

Issues and Requests Relating to Foreign Trade and Investment - Egypt

	Category	No	Issue	Issue Details	Requests	References
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	High Import Tariff	- High customs duty of 30% is levied on television receivers (finished products). Products, incapable of domestic production in Egypt, in effect, cannot sell for domestic distribution.		
		(2)	Customs Clearance Procedure is Nebulous and Delayed	- Customs clearance delays have become a matter of normal occurrence. The lack of clarity in the customs clearance procedures makes it impossible to determine in advance the schedules for export/import cargoes.		
		(3)	Tariff Disparity Due to FTA	- Tariff reduction on motorcars has been effected since 2010 under the Egypt-EU Association Agreement. While tariffs on motorcars manufactured in the EU Member States are reduced in stages and finally to zero by 2019, motorcars imported into Egypt from countries outside the EU Member States face disadvantageous conditions.	- It is requested that Government of Japan (GOJ) propels toward signing the bilateral FTA between Egypt and Japan. - It is requested that Government of Egypt (GOE) reduces import tariff on motor vehicles.	- Egypt - EU Association Agreement (signed in 2001)
		<p>(Reference)</p> <p>- Please refer to the following web site for full information on Egypt - EU Association Agreement (signed in 2001): http://eeas.europa.eu/egypt/eu-egypt_agreement/index_en.htm</p> <p>- Please refer to the web site of Ministry of Finance for New Customs Tariff under the Harmonized System 2009 at: http://www.mof.gov.eg/mofgallerysource/English/New-Tariff/Customs.htm</p>				
		(4)	Radiation Inspection Obligations	- Government of Egypt (GOE) compels radiation inspection on all imports from Japan upon customs clearance. It interferes with completing the timely import procedures, as the execution of inspection takes days.	- It is requested that GOE deregulates the inspection method to make speedy customs clearance possible.	
10	Restrictive Measures for Operations in Free Trade Zones ("FTZs") and Special Economic Zones ("SEZs")	(1)	Accrual of Tax Liability due to the Zoning Change in Free Zone	- At the time when a firm concluded a long term preventive maintenance agreement (the agreement) with its customer (a private LNG plant operator), the customer enjoyed the preferential tax exemption measures as expressly stated in the agreement. However, because of the change in the free zone designation that has excluded the area of the plant location, the tax liability has accrued on the customer for 20% of the profit. Consequently, withholding tax of 20% is deducted from the firm's invoice amount to its customer.	- It is requested that in excluding an area from the free zone designation, GOE: -- gives a sufficient advance explanation and a moratorium period, and that -- the taxation authority gives a clear explanation that "the transactions between enterprises outside Egypt are tax exempt" to the enterprises that are to be excluded from the free zone designation.	- Law No. 114/2008

