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## Egypt: Information about economic relations with Poland

### 1. Basic information, economic situation

The Egyptian Arab Republic is a parliamentary Republic with a lower house – House of Representatives, and an upper house – Shura Council. The head of the State is President Abdel Fattah Said El Sisi.

- Prime Minister: Ibrahim Mehlab
- Minister of Industry and Trade: Mounir Fakhry Abdel Nour
- Minister of Petroleum: Sherif Ismail
- Minister of Electricity and Energy: Mohammed Shaker
- Ambassador of the Republic of Poland in Egypt: Michal Murkocinski
- Ambassador of Egypt in the Republic of Poland: Reda Bebars

Surface of Egypt: 1.001.450 sq. km., population: ca 87 million (estimations for the 1<sup>st</sup> half of 2014), main cities: Cairo (capital – over 17 million inhabitants), Alexandria (ca 5 million inhabitants)

**Main natural resources of the country:** oil and natural gas, iron ore, phosphates, manganese, limestone, gypsum, granite and marble.

**Currency:** Egyptian Pound (EGP); exchange rate in 2014: 1USD=7,81 EGP.

**GDP:** According to the estimations, the Egyptian economy reached a growth of ca 1,8% in the fiscal year 2012/2013 (July 2012-June 2013), compared to a growth of 2,2% in the fiscal year 2011/12. The low GDP growth was mainly caused by the negative impact of political events and an unstable internal situation after 2011 (the so-called "Arab Spring"). The nominal GDP of Egypt has amounted to USD 262 billion.

**Structure of the GDP in 2013:** services – 48%, industry – 37,5%, agriculture – 14,5% (in the fiscal year 2010/11 the private sector produced 62,3% of the GDP).



## Basic macroeconomic indicators

Indicators	Fiscal year			
	2009/10	2010/11	2011/12	2012/13*
GDP (bn USD)	219,8	231,1	255,0	262,0
GDP per capita (PPP, in USD)	6 200	6 500	6 600	6 600
GDP (growth in %)	5,1	1,8	2,2	1,8
Inflation (in %)	11,7	10,2	7,1	9,0
Unemployment (in %)	9,2	12,0	12,7	13,4
Exports (bn USD)	25,0	27,9	24,9	24,8
Imports (bn USD)	51,5	55,1	60,3	59,2
Direct foreign investment value in Egypt (bn USD)	5,7	2,6	1,2	1,3
Egyptian direct foreign investment value abroad (bn USD)	1,2	0,6	0,8	0,4
Foreign debt (bn USD)	35,4	33,8	38,7	48,8
Foreign exchange reserves, including gold (bn USD)	b/d	17,7	14,9	17,0

Source: Economist Intelligence Unit, CIA, Business Monitor International, Central Bank of Egypt

**\*/ estimations**

**Egyptian foreign trade in 2013:**

**Export** – value: **USD 24,8 billion**, (- 0,5 in comparison with 2012); main partners (2012): Italy (8% of the total export value), India and the USA (7%), Saudi Arabia (6%), Turkey (5%). Structure of exported goods: oil, natural gas and processed products, cotton, textile products, metal products, chemicals, food.

**Import** – value: **USD 59,2 billion** (- 2% in comparison with 2012); main partners (2012): China (9,5% of the total import value), the USA (8%), Germany (7%), Russia, Ukraine, Turkey, Italy (ca 5%). Structure of imported goods: machines and tools, alimentary products, chemicals, wood products, fuels.

**Direct foreign investments in Egypt** – cumulated value: ca USD 76,8 billion at the end of 2013; the most important countries of origin of direct foreign investment: EU (ca 50% of the total direct foreign investment gross value, mainly Great Britain and Belgium), the USA



(23%), Arab countries, mainly the UAE and Qatar (ca 12%); main sectors – banking, tourism, oil and natural gas, real estate.

Membership in international political and economic organizations: UN, Arab League, African Union, WTO, IMF, OAPEC – Organization of Arab Petroleum Exporting Countries, AfDB – African Development Bank, IDB – Islamic Development Bank, EBRD – the European Bank for Reconstruction and Development, IBRD – the International Bank for Reconstruction and Development, UN agendas: FAO, UNCTAD, UNIDO, UNESCO, UNRWA

Preferential agreements: with the EU (implemented in 2004), EFTA (2007), GAFTA (Greater Arab Free Trade Agreement – 1998), COMESA (Common Market for East & South Africa – 1999), Agadir Agreement (Egypt, Morocco, Tunisia, Jordan – 2007), bilateral free trade agreements with Lebanon, Morocco, Tunisia, Jordan (1999), Libya (1991), Iraq (2001) and Turkey (2007).

