedures (Kyoto Convention) in 2007. Thus, it aligned the country's customs procedures with those of the World Customs Organisation. The convention is an instrument for the harmonisation of customs techniques. It also aims at ensuring that customs system is not a barrier to international trade and growth.

As mentioned above Egyptian law requires that all commercial agents and importers have Egyptian nationality. If it is a company, the chairman and all members of the board must be Egyptian, and it must be 100% Egyptian-owned. However, distributor-type companies with any foreign ownership can market goods under certain conditions that limit flexibility of the foreign entity.

There are significant document restrictions; the original sales invoice and two copies of it, the original certificate of origin and two copies of it are required. These two documents must be certified and authenticated by the Egyptian consulate in the country of origin. For the certificate of origin, it is necessary to specify that the information given is exact and accurate. Further, the package list, the bill of lading with the name and address of the sender and the number of bills of lading sent are required. Since 1999, The Central Bank of Egypt informed national banks that all the letters of credit should be paid 100% in cash by the importer. A complete description of the product content is also required for products for which analyses are compulsory.

The Ministry of Trade and Industry in Egypt ("the Ministry") issued Resolution 43 of 2016, dated 16 January 2016, amending Resolution 992 of 2015, dated 30 December 2015, concerning the new rules of registering qualified foreign manufacturers prior to exporting their products to Egypt.

The new requirement requires foreign manufacturers, their authorized distributors or companies owning the manufacturer products' trademarks to register with the GOEIC in order to clear their products into Egypt for trading purposes.

Foreign manufacturers are required to register with the General Organization for Export and Import Control ("GOEIC") prior to shipping their products to Egypt. Additionally, customs documentation that is related to customs transactions conducted through 'cash against documents' can only be exchanged through designated banks, which reduces the flexibility of exchanging customs documents and consequently increases the clearing time and associated costs. Import costs are further increased by the obligation to attest import commercial invoices, and the increase of the import customs duty on a significant number of goods imported into Egypt.

Egyptian importers may be required to register their foreign suppliers with the Government. In particular, the Ministry of Trade and Industry approved a list of 50 commodities that require import registration at the General Organization for Exports and Imports Control (GOEIC). The required documents for registration include a copy of the license of the production factory, its certificate of legal status, the trademark of the product, and the trademark produced according to a license from the owners. The list of products to register includes garments, furnishings, home appliances, carpets, textiles, shoes, steel, blankets, bikes, motorbikes, watches, mineral/natural waters and soda.

In addition, overseas suppliers must allow Egyptian technical teams to inspect their imported products to ensure that environmental and labor standards are met. They may be also required to provide a certificate of quality control from a recognized body of the International Laboratory Accreditation Cooperation (ILAC).

Finally, the Central Bank of Egypt has moved to restrict opening letters of credit for the import of fully manufactured cars (though it will continue to provide hard currency for the import of car parts for assembly in Egypt).

Customs accepts the entry of samples exempt from all duty for the purpose of sales promotion or exhibition. The value of these samples must not exceed EGP 500 or it should not be possible to sell them as such. These conditions must be repeated specifically in the accompanying documents. If they do not meet these conditions, a deposit must be made to Customs with a file which will ensure a re-export of the product. The deposit will be returned on proving the re-export of the goods. For medical samples, health regulations must be met.

II. Consumer Protection and provisions on liability

When distributing products internationally, manufacturers and traders should consider distinctive regulatory regimes established by the jurisdictions in which they are engaged. Of particular concern will be consumer protection and provisions on liability, such as product liability regulations. Specific product liability regulations have developed in the Near and Middle East and Northern Africa (MENA) region only recently. Thus far, the existing provisions are quite rudimentary. That said, some MENA jurisdictions comprise specific provisions on product liability, such as Egyptian law, which includes a comprehensive product liability regime.

Specific provisions on product liability were first introduced into Egyptian law in 1999 as part of the revised Commercial Transaction Law (17/1999). The Consumer Protection Law (67/2006), enacted in 2006, further extended the Egyptian product liability regime. Together with the general provisions on contractual and tortious liability within the Civil Code, the Commercial

Transaction Law and the Consumer Protection Law form the Egyptian liability regime for manufacturers, traders, distributors and service providers.

