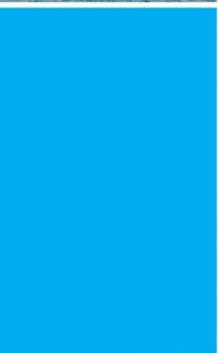


**GROWING BUSINESS
THROUGH REGULATION**

N Gage Trade Report
Quarter 4
2016



N Gage Consulting

Public Strategy and Government Relations Specialists

Abstract

The Foreign Trade Quarterly report acts as a surveillance of foreign trade being a fundamentally important aspect of focus, by providing an insightful update on emerging issues concerning trade, such as changes in foreign trade regulations that may impact different business sectors. This issue features the latest foreign trade regulations and free trade agreements news.

The Foreign Trade Quarterly Report introduces new trade terms as part of its 'Trade Dictionary', as well as reviews a different trade agreement each quarter, with this issue focusing on the Egypt-EU FTA.

The report also identifies and analyzes the latest foreign trade statistics, with a special focus on the Egyptian engineering sectors' exports to the world; specifically, Turkey, the COMESA, PAFTA, EU, EFTA, and Agadir states.

LATEST FOREIGN TRADE REGULATIONS

- **Amendments to the Importers Registration Law 121/1982:** The amendments to the law come as a necessity to regulate importation, and the registration record of importers to individuals and companies who want to import for the first time, or those who already engage in importation activity. The amendments include:
 - For individuals:
 - Introducing a requirement stating that the turnover of the previous year should be at least EGP 2 Million.
 - Raising the minimum capital requirement to EGP 500 thousand with a 6 month reconciliation grace period
 - For companies:
 - Introducing a requirement stating that the turnover of the previous year should be at least EGP 5 Million, with exclusion of companies that have already issued an importation license during the issuance of the new law.
 - Raising the minimum capital requirement to EGP 2 Million with a 6 month reconciliation grace period
 - With regards to joint stock companies, the minimum capital requirement will stand at EGP 5 Million with a 6 month reconciliation grace period.
 - Exempt productive firms and factories from registering in the importers log when importing production inputs.
 - Allowing non-Egyptian firms (with non-Egyptian management) to directly import goods when registering in the log.

- **Law No. 1/2017 | National Food Safety Authority Law (NFSA):**

- The primary purpose of the NFSA is to reform food safety systems in Egypt, through consolidating the process of ensuring the safety of food under one authority, in order to streamline the process and enhance both its efficiency and effectiveness.
- Article 2 of Law No.1 stipulates that the NFSA will be the sole central authority mandated with enforcing and proposing reforms to all laws and regulations associated with food safety in the country across all ministries and agencies. Therefore, many of the countless outdated and impractical laws may now be replaced with new, consolidated laws that are in line with international standards. The authority's mandate thus includes all matters pertaining to the food safety management systems, food safety legislation, food safety criteria, inspections, food crisis management, risk analysis, outreach, and labeling.
- The NFSA's management structure includes a Board of Trustees (BoT), an Executive Board, a Managing Director and employees. The chairman of the BoT is the Prime Minister, and the members will include the Ministers of the respective ministries; Trade and Industry, Health, Agriculture, Environmental Affairs, Tourism, Supply and Internal Trade, as well as two food safety experts.
- The NFSA will become the key institution through which imported foods will be regulated and inspected rather than other bodies including the National Nutrition Institute and the General Organization for Exports and Imports.

- **Draft Industrial Licensing Law:**

- The draft law comes in efforts by the Government of Egypt to encourage Egypt's industrial activities and ease of doing business in Egypt, through facilitating obtaining industrial licenses by the system of notification. The proposed law addresses a number of issues that have plagued the Egyptian manufacturing sector over the past decades, such as the issuance of industrial operating licenses, land allocation, seizures and penalties. Under the law, the Industrial Development Authority (IDA) will be the main stakeholder mandated to the licensing of lands, through becoming an interface in negotiating prices, allocating lands and supervising requirements and process of providing lands.
- The consolidation of all powers within one authority, the IDA, streamlines the purpose of facilitating doing business in Egypt, transparency and accountability.
- The “by notification” option will allow businesses to immediately start operating. The business would then be audited within 1-2 months. If the business is found to be noncompliant with the requirements, they would then give it a period of grace to rectify the situation.

