# EGYPT

## TRADE SUMMARY

The U.S. trade surplus with Egypt was $1.5 billion in 2003, the same as in 2002. U.S. goods exports in 2003 were $2.7 billion, down 7.3 percent from the previous year. Corresponding U.S. imports from Egypt were $1.1 billion, down 15.7 percent. Egypt is the 36th largest export market for U.S. goods.

The stock of U.S. foreign investment (FDI) in Egypt in 2002 was $3.0 billion, up 16.6 percent from 2001 (latest data available). U.S. FDI in Egypt is concentrated in the mining sector.

## IMPORT POLICIES

The government of Egypt has gradually implemented a number of import policies to promote greater trade liberalization. The list of goods requiring prior approval before importation was eliminated in 1993. Egypt became a member of the World Trade Organization (WTO) in 1995 and has pledged to be in full compliance with its trade commitments to the WTO by 2005. Over the last two years progress on trade reform has been uneven. Although the government recognizes the need to eliminate non-tariff barriers to trade, significant problems remain and add to the cost of doing business. These include red tape, cumbersome bureaucracy, and the enforcement of unreasonable and excessive Egyptian standards.

In January 2003, the government adopted a free-market exchange-rate system. Both the government and business hoped the move to a flexible exchange rate would ease problems of gaining access to foreign exchange. However, foreign-exchange liquidity and turnover remain problems. Firms report delays in processing requests to convert Egyptian pounds to foreign currency for imports, loan repayments, and other purposes and firms have turned to an illegal parallel market for their foreign-currency needs. To counter this trend, Prime Ministerial decree 506 of 2003 established a surrender requirement for all foreign-exchange-generating transactions. Under the decree, ministries, authorities, companies and individuals that engage in foreign-exchange-generating activities are required to sell 75 percent of their foreign currency revenues to banks within one week of their receipt. Because of spotty compliance and weak enforcement of the surrender requirement, foreign currency inflows to the banking system have been limited. As a result of the liquidity problem and the declining value of the Egyptian pound, imports have been declining.

### Tariffs

Egypt has made progress in liberalizing its tariff structure. In 1998 Egypt reduced the maximum tariff rate for most imports from a high of 50 percent to 40 percent. In keeping with most of its Uruguay Round commitments, over 98 percent of Egypt’s tariffs are bound tariffs. Egypt’s average weighted tariff rate is 27.5 percent. However, Egypt's tariffs remain relatively high, especially when compared with those of other developing countries with large internal markets and diversified industrial economies. In addition to tariffs, Egypt levies service fees on the value of imported shipments in exchange for inspection, listing, classification and reexamination of shipments. An inspection fee of one percent is levied on all imports. Egypt also applies an additional surcharge of two percent on goods subject to import duties of 5 percent to 29 percent, and a surcharge of three percent on goods subject to duties of 30 percent or more. All goods are subject to sales tax ranging from 5 percent to 25 percent. Egypt applies a discriminatory sales tax of 10 percent on high quality imported flour, which is not applied to locally produced flour.

Although most tariffs range between 5 percent to 40 percent, Egypt maintains a number of tariff spikes for luxury goods (including most automobiles, tobacco, alcoholic beverages and clothing). A ban on fabric imports was lifted in 1998, and a ban on apparel imports was lifted in January 2002. However, tariffs on textiles are well over 50 percent, and as of January 1, 2002, garments are subject to a specific-rate, per-piece duty ranging up to 1,400 Egyptian pounds ($230) per item, which appears to greatly exceed Egypt's WTO commitments. In December 2003 the United States requested WTO consultations to address Egypt's apparel tariffs. In January 2004 an Egyptian Presidential decree was issued lowering a range of tariffs, apparently including those subject to the U.S. request for WTO consultations. The two governments will engage in consultations in 2004 to determine if Egypt has addressed U.S. concerns regarding apparel tariffs. The tariffs on passenger cars with engines over 1,500 cc are 100 percent to 135 percent, and on poultry are 80 percent. There is a 300 percent duty on wine for use in hotels, and a 3,000 percent rate on alcoholic beverages for general importers. Foreign movies are subject to duties and import taxes of about 87 percent of the value of a film, as well as a 10 percent sales tax and a 20 percent box office tax (compared to a five percent box office tax for local films). Soft drinks face a statutory excise tax of 50 percent to 60 percent (though various government-approved deductions result in an effective tax rate between 25 and 30 percent). By comparison, competing beverages such as bottled water, juices, teas and coffees are taxed at 10 percent**.** The government of Egypt states that the new draft tax law being introduced in the 2003/2004 round of Parliament will reduce the statutory soft drinks tax to around 18 percent. In 2002, the government reduced a safeguard tariff on powdered milk from 50 percent to 7 percent and then eliminated it entirely in October 2003. With this additional tariff removed, milk powder imports are now taxed at 5 percent.