1. Article 67 (1) of the Commercial Transaction Law

In principle, liability under Article 67 of the Commercial Transaction Law is strict. However, liability is somewhat restricted where retailers are concerned. Retailers are liable according to Article 67 (1) of the Commercial Transaction Law only if they were or should have been aware of the defect at the time of sale. Whether a retailer knew or should have known of a defect is determined by objective standards. Hence, a retailer is liable for damages or harm caused by a defect pursuant to Article 67 (1) if a diligent businessperson would have discovered the defect.

The Commercial Transaction Law also addresses questions of conflict of laws. A manufacturer or distributor that has its place of business outside Egypt is nonetheless subject to the jurisdiction of the Egyptian courts for claims under the Commercial Transaction. A claim must be filed within three years of the injured party obtaining knowledge of the harm or damage incurred. In any case, claims are time barred 15 years from the date on which the defect was caused.

In addition to Article 67 (1) of the Commercial Transaction Law, further provisions on liability for defects were introduced into Egyptian law in 2006 with the implementation of the Consumer Protection Law. The primary purpose of the Consumer Protection Law is consumer protection. As such, the law imposes certain rules of conduct on manufacturers and distributors (Article 2 and following of the Consumer Protection Law). The Consumer Protection Agency oversees compliance with these regulations. Further, the Consumer Protection Law bestows non-governmental organizations (NGOs) active in the area of consumer protection with certain competences (Article 23). Apart from provisions regulating the conduct of manufacturers and distributors, the Consumer Protection Law also establishes their liability towards consumers.

2. Article 447 (1) of the Civil Code

Where the specific provisions of the Commercial Transaction Law governing product liability do not apply, liability for injury or damage caused by defective goods or services may derive from the general provisions governing contractual liability. The principal remedy for breach of contract under Egyptian law is restitution in rem – that is, specific performance. Where in a contract of sale restitution in rem is impossible, has failed or was denied, the purchaser may be compensated for defects in the sold item pursuant to Article 447(1) of the Civil Code. This article stipulates that the seller is liable to the buyer for compensation where the goods sold were defective.

As such, Article 447(1) of the Civil Code primarily aims to compensate the buyer for monetary loss sustained because the purchased item was defective. In other words, where the loss occurred because the product could not be used for its intended or common purpose. Whether further indemnities for injury or damage caused by the defect (ie, damage done to other parts of a product due to a spare part being defective) will be granted is unclear.

On the one hand, Article 447(1) of the Civil Code applies only in relation to the seller and buyer. On the other hand, product liability relates to the manufacturer and other parties involved in trading the concerned good, and entitles anyone that sustained damage or injury due to the flaw in the concerned good to claim damages.

III. Competition Law

The Egyptian Competition Law was promulgated by Law 3/2005. The Law aims to ensure that economic activity does not prevent, cripple, or harm freedom of competition.

Basically, the Law handles the behavior of persons doing business in the market. A person's market share shouldn't constitute a violation unless one of the violations mentioned in the Law is committed. This corresponds with the very name of the Law, as it aims to prevent monopolistic practices, not monopoly.

The Law sets a number of rules that organize the economic activity of persons transacting in the market in general. This applies to Natural and legal persons, economic entities, unions, financial associations and groupings, and groups of persons, regardless of their means of incorporation.

The provisions of the Law shall apply to acts committed abroad and likely to result in the prevention, restriction or harm of the freedom of competition in Egypt and which constitute crimes under the Law. The provisions of this Law shall not apply to public utilities managed by the State and the agreements made by the governments to fix the price of one or more basic commodities upon a decree from the Cabinet of Ministers.

The Law prohibits a number of acts that have negative impact on the economic activity, such as:

<u>Horizontal agreements (Article 6)</u>

The Law prohibits certain agreements and contracts between competing persons in the subject market (horizontal relation), which is called Cartel. The Law has exhaustively listed these agreements and contracts:

- Increasing, decreasing, or fixing prices of sale or purchase of products subject matter of dealings.
- Dividing product markets according to geographic areas, distribution centers, type of customers, goods, or seasons or time periods.
- Coordination with regard to application to or refrain from tenders, biddings, or transactions as well as other procurement bids.
- Constraining production and distribution operations.

The Law considers horizontal agreements and contracts in themselves, not their outcome, as a violation (per se rule). What matters is proving the existence of a contract or an agreement, not the ensuing outcome.

Vertical agreements (Article 7)

The Law prohibits agreements and contracts between a person and any of its suppliers or clients (vertical relation), if such are likely to restrict competition. The Executive Regulations set the criteria that should be used by the Competition Authority to determine these agreements and contracts:

- Effect of the given agreement or contract on the freedom of competition in the market.
- Benefits accrued to the consumer by virtue of the subject agreement or contract.
- Considerations relevant to the preservation of the quality of the product and its brand name, as well as its safety and security requirements.
- Degree of compliance of the terms of agreement or contract with established commercial norms governing the activity subject to examination.