## 2. Legal framework of the economic cooperation

a) The EU-Egypt Association Agreement has been implemented for trade on 01.01.2004, and fully on 01.06.2004.

b) Bilateral agreements:

- Mutual support and protection of investments (signed in Cairo in 1995, implemented in 1998)
- Avoiding double taxation (Warsaw 1996, implemented in 2001)
- Cooperation in the field of tourism (Cairo 2000, implemented in 2001)
- Establishing a scheduled air transportation (1956)
- Sea transportation (1977).

## 3. Trade with Poland in the last 5 years

<i>mln USD</i>	2009	2010	2011	2012	2013*	<i>Dynamic [%] 2012=100</i>
<b>Trade</b>	321,1	283,6	297,5	339,1	384,8	113,5
<b>Export</b>	275,6	233,3	195,8	203,2	275,9	135,8
<b>Import</b>	45,6	50,3	101,7	135,9	108,9	80,1
<b>Balance</b>	230,0	182,9	94,1	67,3	167,0	

Source: GUS      \*/ estimations



#### **The most important elements of the Polish export in 2013:**

- means of transportation (mainly vehicles to transport persons) – USD 53 million, represented 19% of the Polish export to Egypt;
- mechanical and electric tools (mainly pumps, dishwashers, lamps and bulbs, bearings, washing machines, electrodes) – USD 44 million, 16% of the export;
- vegetable products (wheat, chilled vegetables) – USD 35 million, 13% of the export;
- products made of base metals (razor blades, cross-sections, angles) – USD 33 million, 12% of the export;
- paper and cardboard – USD 19 million, 7% of the export;
- products of animal origin (mainly cheeses, cottage cheese, powdered milk) – USD 17 million, 6% of the export.

**The biggest exporters from Poland:** General Motors Poland Sp. z o.o., Glencore Sp. z o.o. (metal products, raw materials), Mondi Swiecie S.A., Bel Polska Sp. z o.o., Polchar Sp. Z o.o. (metals), Glaxosmithkline S.A., Avon Sp. z o.o., Siemens Sp. z o.o., Philips Lighting S.A.

#### **In 2013, the Polish import from Egypt was dominated by:**

- textile products (cloathes, ruggs, cotton) – USD 31 million, 29% of the Polish import;
- plastics (panels, foils etc., ethylene polymers) – USD 22 million, 20% of the Polish import;
- mineral products (mainly limestone phosphates) – USD 21 million, 19% of the Polish import;
- products of vegetable origin (dried vegetables, vegetables for perfumery and pharmacy, citrus fruits) – USD 13 million, 12% of the Polish import;
- mechanical and electric tools (wires, cables, TV reception apparatus) – USD 6 million, 6% of the Polish import.

**The biggest importers to Poland:** ZCh Police S.A., Krakchemia S.A., Brenntag Sp. z o.o., Multi-Decor Sp. z o.o., Samsung Electronics Sp. z o.o., Prymat Sp. z o.o.

According to GUS data for the first 11 months of 2014, the value of Polish-Egyptian trade has reached USD 380,7 million (+10,5% in comparison with the analogue period of the previous year), with the Polish export of USD 251,2 million (+ 3,7%), and the Polish import of USD 129,5 million (+ 26,4%).

#### **4. Business and investment cooperation**

We can observe a relatively high interest of Polish economic entities in investment cooperation on the Egyptian market. This concerns essentially activities in the tourist



services sector, trade mediation, construction, informatics, exploration and exploitation of natural resources (oil, natural gas), modernizing and upgrading the railway infrastructure. In fact, the value of the Polish direct foreign investment in Egypt is growing, and reached USD 6,2 million at the end of 2012 (with the presence of 68 Polish entities), according to data provided by the Egyptian General Authority for Foreign Investment. According to NBP, the value of the Egyptian investment in Poland amounted to USD 0,2 million.

