



COUNTRY PROFILE

EGYPT

JANUARY 15, 2022
FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY
Federation House, New Delhi



India – Egypt Bilateral

Economic Relations

1. Executive Summary

Egypt's economic growth has been strong and resilient since the economic reforms initiated in 2016. It is one of the few African countries expected to record a positive growth in 2020, at 3.6%, despite the adverse impact of the COVID-19 pandemic.

The economy grew at a slower rate than in 2019 (5.6%) but did not enter a recession, thanks to high domestic consumption. The tourism sector—which accounts for about 5.5% of GDP and 9.5% of employment—was shut down from mid-March to 1 July 2020.

Despite pandemic-related expenditures and revenue shortfalls, the fiscal balance excluding the cost of government debt is expected to remain positive, at 0.5% of GDP. This fiscal buffer, a consequence of the fiscal consolidation reforms, helped keep the overall deficit broadly unchanged at 8% of GDP in 2020—compared with a 7.9% deficit in 2019 that benefited from a primary surplus of 2%. Public debt was estimated to increase to 90.6% of GDP in 2020 from 86.6% in 2019, reversing three years of continuous decline.

During the first half of 2020, exports dropped by 6%, while imports fell 21%, which helped narrow the current account deficit to 3.1% of GDP in 2020 from 3.6% the year before. The smaller current account deficit also reflected the strength of remittances, estimated at 8% of GDP in 2020. Following the move to a flexible exchange rate regime in 2016, Egypt experienced a period of double-digit inflation, but inflationary pressures have been trending downward since the summer of 2017.

In 2020, price pressures were muted, especially on food products, and inflation declined to 5.7%, from 13.9% in 2019, which allowed monetary policy to be accommodative. To stimulate economic activity, the bank of Egypt cut the overnight lending rate by 300 basis points on 16 March 2020, another 50 basis points on 24 September, and to 9.25% on 12 November.

Real GDP growth is expected to slow to 3% in 2021 because of continued weakness in net exports, mainly tourism receipts. Tourism earnings, which totaled 25% of exports in 2019, are likely to have declined in 2020 due to the closure of international airports and restrictions on local travel.

The outlook for tourism in the short term remains weak. Overall, exports, which decreased in 2020, should remain subdued in 2021 due to the weak external environment, especially in Europe, which accounts for 35.5% of Egypt's exports and is the main source of tourists.

Similarly, private investment could remain subdued in 2021 but benefit from the improved investment climate over the medium term. Private consumption will remain the main growth driver. Egypt must maintain its reform momentum to dynamize the private sector and enhance inclusive growth. Monetary policy should remain accommodative in 2021, as inflation is expected to increase only moderately.

2. Political Set-up in Egypt

- **Government type:** Presidential Republic
- **Chief of State:** President Abdel Fattah el-Sisi (since 8 June 2014)
- **Head of Government:** Prime Minister Mostafa Madbouly (since 7 June 2018)
- **Legislative branch:** Bicameral Parliament consists of:
Senate (Majlis Al-Shiyoukh) (300 seats; 100 members elected in single seat constituencies, 100 elected by closed party-list system, and 100 appointed by the president; note - the upper house, previously the Shura Council, was eliminated in the 2014 constitution, re-established as the Senate, following passage in a 2019 constitutional referendum, and approved by the House of Representatives in June 2020)

3. Key statistics of India and Egypt

| Indicators (FY 2020) | Egypt | India |
|--|----------|---------|
| GDP, PPP (Current International \$USD billion) | 1290.21 | 8907.02 |
| GDP (Current US \$ billion) | 363.07 | 2622.99 |
| GDP growth (annual %) | 3.57 | -7.96 |
| GDP Ranking - global | 31 | 6 |
| GDP per capita, PPP (constant 2011 international \$) | 11013.74 | 6888.19 |
| Consumer Price inflation (%) | 5.04 | 6.62 |
| Population (Million) | 102.33 | 1380.00 |
| Ease of Doing Business Ranking | 83 | 63 |

Source: World Development Indicators (WDI), World Bank

4. Trade & Investment indicators with world

| | India | Egypt |
|-------------------------------|--|---|
| Merchandise Exports | 276 227 | 26 118 |
| Merchandise Imports | 371 920 | 60 701 |
| Services Export | 203 253 | 15 053 |
| Services Imports | (e) 153 925 | 18 199 |
| Top trading partners | US, UAE, China, Singapore | United States of America, United Arab Emirates, Italy, Saudi Arabia, Turkey |
| Prime Exports | Food items, Ores & metals, manufactured goods, fuels | All Food Items, Ores and metals, Fuels, Manufactured Goods, Other |
| Key sectors of economy | textiles, chemicals, food processing, steel, transportation equipment, software, pharmaceuticals | Agriculture, Tourism, Dairy, Meat, ICT, Manufacturing and Mining |

Source: UNCTADSTAT

Year: 2019; Unit: US\$ million



5. Multilateral engagements

Egypt: Egypt has been part of many multilateral platforms such as COMESA (Common Market of Eastern and Southern Africa), AfCFTA, CEN-SAD, SADC-EAC-COMESA Tripartite Free Trade Area (T-FTA), African Union (AU), Community of Sahel-Saharan States (CEN-SAD), WTO.