Abuse of dominant position (Article 8)

The Law prohibits any person with a dominant position on the relevant market from abusing this dominance. The person's dominance is clear, if all the following three elements exist together:

- Market share should exceed 25% of the total relevant market.
- Should have the ability to impact the prices or the supply of the product in relevant market.
- His competitors do not have the ability to limit his activities in the relevant market.

Any violation of the provisions of Articles 6, 7, or 8 of the Law shall be penalized by a fine of not less than thirty-thousand Egyptian pounds and not more than ten-million Egyptian pounds without prejudice to the civil responsibility for the damages resulting from committing any of the prohibited acts.

F. Important Laws and Regulations

I. Labor Law

1. General overview

Employment law in Egypt is primarily governed by the Egyptian Labour Law No. 12 of 2003 (Labour Law). The Labour Law governs nearly all employment relationships in Egypt, where the employer is an Egyptian person or entity, including both Egyptian and foreign employees. On a wider scale, employment relationships are also governed by the Egyptian Civil Code for matters not regulated by the Labour Law. Furthermore, part of the employment relationship is governed by the Egyptian Social Insurance Law No. 79 of 1975.

The Labour Law sets out a general rule regarding the enforceability of its provisions in which any preferable conditions, in favour of the employees, set by the employer will supersede the provisions of the law. Therefore, if the employees enjoy any preferable conditions, these will prevail over the Labour Law's provisions.

The Labour Law applies to the employees of an Egyptian employer in the private sector, regardless of the legal form of the Egyptian employer's entity. For example, an Egyptian branch of a foreign company will be considered to be an "Egyptian entity" and its employees will therefore be subject to the provisions of the Labour Law. In other words, any foreign employer intending to perform any activity in Egypt must establish an Egyptian legal entity, which will act as the Egyptian employer for the employees performing activities in Egypt.

However, it should be noted that Egyptians who are employed by foreign entities abroad are not subject to the Labour Law, even if they carry out their work from Egypt for activities abroad (although they may be subject to Egyptian income tax).

In light of the Labour Law, employers have many obligations towards both their employees and various authorities. Initially, the employer must pay the employee's income tax on behalf of an employee by deducting the relevant tax amount from the employee's salary and deliver the deducted due amount to the Egyptian Tax Department.

The employer must also register with the Egyptian Social Insurance Authority and register all its employees in the entity's file at the Social Insurance Authority (in this regard, the employer is responsible for paying its share of social insurance contributions and deducting its employees' social insurance contributions in order to pay both contributions to the Social Insurance Authority).

Employers are obliged to execute written employment contracts with their employees, regardless of whether they are Egyptian nationals or foreign employees. However, an employment relationship can be terminated at a certain point in time.

The Labour Law states that if the employment contract is terminated by the employer without a valid cause, the court will compensate the employee with at least two-months' full salary for each year of the employee's service with that employer, in addition to other entitlements (such as any accrued annual leave, bonuses, profit share, and so on).

On the other hand, the employee can terminate his/her employment contract for legitimate and adequate cause related to his/her health, social or economic conditions. If the employee is the one terminating the contract, he/she should serve two or three months' notice to the employer (depending on the service period of the employee). In practice, the employer is unlikely to obtain compensation from the employee for his/her early termination of the employment contract, especially when the notice period is respected by the employee or is exempted by the employer.

2. <u>Corporate Immigration</u>

It is obviously that Corporate Immigration has become extremely an important topic over the last several years, particularly now with the growth of the foreign investments in Egypt. Corporate Immigration, as the name implies, is the process through which a foreign company or individuals relocate or create a part of its business in Egypt.

Business or corporate immigrants create employment opportunities and make a significant investment in Egypt. With any Corporate Immigration, it is critically important that the formation of any new Egyptian entity with foreign investors be done properly to ensure that the new entity will comply with the applicable Egyptian business codes as well as the Labor Law to ensure a seamless corporate immigration process.

The most common occupation for expats working in Egypt is teaching in private schools while volunteers and NGO employees constitute another substantial section of the expat community. Other industries that attract foreign workers are oil & gas, media, as well as an emerging IT industry. As Egypt's largest city, Cairo offers expats the most employment opportunities to foreigners.