- **Draft Investment and Free Zones Law:**

- The new proposed Investment Law is targeting the facilitation of investments through a single investment window that aims at simplifying the procedures for investors to obtain all the necessary approvals for their projects. The investment window will have representatives of all pertaining entities and will be under the supervision of the GAFI, which is the General Authority for Investment and Free Zones.
- The new draft law promises the establishment of a company in one single day, assuming all required documents were completed and submitted. The draft law will increase the foreign labor allowance from 10% to 20%, assuming no other national is qualified to fill the role.
- The new draft law also promises a wide range of incentives in order to attract more investments to the country such as a unified customs tax of 2% on machinery and equipment, and a 30-40% discount on costs paid by investors on new investment projects.

- **Amendment to the issuance of Agricultural Export Health Certificates**

- An amendment to agricultural export regulations now mandates that samples are verified in both the local health inspection office and the central laboratories in Cairo before every shipment is exported. The new process increases the duration of time required to obtain

the export health certificate from two to ten days in accordance with the older regulations, , thus reducing the export capacity of the businesses operating in this field.

- **Raising Export Taxes on Plastic Waste - Ministerial Decree 132**
 - The plastics recycling industry has been largely affected over the past few months as a result of the unavailability of raw material-plastics. In turn, the Minister of Trade and Industry issued a decree which has raised export taxes from EGP1500 to EGP3000 per one ton of plastic waste exports. The industry states that such a move is not sufficient, and it is necessary for the Egyptian government to reconsider removing plastic waste from the list of prohibited imports.

FOREIGN TRADE NEWS

A LOOK AT THE OUTCOMES OF DAVOS 2017

- Political leaders and business tycoons from across the globe gathered at the World Economic Forum's annual meeting in Davos, Switzerland, in order to discuss major issues including global politics and economics. This year's annual meeting, which took place from the 17-20th of January, focused on the "Responsive and Responsible Leadership" theme.

- **Key takeaways from Davos:**

- The Egyptian Ministers of Trade and Industry, International Cooperation, and Investment made appearances at Davos.
- During the forum the Egyptian Minister of Investment, Dalia Khorshid, met with the UAE-based Omar Al-Futtaim Group, the chief executives of Citibank, Credit Suisse, and Lazard. They expressed their interest in organizing and participating in the promotional tours organized by the Ministry, in efforts to promote the economic and investment climate in Egypt.
- H.E. Tarek Kabil, Minister of Trade and Industry, met with a number of major international companies, including the CEO of the Italian company Ariston Thermal, who expressed his company's intention to invest in the manufacture of electrical and home appliance products in Egypt.
- The Chinese President Xi Jinping is the new world's "Economic Globalization" hero, as he highlighted his country's role in advancing economic globalization. It is also important to note that Mr. Xi's attendance marks a first for Chinese leaders at Davos.
- The Inclusive Growth and Development Report, generated by the WEF, ranks Egypt 73rd out of 79 developing countries on the Inclusive Development Index (IDI). According to the report:

Egypt "struggles with many aspects of inclusive growth. Over five years, its GDP per capita and labor productivity have barely grown. Income and wealth inequality remain high. Unemployment is also high, especially among the young (...). Egypt also suffers from an extremely high debt-to-GDP ratio and high carbon intensity of GDP, placing the future at risk. The Framework indicates that the education system does not reach a sufficient proportion of the population and that quality

is lacking, (...), business and employment creation remains constrained by insufficient finance, poor transport infrastructure, and pervasive corruption.

THE LATEST IN EGYPT'S FREE TRADE AGREEMENTS

- **A new wave of tariff reductions has been implemented this year in light of Egypt's Free Trade Agreements. This section highlights the current status of tariff cuts for the Egypt-EU FTA, EFTA and the Egypt-Turkey FTA.**
 - **Goods in Annex 2:** Capital goods, machines, some production components, raw materials and inputs with customs duties ranging from 1% - 5%.
 - **Current status of goods in Annex 2: Customs free between Egypt and members of all mentioned FTAs.**
 - **Goods in Annex 3:** Intermediate commodities, production inputs, and some investment goods not included in Annex 2, with customs duties ranging between 3% - 5%.
 - **Current status of goods in Annex 3: Customs free between Egypt and members of all mentioned FTAs.**
 - **Goods in Annex4:** Industrial consumer goods not specified in Annexes 2 and 3.
 - **Current status of goods in Annex 4: Customs free between Egypt and members of all mentioned FTAs.**
 - **Goods in Annex 5:** Includes cars and other machinery not specified in Annex 4
 - **Current status of good in Annex 5: Stands at a 70% customs reduction and shall be completely eliminated within the coming three years.**