India: India has engagement with UN, ADB, WTO, ASEM, BIMSTEC, BRICS, G-20, G8+5, IBSA, IOR, ACD, Dialogue partner with ASEAN, East Asia Summit etc. where it regularly presents its perspective.

6. Major Economic Agreements With world

Egypt is a signatory to several multilateral trade agreements:

- The African Continental Free Trade Area (AfCFTA)
- The General Agreement on Tariffs and Trade (GATT)
- The General Agreement on Trade in Services (GATS)
- European Union-Egypt Free Trade Agreement (Association Agreement)
- Free Trade Agreement with EFTA States
- Turkey-Egypt Free Trade Agreement
- Greater Arab Free Trade Area Agreement
- Agadir Free Trade Agreement among Egypt, Morocco, Tunisia and Jordan
- Egyptian-European Mediterranean Partnership Agreement
- The Common Market for Eastern and Southern Africa (COMESA)
- Pan Arab Free Trade Area (PAFTA)
- Egypt-MERCOSUR Free Trade Agreement

Moreover, Egypt has signed several bilateral agreements with Arab Countries: Jordan (December 1999), Lebanon (March 1999), Libya (January 1991), Morocco (April 1999), Syria (December 1991), and Tunisia (March 1999). Additionally, in 1995, Egypt and China entered into a trade accord. Egypt has also signed an economic treaty with Russia. In June 2001, Egypt signed an Association Agreement with the European Union (EU) which entered into force on June 1, 2004. The agreement provided for immediate duty-free access of Egyptian products into EU markets, while duty free access for EU products was phased in over a twelve-year period. In 2010, Egypt and the EU completed an agricultural annex to their FTA, liberalizing trade in over 90 percent of agricultural goods.

7. Recent Bilateral visits

During 2018 to 2019, a number of Ministerial level visits from India to Egypt took place, which included - Minister of Defence Smt. Nirmala Sitharaman visited Egypt in September 2018 and met her Egyptian counterpart.

Hon'ble Mr. Justice Vineet Saran, Judge, Supreme Court of India, attended the Golden Jubilee celebrations of the Supreme Constitutional Court of Egypt in October 2019. Minister of State (IC) for Civil Aviation, Housing and Urban Affairs and Minister of State for Commerce and Industry, Shri Hardeep Singh Puri visited Egypt in November 2019 and met with Minister of Trade & Industry of Egypt Mr. Amr Nassar.

8. India- Egypt Bilateral Trade

India- Egypt Bilateral Trade (in Goods)

| | (Value in USD Millions) | | | | | |
|-------------------------------------|-------------------------|----------|----------|----------|-----------|-----------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-2021 | 2021-2022 |
| India's imports from Egypt in Goods | 1,163.77 | 1,292.93 | 1,677.82 | 2,031.38 | 1,892.40 | 1,681.42 |
| India's exports to Egypt in Goods | 2,067.35 | 2,392.34 | 2,886.39 | 2,504.23 | 2,264.37 | 1,578.54 |

Source: Ministry of commerce

Top 10 Export items:

| S. No. | HS Code | Commodity | 2020-2021 |
|--------|---------|---|-----------|
| 1 | 20230 | BONELESS | 360.78 |
| 2 | 100630 | SEMI/WHOLLY MILED RICE W/N POLISHED/GLAZED | 31.61 |
| 3 | 90931 | SEEDS OF CUMIN: NEITHER CRUSHED NOR GROUND | 16.6 |
| 4 | 20629 | OTHR EDIBLE OFFAL OF BOVINE ANIMALS, FROZEN | 13.67 |
| 5 | 120740 | SEASAMUM SEEDS W/N BROKEN | 12.7 |
| 6 | 90111 | COFFEE NEITHER ROASTED NOR DECAFFEINATED | 7.8 |
| 7 | 71320 | CHICKPEAS (GARBANZOS) DRIED AND SHLD | 6.98 |
| 8 | 151530 | CASTOR OIL AND ITS FRACTIONS | 3.65 |
| 9 | 20622 | EDIBLE LIVERS OF BOVINE ANIMALS, FROZEN | 3.36 |
| 10 | 91030 | TURMERIC (CURCUMA) | 2.46 |

Top 10 Import items:

| S. No. | HS Code | Commodity | 2020-2021 |
|--------|---------|--|-----------|
| 1 | 270900 | PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS MINERALS CRUDE | 758.73 |
| 2 | 271111 | LIQUIFIED NATURAL GAS | 181.88 |
| 3 | 271019 | OTHER PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS MINERALS ETC | 95.93 |
| 4 | 251010 | NATRL CAL PHOSPHTS NATRL ALMNM, CALCIUM PHOSPATS AND PHOSPHTC CHALK, UNGROUND | 75.68 |
| 5 | 281410 | ANHYDROUS AMMONIA | 53.72 |
| 6 | 150710 | SOYA BEAN CRUDE OIL W/N DEGUMMED | 51.79 |
| 7 | 251020 | GROUND NATRL CAL PHOSPHATES NATRL ALMNM CALCIUM PHOSPHATE AND PHOSPHATIC CHALK | 32.68 |
| 8 | 80510 | ORANGES FRESH OR DRIED | 22.72 |
| 9 | 280920 | PHOSPHORIC ACID AND POLYPHOSPHORIC ACIDS | 19.93 |
| 10 | 120922 | CLOVR (TRIFLIUM SPP) SEED OF FORAGE PLANTS | 13.51 |