The work permit is the standard corporate immigration process for high-level managers and highly skilled staff. Noting that Work permits are limited under a quota scheme whereby the appointment of one foreign employee requires the appointment of nine Egyptian employees at the same time, said ratio (1:9) in application of the Egyptian Labor Law.

Employees who change jobs while staying in Egypt must apply for a new residence and work permit, which must be handed in to the Egyptian Immigration Authorities prior to the new work commences.

II. Intellectual Property Law

Egypt is considered one of the top countries in copyrights infringement. Prior to Revolution of 2011, Egyptian government was focusing on copyrights protection. However, after the Revolution due to the political instability this focus has significantly been reduced. Now Egypt has started to regain its stability back both politically and economically, so it's time for the government to re-focus on its efforts to reduce piracy in Egypt as well as other intellectual property rights violation, as these are at times the main concern of many foreign corporations and business owners investing in Egypt.

Numerous reports conducted show that piracy percentage in Egypt is quite high and is the cause of significant losses of the companies and products' owners. In light of the strategic investment initiatives and incentives being put forth by the Egyptian government, an effective plan aiming at reducing infringement rate shall be set in order to provide suitable environment for foreign direct investment in the country.

ITEDA (Information Technology Industry Development Agency)

The information technology (IT) industry development was established according to Law no. 15 of the year 2004 (the E-Signature). It is mainly responsible for issuing licenses for software, software business development, receiving complaints and training. The establishment of ITEDA helped to legitimize the software products in Egypt. However, it still needs improvements to increase its effectiveness and in specific in tracking and investigating companies-users of illegal software products. Therefore, a relevant amendment of the E- signature law is required in order to grant ITEDA authority to track and investigate. Also, a useful enabler to be provided by ITEDA is an online reporting system which would permit users to report software piracy online in an easy manner.

The Economic Court

The Economic Court was established in 2008 under law no. 120. The establishment of the Court in which copyrights cases are handled by trained judges, has significantly affected the development in the area of intellectual property. The Court accepts the electronic evidence such as email address, IP address and website IP address.

Penalties are low as the minimum sentence is one month and the fine is from LE 5,000 to LE 10,000 (Article 181). Such 'nominal' fine is obviously insufficient to cover losses suffered by the holder of the right; and the civil litigation for compensation claim takes at times too long. Therefore, the provision or relevant amendment to the law could serve a positive impact on protection of IP rights.

The Patent Law

The Patents and Industrial Designs Law No. 132 of 1949 allows inventors to obtain patent protection for 20 years from the date of application. The patent holder has the executive right to exploit the invention, including the right to pledge, assign or license the patent. A separate office and register is maintained for industrial designs. Industrial designs are granted protection for five years from the date of registration, renewable for two similar periods.

The Trademark Law

The Trademark Law No. 57 of 1939 provides trademark holder protection for 10 years from the date of application, in accordance with the Trademark Law Treaty. Trademark protection is renewable indefinitely for similar periods. Renewal is not automatic, and the procedure for renewals is the same as the procedure for the initial registration of the trademark.

The Trademark Law provides for protection against false or misleading trade statements, including any description or claim relating to the following:

- The number, measurement, weight, components and contents of goods.
- The date of manufacture and expiry date on food products
- The area or country where the goods were manufacturer or producer
- The name and other details of a manufacturer or producer

Penalties have increased to a maximum of EGP 20,000; a minimum prison sentence of two months or both.

<u>The Copyright Law</u>

The Copyright Law No. 354 of 1954 defines copyright protection to include, among other things, architectural designs; speeches; theatrical, photographic, musical and cinematographic works; and television and radio programs. The law was amended in 1992 (by Law No. 38) to broaden the scope of its protection to include video tapes and computer software.

Books and computer programs are granted protection for the author's lifetime plus 50-70 years. Sound recordings are granted 50 years' protection from the recording date.

The specific penalty for copyright violations is a fine of EGP 5,000 – 10,000 per infringement, a prison term of not less than a month or both. Egypt is a signatory to the Paris Convention, which states that if a patent application is made in a member country of Paris Convention or any other country offering reciprocal treatment, the applicant may apply for a patent in Egypt within a year of the relevant application abroad. Egypt is also a signatory to the Madrid Convention of 1954 and the Berne Convention of 1886.

