

EGYPT LEGAL COUNTRY PROFILE

LEGAL SYSTEM OVERVIEW

Egypt possesses a legal system based upon Napoleonic civil and penal law, as well as Sharia law and colonial era laws.¹ There is an established legislative hierarchy, in which the constitution represents the supreme law. This is then followed laws passed by parliament, presidential decrees, prime ministerial decrees and ministerial resolutions. Treaties' and international agreements' ranks vary, but usually they are granted the force of laws.² The role of Islam within the legal system is established in the constitution; the principles of Islamic Sharia is defined as the principle source of legislation and applied to Muslims in family and personal status courts. The court system is tiered, composing of the Courts of First Instance, Court of Appeal and the Court of Cassation at the apex of the judiciary. Furthermore, other specialised courts exist, such as military and labour courts, alongside the independent Council of State, which decides over administrative disputes, and the Supreme Constitutional Court.³

Judicial independence is enshrined in Articles 94, 184, and 186 of the constitution. Nevertheless, corruption can be an issue when dealing with the courts; influenced by the political climate, court rulings may be politically motivated. Bribery and nepotism are also rife throughout Egypt and whilst extensive anti-corruption legislation exists, it is inconsistently enforced, resulting in well-connected individuals or firms acting with impunity. Courts may also refuse to recognise foreign arbitration judgements, despite Egypt ratifying the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Nevertheless, despite this, only a low percentage of companies see the courts as a major obstacle to doing business.⁴

The Egyptian Civil Code of 1948 remains the most important legislation with regards to contracts, as well as covering their elements and nullity, obligations, gifts and partnerships. Commercial life is further governed by a variety of laws, such as the 1999 Commercial Law, the 1981 Companies Law, the 1997 Investment Incentives Law and the 1992 Capital Markets Law.⁵ These govern topics from intellectual property, to share holding companies and stock market investment. The Egyptian Criminal Code of 1937 is the primary penal law, which criminalises a swathe of corruption offenses, and the Anti-Money Laundering Law provides further legislation.⁶ Meanwhile, the Labour Law 2003 is the main statute governing employer-employee relations, also defining a variety of worker safeguards. Furthermore, this labour law stipulates the maximum number of foreign workers that may work in a company, in both the Egyptian Custom zones and Public Free Zones.⁷

Egypt is a signatory to many international treaties and conventions. These include the Geneva Conventions, the Framework Convention on Climate Change, International Covenant on Civil and Political Rights and the Cairo Declaration on Human Rights in Islam.

Egypt is also a member of the Organisation of Islamic Cooperation, the Common Market for Eastern and Southern Africa, the Arab League and the Greater Arab Free Trade Area, amongst others. Article 93 of the constitution states that the state is committed to international law concerning human rights which are domestically ratified, which have the force of domestic law.⁸

¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>.

² http://www.errada.gov.eg/index_en.php?op=show_feature_details_en&id=13&start=0&type=1.

³ <http://www.unesco.org/shs/ethics/geo/user/?action=Geo4Country&db=GEO4&id=9&lng=en>.

⁴ <https://www.business-anti-corruption.com/country-profiles/egypt>.

⁵ <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2017&dclid=269974#wrapper>.

⁶ https://www.unodc.org/res/cld/document/criminal_code_of_egypt_english_html/Egypt_Criminal_Code_English.pdf.

⁷ http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=64693&p_country=EGY&p_count=485&p_classification=01.02&p_classco

⁸ https://www.constituteproject.org/constitution/Egypt_2014.pdf?lang=en.

BUSINESS OVERVIEW

Alongside moderate growth forecasts the current inflation rate of 23.5% is expected to rapidly decrease and average 7% by 2022, although inflation has been historically unstable.⁹ Despite having a diverse export economy and currently manageable debt, Egypt continues to remain heavily reliant on imports and runs a twin deficit: its imports account for roughly 2.5 times its export earnings.¹⁰ Egypt, however, retains the political and financial support of Western Countries and the majority of the Gulf nations, who in the past have provided large injections of foreign currency. Meanwhile, the sluggish nature of resolution disputes is a foremost obstacle to doing business, and outside of the Petroleum Ministry the government is unwilling to include international arbitration clauses in commercial contracts. Alongside high corruption levels, the high poverty rate, rising unemployment and lack of bureaucratic transparency all prove to be obstacles to business and investment.¹¹ As such, Egypt is ranked 128 of 190 in the World Bank's Doing Business index and 103 of 190 in the Starting a Business Index.¹²

