

**Middle East
North Africa
Business
Information
Center**



FOREIGN TRADE ZONES AND PORTS - EGYPT

Egypt had seven active public free zones in FY 2002-03: Nasr City (near Cairo Airport), Alexandria, Damietta, Ismailia, Sixth of October City, Suez, and Port Said. New extensions are being added to Damietta, and new zones are planned in North Sinai and the Red Sea. In January 2002, the GOE announced that Port Said's duty free status would be phased out over a five-year period.

Free zones are located within the national territory but are considered to be outside Egypt's customs boundaries, granting firms doing business within them more freedom on transactions and exchanges as a means of attracting foreign investment. They are subject to Investment Law 8 and are open to investment in any sector. Companies producing largely for export (normally 80 percent or more of total production) may be established in free zones and operate using foreign currency. Foreign investors have equal rights to operate in free zones. Free zones are established by a decree of the Council of Ministers.

Companies operating in free zones are exempted from customs duties, sales taxes or taxes and fees on capital assets and intermediate goods. However, warehouse companies are subject to an annual fee of one percent on the imported product's value, and production and assembly profits are subject to an annual fee of one percent on the exported product's value.

Concession agreements in such areas as petroleum, natural gas, and mineral exploration and exploitation, although not explicitly covered by Investment Law 8, receive many of the privileges of free-zone ventures. Concession agreements must be negotiated separately with the GOE and are subject to legislative approval.

In May 2002, Parliament approved the Special Economic Zones (SEZ) Law (Law 83 for 2002), which provides for the establishment of special zones for industrial, agricultural, or service activities designed specifically with the export market in mind. The law allows firms operating in these zones to import capital equipment, raw materials, and intermediate goods duty free. Companies established in the new zones also will be subject to lower corporate taxes and exempt from sales and indirect taxes. They will also operate under more flexible labor regulations and enjoy other incentives. The law's executive regulations were issued in September 2002 and procedures to establish the first SEZ in North Gulf of Suez are currently underway.

Source: Trade Information Center, U.S. Department of Commerce.