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12	Exchange Controls	(1)	Restricted Withdrawal of Foreign Currency and External Remittance	- GOE restricts withdrawal of foreign currency (USD20,000 maximum per day). In addition, external remittance is also subject to restrictions under the terms and conditions of individual banks.	- It is requested that GOE either repeals or deregulates the restrictions.	
		(2)	Rigorous Foreign Exchange Control	- Due to the Central Bank's foreign exchange control, outflow of U.S. Dollars is restricted. It makes extremely difficult to settle in US\$ with the domestic import firm, or to open letters of credit for imports.	- It is requested that GOE deregulates foreign exchange control to enable settlement in US\$ freely.	
		(3)	Radical Exchange Fluctuations Prevail	- As it stands, member firm's subsidiary (MFS) benefits from exchange gain on a direct export transaction in yen. Nevertheless, negotiation for raise in price is difficult. In a transaction with its parent company, the prevailing Yen depreciation enables MFS to offer special prices to its customers. However, MFS runs on a thin margin, so that if the exchange rate swings toward appreciation of Yen, it will instantly show operational loss: such is the severity of the fluctuation band.	- It is requested that GOE takes step to: -- stabilise foreign exchange fluctuations, and -- holds the fluctuation band within a few percents in 6-months.	
14	Taxation Systems	(1)	Indefinite Tax Investigation Schedules	- Tax investigation schedules are uncertain. Abruptly the investigation begins and nothing is heard for months without, any indication of how long the investigation lasts. The waiting period could be counted as the period subject to additional penalty tax payment. Enterprises are unable to nail down the profit and loss of their accounts until completion of tax investigation.	- It is requested that the taxation authorities: -- clarify and shorten investigation schedule, and -- make the procedure transparent.	
		(2)	Nebulous Taxation System	- Upon taxation investigation, the taxation authority applies its internally prepared "own" rules, sometimes overruling the statutory taxation laws and regulations, at other times, in the absence of express statutory provisions. Denial of tax return results from the taxation authority's nebulous internal rules, without clear explanation of the statutory basis and much against the intent of the investigated party.	- It is requested that GOE unitises the tax legislation and clarifies the contents.	
		(3)	Non Tax Refund Resulting from unpaid Corporate Income Tax	- A firm filing application for tax refund under the Japan-Egypt tax treaty is unable to keep both ends meet for denial of tax refund relative to the tax year with no income tax payment.		

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16	Employment	(1)	Obligations to employ Local Workers	- <u>As long as an foreign funded enterprise (FFE) employs one (1) Japanese expatriate, at all times, it must satisfy the minimum employment requirement of local employees. In the event FFE, withdraws a certain business sector, the law requires continued employment of its employees specialised in such a sector, their transfer or relocation, or discharge under the justifiable amicable terms and conditions. This is a factor that blocks new employment of workers in a new business sector. As this requirement, applies to dispatch of a Japanese expatriate for a fixed period, it frustrates, de facto, a dynamic fostering of the local expatriates' forces.</u>	- <u>It is requested that GOE repeals or deregulates the restrictions.</u>	- Labour Law (No. 12 of 2003). - Ministry of Manpower & Emigration Decree No.136 (Amending Labour Law 2003): "The number of the foreign workers in any establishment though it might have several branches, shall not exceed 10% of the total number of its workers."
22	Environmental Pollution and Waste Disposal	(1)	Abrupt and Ambiguous Introduction of Environmental Control System	- In 2010, GOE abruptly announced a partial introduction in Egypt of UNECE (Egypt and the United Nations Economic Commission for Africa) Vehicle Regulations - 1958 Agreement, (namely, the items selectively adopted by EOS, "UNECE/EOS"), foreclosing entry into Egypt of non-conforming motorcars after a grace period of only half a year or so. Further step-by-step introduction anticipated, but motorcars not conforming to UNECE/EOS (EU specification) must be modified to make them compatible with it. It compels price increase and makes difficult introduction of new models. While the website of EOS quoted in the reference below gives the implementation schedule in stages of UNECE/EOS, no other details have yet been made public. Firms are at a loss how to cope with the new requirement.	- It is requested that GOE: -- affords foreign funded enterprises (at least local distributors) opportunities to exchange dialogues in introducing new regulations, -- provides sufficient and adequate explanation, and an ample grace period for all interested parties allowing manufacturers to make requisite preparation.	- UNECE Vehicle Regulations - 1958 Agreement, (as selectively adopted by EOS (The Egyptian Organization for Standardization and Quality), namely, UNECE/EOS
26	Others	(1)	Cargo Damages are frequent upon Customs Clearance at Seaports	- Since the 2011 change of administration, upon customs clearance at sea ports, a firm has frequently experienced cargo damages, which had not previously arisen. Presumably such damages have arisen due to the shortage of skilled workers and technical staff. The Government being the presiding party, enterprises find themselves being unable to lodge complaints for compensation.	- It is requested that GOE provides a third party organisation that takes care of the complaints requesting for improvement.	