After a long absence, some Polish companies initiated their activities in Egypt, in the oil and gas sector (PNiG Nafta Pila) and in maritime transportation (Polski Rejestr Statkow). The GEOFIZYKA Torun, specialized in conducting geological and seismic analyses for the mining industry, was also very present on the Egyptian market. The biggest Polish company active in Egypt (until June 2014) was PGNiG S.A. (Polish Petroleum and Gas Mining), after it had won a concession for mining in the Bahariya block (ca 4,400 sq m) from the Egyptian General Petroleum Cooperation (EGPC) in the first half of 2007.

Beside the oil and gas sector, Polish companies are looking for new possibilities of cooperation in other sectors, especially in delivering complete production lines, technologies, creating joint ventures etc. in fields such as railway and maritime transportation, electricity and energy, armament and food industry.

## **5. Market accessibility**

In the past decade, the Egyptian authorities have undertaken liberalization of the economic cooperation and of trade abroad. In 2004, the authorities introduced new regulations that lead to the reduction of custom tariffs for approximately 6500 articles to an average level of 9%. Other reductions followed in 2007 and 2008.

Since 2005, there have been new regulations simplifying the registration of foreign manufacturers of textiles, ready to wear and textile products, exporting their products to the Egyptian market. In the same year, the authorities worked on liberalization of the meat industry. The restrictions on imported livestock were reduced. Since 2006 the authorities have simplified regulations relative to the import of meat and beef products from the European countries.

Despite the aforementioned changes, the Egyptian market is still relatively protected, especially in the field of import of consumption goods. The access to imported articles is restricted by administrative methods unrespectable of common regulations and standards of foreign trade. The Egyptian tariffs and the customs clearance system allow a large freedom of custom classification of a given article. The regulations concerning additional fees (sales tax, service and inspection fees) are not precise, as well as other formalities required to import to Egypt.

The imported goods must still meet several specific (and often very strict) requirements. According to the regulation no 155 implemented in June 2002, the General Organization for Import and Export Control (GOIEC), is in charge of supervising import procedures. GOIEC



works within the structures of the Ministry of Foreign Trade, taking into account the competency of the Ministry of Health and/or the Ministry of Agriculture.

## **6. Actions undertaken to develop bilateral economic cooperation.**

During the last few years many representatives of the top Egyptian authorities have visited Poland (e.g. the visit of the former President of Egypt, Mr. Hosni Mubarak in March 2008). In February 2009, Poland was visited by the Egyptian Minister of Trade and Industry, along with a group of Egyptian businessmen representatives. During this visit, a business forum attracted a wide interest from Polish entrepreneurs (with the participation of more than 60 companies).

In February 2009 Egypt was visited by the Vice-Prime Minister and the Minister of Economy, Mr. Waldermar Pawlak, during the world final of the Imagine Cup organized by Microsoft. During his stay in Cairo, Mr. Pawlak met the representatives of the Egyptian government – the Minister of Petroleum and the Minister of Communication and Information Technology.

Trade is the main platform of cooperation between Poland and Egypt. The most effective instrument supporting trade development is the direct presence on the market and personal contacts between businessmen from both countries.

In this context, the Egyptian Polish Businessmen Association (EPBA, established in 1997 in Cairo) contributes greatly to the development of trade between Egypt and Poland by organizing trade missions to Poland on a yearly basis.

## **7. Possible fields of cooperation**

The most promising fields of economic cooperation are:

- The oil and natural gas sector: the new findings entail a growing demand for equipment, installations, drilling equipment, tools, machines and components for production, distribution and processing oil and natural gas;
- The railway sector: the reform and modernization of railways are the priorities of the Egyptian government in a short term perspective. Thus, ca USD 1,5 billion have been allocated to railway infrastructure development, including new locomotives, modernization and renovation of existing trains, modernization of existing railways, signaling, controlling and alarming systems;
- Automobile sector: there has been a growing interest in importing spare parts, components and automobile accessories (new and second-hand), especially for cars produced in Poland and other countries of Eastern and Central Europe.

Furthermore: the machine-tool sector, chemical sector, wood and paper sector (lack of local raw materials), glass and porcelain products, medical equipment, hospitals and laboratories equipment (marginal local production), base metals sector, mainly steel products, scrapped cast iron and steel, copper, agricultural and food sector, machines and equipment for the food industry (fast development of this sector, especially in poultry processing).



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## **8. Polish economic and trade representation in Egypt**

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**Source: Ministry of Economy, Poland**