9. Bilateral Investments

- Over 450 Indian companies are registered in Egypt, of which around 50 are active in various sectors with a combined investment exceeding US\$ 3 billion.
- Major Indian investments in Egypt include TCI Sanmar (with a value of US\$ 1.5 billion), Alexandria Carbon Black, Kirloskar, Dabur India, Egypt-India Polyester Company (EIPET), SCIB Paints, Godrej, Mahindra and Monginis.
- Indian companies are present in a range of sectors like apparel, agriculture, chemicals, energy, automobiles, retail and others. It is estimated that overall, these companies provide direct and indirect employment to approximately 35,000 Egyptians.
- Indian companies have also executed projects in Egypt. L&T successfully completed Toshka 2 – Wadi Halfa 220 kV double circuit overhead transmission line project and it was successfully energized on 13 January 2020. Previously, L&T executed 500kV / 220 kV GIS substation projects for Egypt Electricity Transmission Co. in Ain Sokhna and Ras Ghareeb and 220kV overhead transmission line from Safaga to El-Qusair. These projects were worth a total of US\$ 133.3 million. Sterling & Wilson built a cumulative capacity of 250 MW of Solar PV plants in 5 projects in Aswan in 2018-19, worth a total of US\$ 250 million, in addition to a data center project worth US\$ 3 million.
- Apart from this, the company has been awarded contract to connect renewable green energy to the main EETC Grid in a \$28 million deal. Mahindra Susten, a part of Mahindra & Mahindra Group has recently been awarded a 200 MW solar PV project in Aswan. Egyptian investments in India are to the tune of US\$ 36.7 million which include ElSewedy Group (smart electrometers); KAPCI Coatings (car paints) and Modern Waterproofing Group / Bitumode (waterproofing membranes and protection boards for construction industry).

10. Potential sectors of cooperation

- Tourist Infrastructure
- Modernization of Railways (Signalling, Speed Control, Early warning systems)
- ICT (for Shipping, Port Services, and airports)
- Defence Industry and R&D, including the joint production of defence equipment
- SME development
- Supply of Technical Manpower from India
- Pharma and Healthcare sector

11. Trade and Investment Issues (including NTB's)

- Refund of Value Added Tax (VAT)
- Clarity in Investment Law and early refund of excess custom duties paid in some cases
- Trademark counterfeiting, copyright piracy and patent infringements remains a major problem.
- Control and efforts to reduce cost of power
- Speedy Business issues redressal mechanism for big investors
- Simplifying the Customs Clearance process of incoming Raw Materials, especially Chemicals

12. FICCI Platforms

India-Egypt Business Council : The India-Egypt Business Council was set up with the objective of developing a roadmap for increased cooperation and mutually beneficial contacts and partnership



between the two countries at the Council address issues pertaining to the:

business level. The Joint Business

1. Promotion of Trade & Investment.
2. Promotion of Business alliances and possibilities for collaboration between Indian and Egyptian companies.
3. Development of synergies to explore business opportunities in third countries.

So far 4 meetings of India-Egypt Business Council have been organised, the last one was held in 2016.

13. Other Key institutional engagements

Start- ups and Venture Capitalists in Egypt

- | | |
|-------------|--------------|
| • MaxAB | • MerQ |
| • Breadfast | • Brimore |
| • Elmenus | • Trella |
| • Vetwork | • GoodsMart |
| • Yodawy | • Halan Onde |
| • Chefaa | • XPay |

Think Tanks in Egypt

- Egyptian Center for Economic Studies
- Center for Arab-West Understanding
- Egyptian Center for Economic and Social Rights
- Egyptian Initiative for Personal Rights

Law Firms and Consultants in Egypt:

- Al Kamel Law Office
- El-Saghir Law Firm
- Helmy, Hamza & Partners
- Ibrachy Legal Consultancy
- Kosheri, Rashed & Riad
- Matouk Bassiouny
- NAL & Partners
- Nour & Partners in Association with Al Tamimi & Company
- Shahid Law Firm
- Shalakany Law Office

14. Indian Diaspora

At present, the Indian community in Egypt numbers at around 4200, most of whom are concentrated in Cairo. There are also a small number of families in Alexandria, Port Said and Ismailia. Many of the Indians are either employed with Indian companies or are professionals with various multinationals. The Mission provides assistance to the Indian Community Association in Egypt (ICAE) and works closely with members of the community. About 290 Indian students are studying in Egypt, mainly in Al Azhar University, and a few in Ain Shams and Cairo Universities.