<u>Conclusion</u>

There are more than 40 million internet users in Egypt, yet there is no Internet Law. It's very essential to promulgate Cyber Law in Egypt in order to handle cybercrimes, illegal downloads, software piracy etc. Intellectual Property Law No. 82/2002 and the E-Signature Law No. 15/2004 are not enough to handle such cases. Therefore, an independent internet law shall be a powerful tool against E-crime and internet commercial crimes.

Apart from the legal framework and procedural peculiarities, one of the important factors contributing to the battle against intellectual property violations is public awareness which Egyptian society lacks. To encourage the initiatives undertaken in the realm of Intellectual Property in Egypt a public awareness campaign shall be undertaken via different media channels in order to raise public awareness about conflict and negative influence of copyrights' infringement. Awareness sessions shall be run in companies across Egypt aimed at training and educating employees, as well as schools, universities and educational institutions.

Owners of copyrighted materials and trademarks should register their products in Egypt. Through registration the rights are obtained for the product and allow the legitimate owner to take appropriate action in case of violation. This itself will not only protect the owners but also contribute to efforts aimed at reducing tremendous amount of illegal users of trademarks and copyrights' infringers. Companies-owners of protected products (especially software producers) have a great potential in investment in software industry in Egypt which in turn will create job opportunities for the population, reduce cost of the software and introduce reasonable sale prices for the lucrative and large market of Egypt.

Since Egypt represents a vast consumer market for the software products and also possesses human capital educated and smart to work in the industry, the industry shall be stimulated via development of regulatory framework as well as enhancing supporting structures which are responsible for handling violation cases, infringement, investigation, complaints etc.

III. Dispute Settlement

Egypt acceded to the International Convention for the Settlement of Investment Disputes (ICSID) in 1971 and is a member of the International Center for the Settlement of Investment Disputes, which provides a framework for the 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.

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.

Egypt's legal system is a civil codified law system. The judiciary is an independent branch of the government. 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, and 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.

Egypt has a system of economic courts specializing in private sector disputes that have jurisdiction over cases related to economic and commercial matters, including intellectual property disputes. Despite these provisions, business and investors in Egypt's renewable energy projects have reported significant problems resolving disputes with the Government of Egypt.

Presidential Decree law No. 17 of 2015 added a new mechanism for simplified settlement of investment disputes aimed at avoiding the court system altogether. In particular, the law established a Ministerial Committee on Investment Contract Disputes, responsible for the settlement of disputes arising from investment contracts to which the State or a public or private body affiliated therewith, is a party. The decree also established a Complaint Committee to consider challenges connected to the implementation of Egypt's Investment Law. Finally, the decree established a Committee for Resolution of Investment Disputes that will review complaints or disputes between investors and the government related to the implementation of the Investment Law. In practice, Egypt's dispute resolution mechanisms are time-consuming but broadly effective. Businesses have, however, reported difficulty collecting payment from the government when awarded a monetary settlement.

Egypt allows mediation as a mechanism for alternative dispute resolution (ADR), a structured negotiation process in which an independent person known as a mediator assists the parties to identify and assess options and negotiate an agreement to resolve their dispute. GAFI has an Investment Disputes Settlement Center which uses mediation as an ADR. The Economic Court recognizes and enforces arbitral awards. Judgments of foreign courts may be recognized and enforceable under local courts under limited conditions.

It is normally recommended that foreign companies employ contractual clauses that specify binding international (not local) arbitration of disputes in their commercial agreements.

G. Conclusion and Outlook

Egypt implemented significant reforms. These are aimed at switching from a rigid model with a fixed exchange rate, high subsidies, and capital controls to a more market-based one. The trigger for this change was low liquidity and the need for financing from the International Monetary Fund (IFM). As the Egyptian government accepted the IMF's conditions, the country made a quick comeback to financial markets.

Still, short-term costs are heavy, resulting in high inflation (=30% in 2017). Yet this price shock is helping to rebalance the economy by making imports costlier. This ongoing rebalancing is a precondition to making the most of the country's business environment, which is one of the most favorable in the region.

As Egypt continues to rebuild its economy it faces a number of risks. External challenges include regional unrest and a slowdown in exports due to muted global growth, although the nation's limited exposure to Asian markets lends it some degree of protection. The possibility of unrest also features in the domestic risk matrix and security remains a national concern. Nevertheless, Egypt's economy has continued to expand.

Increasingly, Egypt has become an attractive destination for foreign and nationals looking to expand their operations or even to start up new businesses. A relatively favorable corporate, tax structure, a solid base of potential employees, "pro-business" new investment legislations, and reasonable property values are all reasons that many businesses have been cited for starting operations in Egypt.

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