



# MASTERING YOUR MARKET UNDER AFCFTA - EGYPT



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## OVERVIEW OF EGYPT

Egypt is a north African country with a land area of 1,002,450km<sup>2</sup> and a coastline of 515km. The country is separated from its neighbors by either ocean or sparsely populated desert. The culture-rich country of Egypt is bordered to the north by the Mediterranean Sea, and to the east by the Red Sea. Egypt is separated from Libya and North Africa by the western desert, from Palestine and Israel by the desert of the Sinai Peninsula, and from the centers of population in the Sudan by desert except along the narrow Nile River. The sales of petroleum oils and bitumes (18.26%), Gold (9.8%), Fertilizers & chemicals (3.5%) Citrus fruits (2.82%) Insulated wires (2.32%), monitors & projectors (1.81%) and Iron (1.04%) accounts for about 40% of its export revenues (OEC2020). Egypt belongs to the Arab league of Nations, and is also part of other organizations such as African Union, IMF and UN.



## ECONOMIC SNAPSHOTS

Egypt, with a land area of 1,002,450km<sup>2</sup> a coastline of 515km, 28 ports (8 renders container liner services), in 2020 exported \$33.6B and imported \$76.4B, resulting in a negative trade balance. Egypt is predominantly an Islamic nation 95% and Coptic Christians and others 5%. Arabic (official) English and French are the languages spoken in the country. About 51% of the population is below 24 years of age, It is a lower middle income country with a GDP per capita income of about \$3,280 (IMF2020). The GDP was about \$364.02Bn(2020) which makes it 32nd (world) and 2nd (Africa) largest economy in terms of GDP (IMF). The 2020 figures for Interest, Inflation and unemployment rate is 11.25%, 13.20% and 7.20% respectively (tradingeconomics.com) Foreign companies should be looking at producing or exporting the



## ECONOMIC SNAPSHOTS

following products to Egypt, as its major imports are Wheat, Crude Petroleum, Cars, Broadcasting Equipment, Refined Petroleum (OEC 2020).



## MARKET CHALLENGES

Egypt is a lower-middle income country, this suggests that there would be less disposable income, which is a recurrent decimal for most African countries.

Ease of doing business index (world bank 2019) ranks Egypt at 114 out of about 190 countries. It is the 32nd economy in the world and 2nd in Africa by Nominal GDP

Widespread Poverty, low employment rate among young people, low female participation, Low government revenues (20% of GDP) and informal economy, Jihadists active in

part of the Muslim majority and the Christian minority (10%), Lack of water and dependence on the Nile, Public debt: financing needs exceed 30% of GDP, Banking system vulnerable to sovereign risk, High cost of credit, Low value-added manufacturing exports, food dependency, Non-transparency of military-controlled companies, Corruption, lack of competition and bureaucracy detrimental to investment (Coface).



## IMPORT PRODUCTS

In 2021, the total import volume of Egypt amounts to about \$76 billion. Some of the items imported and the amount include the following:

1. Machine—	\$14.9B
2. Veg. Products -	\$11B
3. Chemical Prod -	\$7.51B
4. Metal -	\$7.31B
5. Mineral Prod.-	\$7.26B
6. Transportation -	\$7.05B
7. Plastic&Rubber -	\$4.28B
8. Textile-	\$3.83B
9. Animal Prod. -	\$2.48B
10. Foodstuff -	\$2B
11. Instrument -	\$1.82B
12. Paper Goods -	\$1.61B
13. Animal & Veg -	\$1.49B
14. Wood Products -	\$1.39B
15. Miscellaneous-	\$1.37B
16. Stone & Glass-	\$695M
17. Precious Metals -	\$360M
18. Foot&Headware-	\$241M
19. Animal Hides -	\$108M
20. Weapon-	\$55.2M

The total service import volume of Egypt in 2019 is about \$229 billion and some of the services imported include the following:

1. Transportation -	\$8.55B
2. Other Services-	\$4.58B
3. Travel-	\$3.52B
4. Insurance-	\$2.24B
5. Govt. Services -	\$779M
6. Computer Ser.	\$679M
7. Construction-	\$406M
8. Personal Service-	\$115M
9. Business Travels -	\$12.6M
10. Royalties—	\$294M



## MARKET OPPORTUNITIES

Ranked as one of the largest markets in the middle east, the social media exposure of the youthful population of Egypt is powering the economy to great heights. They are educated, tech savvy and open minded. The growth of social media engagement have led to a positive impact on ecommerce trade and retail training as evidenced in the growth of international brands in Egypt from 1999 (25 brands) and 2012 (430 brands) . This growth has affected the real estate sector such that there are more brands that available shop spaces, leading to high rental incomes for real estate investors.

According to Coface, Egypt have a large market of over a 100 million inhabitants, youthful and growing population. It has an advantageous geographical

situation, the Suez canal tourism potential, Gas (Zohr field) and mineral potential (gold, kaolin, potash, copper, zinc, lead and feldspar). Egypt also attracts political and financial support from the gulf mornachies, western countries and IMF programmes.

## MARKET ENTRY

Trade represents 34% of the country's GDP (World Bank, 2020). The Egyptian market has been gradually opening up, with the ratification of various free trade agreements, especially the European Free Trade Association (EFTA) and the African continental free trade area (AfCFTA) was ratified by Egypt in 2019 (Lloydsbanktrade). Foreign companies seeking to do business in Egypt should secure the services of a local partner to represent them in the local market. Playing the "long game" is advisable

when analysing the prospects of the Egyptian market, rather than seeking immediate return. The business culture and context in Egypt is largely influenced by Islam, as majority of the people are of this faith. Hence, the type of product and services is also affected by this. GAFI (General Authority for Investments and Free Zones) is saddled with the responsibility to guide and promote foreign and Egyptian investments. It helps the investors in their administrative steps. GAFI has created a single point of liaison known as a One-Stop Shop counter. The

formalities for setting up a company are done at this counter. The One-stop Shop counter thus provides useful documents on law no. 8 of 1997 for encouraging investments, guarantees, exemptions, company creation procedures, the different zones with special statutes to the investors. For speeding up the setting up process, GAFI is authorised to grant temporary licences for starting the project (Lloydsbanktrade)

## IMPORT DOCUMENTATIONS

The Egyptian customs would be ready to clear goods for import as long as such shipments are covered and accompanied by Proforma Invoice, Content analysis of the commodity, commercial invoice, certificate of origin, packing list and most importantly a transport document which can either come in the form of a Bill of Lading, Airway bill, Roadway Bill, Railway bill etc. Close attention should be given to the original Commercial invoice, in duplicate and the original certificate of origin, in duplicate. These two

documents must be certified and authenticated by the Egyptian consulate in the country of origin.

The Central bank of Egypt requires all Letter of Credit issued by banks to be a 100% cash backed and fully covered by the importer. Exporter is not expected to make shipment until they receive notification of the establishment of a letter of credit in respect of the shipment. If the exporter choses to ship before the letter of credit issuance, the importer would be liable to a fine up to the

value of the goods. 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 (Lloydsbanktrade).



## SELLING FACTORS

Foreign companies seeking to sell directly within Egypt need relevant permit to be able to do so, and this can come in the guise of a manufacturing or an assembling operation. Economic free zones and bonded warehouses are some of the means through which some foreign companies store their goods and eventually hire staffs or even agents for door to door deliveries. The usual practice is to align with local representatives for wholesale

and retail distribution. Egyptian retail vendors however, would prefer to have a direct relationship with the foreign suppliers or firms instead of paying a very high mark up to wholesalers. To strengthen the position of the wholesalers agents and not allow a crack in the chain, foreign firms or suppliers should always week to refer every inquiry it receives from Egypt to their local wholesale representative in the country of Egypt. There are certain stipulations that applies

to the relationship between agents and importers as it affects the ownership structure of the firm. Public sector, distributor-type, general / limited partnership, and limited liability companies all have varying degree or percentage of “local content” ownership that it must have.

