



## ECONOMIC AND LEGAL PRACTICALITIES FOR START-UPS AND SCALE-UPS WISHING TO DO BUSINESS OR INVEST IN EGYPT

We believe that entrepreneurs are motivated not just by careful financial consideration and market analysis but also by determined, laborious and purposive observance of economic and legal practicalities.

*With a marketplace of more than 100 million people, Egypt has the third largest population in the African Union (AU), while its largest urban agglomeration is Cairo. One of Egypt's greatest assets is its young human capital, which offers a large domestic market and cost-appealing labor force. Egypt enjoys significant natural resources (oil and gas, renewable energy sources, mining), with plans to implement solar and wind energy projects with a combined capacity of 3,170 MW in the near future. Egypt is capitalizing on opportunities created by the digital revolution and beyond. Engineering services, investment banking with regional banking, product development, research and development, cloud-based services and mobility are some of the key high-value services where Egypt has created a niche.*

In a nutshell:

**International economic relations.** Egypt is member of the World Trade Organization (WTO), the AU and the United Nations (UN). Egypt is part of various trade agreements and initiatives: Egypt-EU Association Agreement, Euro-Mediterranean Partnership (Euromed); Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention); Egypt-USA trade and investment free agreement (TIFA); Egypt-USA-Israel Qualified Industrial Zones (QIZ Protocol); Agadir Agreement; Pan-Arab Free Trade Area (PAFTA); Common Market for Eastern and Southern Africa (COMESA); Egypt-EFTA States free trade agreement (FTA); Egypt-Turkey FTA; Preferential FTA with MERCOSUR. Egypt benefits of tariff preferences under the Generalized System of Preferences (GSP), it offers improved market access to least developed countries (LDCs) and participates in the Global System of Trade Preferences (GSTP).

**International business.** It is mainly regulated by the Customs Law 66/1963, with amendments; Customs Exemption Law 186/1986, with amendments; Law 121/1982 on registration of traders, with amendments; Companies Law 159/1981, with amendments; Special Economic Zones Law 83/2002, with amendments; Law 118/1975 on import and export, with amendments; Presidential Decree 119/2017 ratifying the WTO Trade Facilitation Agreement; new Investment Law 72/2017; new Public Procurement Law 182/2018.

**Main trade competitors.** other Mediterranean countries, Nigeria, South Africa, Kenya, China, India, Bangladesh, Pakistan, France, Spain, Italy, United Kingdom are the main Egypt's trade competitors, based on a combined indicator between their export portfolio and export target-markets.

**Foreign investment incentives.** To attract investments and enhance the business environment, Egypt has introduced key reform legislation, including a new Investment Law, Industrial Licensing Law, Bankruptcy Law, and amendments to the Companies Law. Egyptian, Arab and foreign investors may undertake projects in the Egyptian free zones regulated by the new Investment Law and laws on Special Economic Zones (SEZs). Egypt entered in 115 bilateral investment treaties (BITs)

**National business.** It is mainly regulated by the Companies Law 159/1981, with amendments, New Investment Law 72/2017, Capital Market Law and Commercial Agency Law along with their executive regulations governing how the different types of companies may be established, governed, re-organised and dissolved. The protection of intellectual property rights is also legalized.

**Legal forms of companies.** Individual Traders, Individual Company, Limited Liability Company, Corporation, Joint Stock Company, Branch of a Foreign Company and Representative office.

**Labour legislation.** It mainly consists of the Labour Law and the new Social Insurance Law. The employment relationship must be subject to a contract of employment. It shall be executed in at least the Arabic language (with a dual English-Arabic contract also being permissible). All companies in Egypt are required to provide social insurance protection, unemployment insurance, pension benefits and medical insurance.

**Access to labour market.** Foreign nationals wishing to work in Egypt need to apply for an Egyptian work permit. There is a maximum percentage of foreigners that may be employed by local corporate entities and there are fees applicable in this regard. Certain activities cannot be undertaken in Egypt by foreigners.

**Taxation.** The main taxes are corporate income tax, tax on non-commercial professions' profits, individual taxation, stamp duty, sales tax, value added tax, customs duties, and excise duties. Egypt concluded treaties for the avoidance of double taxation with 58 countries.

**Economic and legal weaknesses.** legislative, fiscal and regulatory unpredictability, informal economy, special conditions applicable for certain exported/imported goods, hiring requirements, requirements for registration of foreign factories, corruption.

**Economic and legal strengths.** rich history and natural sites, large domestic market, young human capital, strategic geographic position between Africa, Asia and European markets, control over the Suez Canal thus influencing global shipping trade especially between the Eastern and Western hemispheres, several service sectors with great potential, Benban, in the Aswan governorate - the biggest solar photovoltaic park in the world, upon completion.

Egyptian market is characterized by a large business potential. Provided reformed economic policies, friendly business environment and predictable legal framework are further promoted, Egypt is a true lion emerging economy in Africa.

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Next Brief: Economic and legal practicalities for start-ups and scale-ups wishing to do business or invest in Mexico.