Egypt does, however, offer numerous opportunities. Egypt is the largest oil producer in Africa outside of OPEC and the government actively encourages international investment in the oil and gas sectors, which equate for 16% of GDP. As such, there are opportunities in exploration, engineering, procurement and petrochemical projects relating to the hydrocarbon sector.¹³ The Egyptian government has also committed to supplying 20% of generated electricity from renewable sources by 2022, thus there is a great push for the procurement and expertise relating to wind and solar energy. The construction sector has rapidly grown for the past 30 years and is likely to continue to do so because of the demand boom for residential houses, and the subsequent infrastructure needed to support population growth.¹⁴ Meanwhile the ongoing Suez Canal Area Development Project offers a large variety of opportunities for government and private contracts as well as investment. The project seeks to enhance the region through the improvement of five ports as well as the construction of new industrial, agricultural zones, technology centres and a city. Furthermore, demand in security sector is forecast to grow by 15-20% over the next few years, with the Ministry of Interior and Defence providing much of this demand.¹⁵

COUNTRY OVERVIEW

The Arab Republic of Egypt is a north African nation bordering Israel, Sudan, Libya and the Gaza Strip. Egypt has a population of 94.04 million people and around 18.8 million alone live within the metropole of the capital, Cairo; Alexandria forms Egypt's other major urban settlement with 4.78 million inhabitants. Around 95% of the population lives within 20 kilometres of the Nile and the Nile Delta. Arabic is the lone official language, but in the educated classes and tourist areas English and French are also widely understood. Around 90% of the population are Muslim, with the majority following Sunni Islam, and there is a Christian minority, predominantly of the Coptic Church.¹⁶

⁹ <http://www.imf.org/external/datamapper/PCPIPCH@WEO/VEN/EGY>.

¹⁰ <https://atlas.media.mit.edu/en/profile/country/egy/>.

¹¹ <https://www.export.gov/article?id=Egypt-market-challenges>.

¹² <http://www.doingbusiness.org/data/exploreeconomies/egypt>.

¹³ <https://www.export.gov/article?id=Egypt-Oil-and-Gas-Equipment>.

¹⁴ <https://www.export.gov/article?id=Egypt-Market-Opportunities>.

¹⁵ <https://www.export.gov/article?id=Egypt-Safety-and-Security>.

¹⁶ <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>.

Egypt is viewed as having acceptable to high levels of risk with regards to its business climate and political situation. This risk largely stems from the economic weaknesses and major security issues that Egypt faces.¹⁷ Corruption also poses a major obstacle to business and investment in Egypt; *Baksheesh*, or bribery, is part of Egyptian's everyday life. Corruption pervades the economy, judiciary and public sector. As such, Egypt ranks 117 of 180 in Transparency International's 2017 Corruption Index.¹⁸

Egypt's GDP was last measurable in 2016 when it stood at US\$332.35 billion. Since then Egypt has had moderate growth rates of around 4% annually and real GDP growth is forecast to reach 6% annually by 2021.¹⁹ Egypt is a presidential republic, thus executive power is currently held by President Abdel Fattah al-Sisi, who is also the chief of state. Meanwhile, the head of government is Prime Minister Sherif Ismail, an office whose holder is appointed by the President and approved by the parliament. The next presidential election is scheduled for March 2018. The legislative branch of government is formed by the House of Representatives, the Majlis al-Nowaab, with has 596 seats. 448 members are elected by an individual candidacy system, 120 elected in party list constituencies by simple majority votes and 28 are appointed by the President. The next legislative elections are due to be held in 2020. Questions have been raised over the fairness of elections since President Morsi's overthrow, and these will likely continue in the wake of the 2018 Presidential Election, which has no genuine opposition to al-Sisi's candidacy.²⁰

¹⁷ <http://www.coface.com/Economic-Studies-and-Country-Risks/Egypt>.

¹⁸ <https://www.business-anti-corruption.com/country-profiles/egypt>;
https://www.transparency.org/news/feature/corruption_perceptions_index_2017.

¹⁹ <http://www.imf.org/external/datamapper/NGDPD@WEO/EGY>; http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/EGY.

²⁰ <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>.