## PAYMENT & EXCHANGE

New regulations indicate that exporters must submit invoice and other export documentations to their bank and the bank would in turn inform the importer's bank in Egypt about the request to open a letter of credit. Since import transactions are largely based on document collection between both banks, sending documents directly to the importer would not be accepted. Recent reports

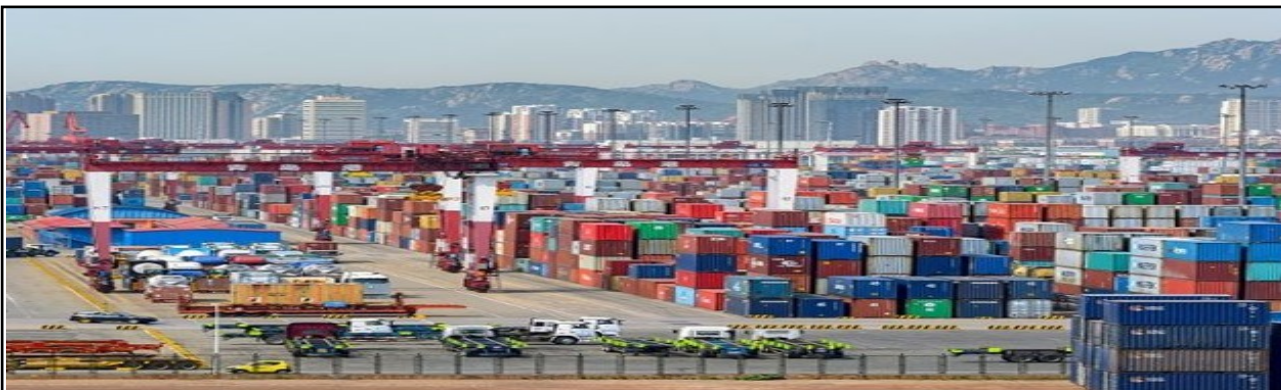
asserts that exporters prefer payment in advance other than letters of credit, this is due to the tight credit terms offered by the EU, Japan and China. The foreign exchange regulation (law no. 88/2003 ) stipulates that individuals and businesses can hold foreign currency in Egypt and can have local bank accounts denominated in foreign currency.

## BUSINESS CULTURE

Egyptians greeting is an important aspect of the culture. It can be lengthy and it is polite to ask the other how they are, ask about their health, the well-being of their family, and the likes. During initial meetings a light handshake with the right hand is common. For friends and relatives a kiss on both cheeks (right-left) tends to be the norm. People tend to be extremely indirect when speaking, especially in regards to communication in business. They are not comfortable saying “no” so they keep beating around the bush. A lot of Egyptians tend to religious, so it is advisable to refrain from such discussion and respect their views. If you intend to engage in discussions concerning politics, ensure not to take sides. Egyptians are usually very conservative, so when going for a walk, avoid sleeve-

less tops, short skirts or shorts, do not offer alcohol or pork to guests as it is against religion. Try as much as possible not to eat communal food with your left hand.





## IN CONCLUSION

Egypt ease of doing business index (world bank 2019) ranks Egypt at 114 out of about 190 countries. It is the 32nd economy in the world and 2nd in Africa by Nominal GDP, but The GDP was about \$364.02Bn (2020) which makes it 32nd (world) and 2nd (Africa) largest economy in terms of GDP (IMF). The 2020 figures for Interest, Inflation and unemployment rate is 11.25%, 13.20% and 7.20% respectively. Egypt major imports are Wheat, Crude Petroleum, Cars, Broadcasting Equipment, Refined Petroleum. Trade

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