Mandatory quality control standards and other non-tariff barriers restrict imports of some U.S. products, thereby providing preferential treatment for domestic products over imports. Although the government stresses that standards applied to imports are the same as for domestically produced goods, in practice imports are subject to different inspections by agencies from a number of ministries. Many U.S. agricultural exports face obstacles, including burdensome import licensing requirements, which, in the case of poultry and poultry parts, have the effect of blocking nearly all U.S. exports of these products. High tariffs restrict the competitiveness of U.S. food products such as canned peaches and U.S. chocolates and confections, which face a 40 percent *ad valorem* duty, as do some dairy products. Forty percent tariffs also apply to U.S. apples, cherries and pears, and U.S. exporters report that Egypt's application of sanitary and phytosanitary measures to these products are non-transparent and burdensome. Processing of imports also adds significant real costs to imported merchandise through service and inspection fees. Exporters to Egypt report being hampered by non-transparent regulations and requirements. In addition to high tariffs, U.S. textile exports are effectively barred by a combination of hurdles, including complex and excessive customs procedures, customs surcharges, and costly and complex marking requirements for fabric. The U.S. textile industry estimates that U.S. textile exports to Egypt would be in the range of $10 million to $50 million if all barriers were removed.

**Customs Procedures**

Egypt announced implementation of the WTO customs valuation system in July 2001, but the government acknowledges that the system has not been fully implemented. In the meantime importers face a confusing mix of the new invoice-based and old reference-price valuation systems. The Ministry of Finance has committed to a comprehensive program to reform the customs system, and one of the priority goals is to implement the WTO Customs Valuation Agreement. USAID has funds available for a five-year, $30 million customs reform project to support the Ministry of Finance's efforts. The September 2003 inauguration of the Model Customs and Tax Center (MCTC) was an important step in modernizing tax administration in Egypt. The MCTC is one-stop shop where taxpayers can settle income taxes, sales taxes and customs.

In June 2002, the parliament approved a new Export Promotion Law (Law 155). The law reinforces the coordinating authority of the Ministry of Foreign Trade's General Organization for Import and Export Control (GOIEC) for all import inspection procedures, though the Ministries of Health and Agriculture maintain their own inspection units and procedures. A focus of the law is to improve the duty drawback and temporary admission systems for exporters by establishing a central unit under the joint supervision of the Ministries of Finance and Foreign Trade to monitor and streamline the systems. The law also established an "export promotion fund" to promote Egyptian exports and increase their share of foreign markets, but the specific activities of the fund have not yet been determined. To date the fund has not been used to subsidize exports. As of December 2003, the law's executive regulations have not yet been issued.

In November 2002, the Ministers of Foreign Trade and Finance inaugurated the new temporary admissions unit at the Port of Alexandria, a first step in a plan to upgrade operation of the temporary admissions system at all ports of entry in the country. USAID is helping the government of Egypt to set up three other sites for temporary admissions and duty drawback in Suez, Port Said, and Damietta.

**Import Bans**

Egypt lifted its ban on apparel imports on January 1, 2002, but replaced it with excessive specific rate duties (per piece rather than *ad valorem*) on over 1,000 categories of clothing, effectively excluding imports from the market. The U.S. views the high effective rates of Egypt's new specific rate duties on apparel products as violating Egypt's WTO obligations. Some of the new specific rate duties reach up to 1,400 Egyptian pounds per item ($230), often many times the value of the garment itself and well in excess of Egypt's WTO tariff bindings. As noted in the preceding section, the Egyptian Government recently issued a Presidential decree that lowers the apparel tariffs in question and establishes *ad valorem* duties for these products. The two sides will engage in WTO consultations in 2004 to confirm that Egypt has addressed U.S. concerns.

In 1998, Egypt issued a decree stipulating that imported automobiles can only be imported during their year of manufacture, effectively banning the importation of second-hand cars.

In October 2003, the government of Egypt lifted an import ban on beef liver processed by a major U.S. company. This ban, which was imposed in 1999, was lifted by the issuance of Decree No. 574 of 2003.

**STANDARDS, TESTING, LABELING AND CERTIFICATION**

Egypt currently has over 4,500 standards, seven percent of which are mandatory. There is little or no interagency coordination in the formulation and enforcement of standards: standards are established by the Egyptian Organization for Standardization and Quality Control in the Ministry of Industry; verification of compliance, however, is the responsibility of agencies affiliated with several ministries, including the Ministry of Health, the Ministry of Agriculture and, for imported goods, GOIEC in the Ministry of Foreign Trade.