TRADE DICTIONARY

DUMPING

- Egypt became a member of the World Trade Organization on 1/5/1995. The agreements include the mechanisms for protecting the domestic industry from unfair practices in international trade. One of the mechanisms that affect fair competition is **antidumping**.
- **Definition:** Goods are considered to be dumped if their export price when imported into Egypt is less than their normal value in the country of export, and specifically when the export price is less than the production cost at home .
- **Governing Laws:** In accordance with Egypt's WTO commitments, Egypt introduced law No. 161 of 1998 for the Protection of the National Economy from Injurious Effects of Unfair Practices in International Trade. In accordance with this law, the Central Department of International Trade Policies has been established in order to become the key entity responsible for implementing any Anti-dumping, Subsidy, Safeguard measures.

We are happy to inform you that N Gage Consulting is launching a new service which focuses on assisting companies in all matters and procedures related to submitting complaint to the Central Department of International Trade Policies

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FOREIGN TRADE STATISTICS (MILLION USD)

	2010	2011	2012	2013	2014	2015	2016 From January to September
Arab States							
Trade balance	2617	984	-405	538	-502	-1288	1254
Exports	8836	9000	8885	9313	9392	7998	6761
Imports	6217	8016	9290	8775	9894	9286	5507
COMESA							
Trade balance	1530	766	1570	1658	1292	1075	742
Exports	2492	1672	2481	2385	1985	1669	1185
Imports	962	906	910	727	693	594	443
Aghadir							
Trade balance	53	56	181	162	212	543	-104
Exports	88	96	256	218	303	1047	135
Imports	34	40	74	56	92	504	239
EU							
Trade balance	-8736	-846	-1223	-1316	-1430	-18091	-10700
Exports	8358	9678	7832	8072	7886	5890	4276
Imports	17094	18141	20059	21231	22188	23981	14976
EFTA							
Trade balance	-224	-620	-511	-1285	-1037	-727	-147
Exports	425	284	354	119	47	235	250
Imports	648	904	865	1404	1084	962	397
Turkey							
Trade balance	-851	-1107	1823	-885	-1383	-2074	-1197

Exports	1033	1528	1558	1741	1449	1233	945
Imports	1884	2635	3381	2626	2832	3307	2142
World							
Trade balance	-24844	-60652	-39355	-28549	-44173	-53024	-30047
Exports	28111	31567	29275	28717	26799	21345	16128
Imports	52955	62219	68630	57266	70972	74369	46175

A FOCUS ON MEDICAL AND CHEMICAL PRODUCTS

	2010	2011	2012	2013	2014	2015	2016 From January to September
Arab States							
Trade balance	-100.97	-483.84	-283.44	-209.02	-192.07	-320.01	-88.2
Exports	1052.12	989.83	1210.58	1502.88	1437.17	1271.09	900.59
Imports	1153.09	1473.67	1494.02	1711.90	1629.24	1591.10	988.79
COMESA							
Trade balance	365.5	355.12	537.76	612.34	509.79	440.38	314.49
Exports	442.46	380.68	540.76	614.29	511.94	454.89	330.80
Imports	76.96	25.56	3.00	1.95	2.15	14.51	16.31
Aghadir							
Trade balance	101.14	130.17	113.72	111.68	102.97	102.67	73.32
Exports	204.25	226.99	210.26	208.59	197.04	181.89	125.88
Imports	103.11	96.82	96.54	96.91	94.07	79.22	52.56
EU							
Trade balance	-1571.1	-1923.6	-2515.3	-2992.3	-3138.9	-4071.9	-2382.2

Exports	1692.91	1951.92	1845.29	1994.06	1740.71	1018.76	770.86
Imports	3264.00	3875.53	4360.61	4986.40	4879.64	5090.65	3153.01
EFTA							
Trade balance	-329.08	-482.75	-437.07	-431.97	-473.4	-512.31	-341.24
Exports	6.10	5.97	2.91	4.41	5.96	4.17	2.94
Imports	335.18	488.72	439.98	436.38	479.36	516.48	344.18
Turkey							
Trade balance	86.2	175.75	141.82	346.62	197.95	-37.77	36.6
Exports	323.50	463.34	500.20	725.13	586.90	444.46	374.62
Imports	237.30	287.59	358.38	378.51	388.95	482.23	338.02
World							
Trade balance	-3794	-4783	-5790	-6257	-6610	-8570	-5099
Exports	4703	5414	5316	5553	5187	3734	2775
Imports	8497	10197	11106	11810	11797	12304	7874

THANK YOU

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