Egypt has increased efforts to bring mandatory regulations into conformity with international standards. However, many imports are still subject to burdensome quality standards and inspections. The import process remains opaque despite a 1999 Presidential decree designating GOIEC as the coordinator for all import inspections. Moreover, even as average tariffs have gone down, the number of imports subject to mandatory quality control has increased from 69 to 131 categories of items including foodstuffs, appliances, electrical products, and spare parts.

Importers report that product testing procedures are not uniform or transparent and that inadequately staffed and poorly equipped laboratories often yield faulty test results. Efforts are underway to improve Egyptian standards and testing. USAID and the U.S. Department of Agriculture currently are working with GOIEC to develop a state of the art food laboratory in Dekhaila port near Alexandria. The laboratory should be operational by early 2004. The privately-run port of Ain Sukhna also will soon have a qualified inspection laboratory on its premises.

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Egypt is a key U.S. agricultural export market and is a major purchaser of U.S. wheat. Trade in agricultural products could be expanded through the elimination of tariff and non-tariff barriers. Shelflife standards required by the government are rigid and do not recognize quality, safety and technological differences between producers. Many imports (mainly foodstuffs) entering Egypt must have 50 percent or more of their shelf life remaining. Such standards can have the effect of blocking some U.S. exports, as in the case of some U.S. processed cheese products. Moreover, Egypt applies shelf life standards to certain non-food imports such as syringes and catheters.

Product specification can also be a barrier to trade. Food imports are sometimes subject to quality standards lacking in technical and scientific justification. For example, Egyptian Standard 1522 of 1991 requires that frozen beef imported for direct consumption contain no more than seven percent fat, a requirement not imposed on domestically graded premium beef. As a result, U.S. exporters lose an estimated $2 million in sales annually.

Food imports face a number of burdensome labeling and packaging requirements. Poultry and meat products must be shipped directly from the country of origin to Egypt and sealed in packaging with details in Arabic both inside and outside the package. This requirement raises processing costs and discourages some exporters from competing in the Egyptian market.

Egypt maintains restrictions on the importation of health food products such as dietary goods. For example, import permits are not issued for products that compete with local products.

Textile fabric is also subject to costly and complicated labeling requirements. Imported fabric must have the name of the importer woven into the cloth. In addition, imported textiles are subject to quality control examination by a committee made up of members representing the domestic spinning and weaving industries. This group also has some influence with Egyptian Customs in setting the duties that are imposed.

## GOVERNMENT PROCUREMENT

Egypt is not a signatory to the WTO Agreement on Government Procurement. In 1998, Egypt passed a law setting new regulations for government procurement to make the tendering process more open and fair and to provide the Egyptian government greater value for money in its procurements. The new law mandates that technical factors, not just price, be considered in awarding contracts. The preference shown to parastatal companies has diminished but not eliminated. Previously, publicly owned companies always received preference. Under the new law, this preference only applies when the bid of a publicly owned firm is within 15 percent of other bids. Contractors receive certain rights under the law, such as speedy return of their bid bonds and an explanation of why a competing contractor won the bid. Many concerns about transparency remain, however. For example, the Prime Minister can authorize the method of tendering for specific entities according to terms, conditions, and rules that he determines. The United States and Egypt discuss government procurement in a working group established under the U.S.-Egypt Trade and Investment Agreement Council.

## EXPORT SUBSIDIES

The government of Egypt mandated a $43 million subsidy program for Egyptian cotton in October 2002 to encourage the use of local cotton by textile mills. The program ended during the first half of 2003 and there are no plans to renew this program. However, the government recently prohibited the export of long and medium long staple cotton to make these cotton varieties more available for local mills, presumably sold at lower prices than in foreign markets.

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## INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Though Egypt is a signatory to most of the international intellectual property (IP) conventions, intellectual property rights (IPR) protection remained well below international standards until 2002. Since then, Egypt has made progress in strengthening its IPR regime through improvements in its domestic legal framework and enforcement capabilities. In May 2002, the Egyptian Government passed a comprehensive IPR law to protect intellectual property and bring Egypt into line with its obligations under the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The law addresses IPR protection in areas such as patents, copyrights (with enhanced protection for sound and motion picture recordings and computer software), trademarks, plant varieties, industrial designs, and semiconductor chip layout design. With respect to certain violations, the law stipulates higher fines and prison sentences for convicted violators. Although the law has certain shortcomings, its passage demonstrated a marked improvement in Egypt's IPR regime. In June 2003, the Executive regulations dealing with patents, trademarks, and botanical varieties were issued. The executive regulations covering copyright protections remain under review.

Responding to Egypt's improved IPR protection, in May 2003 the United States Trade Representative (USTR) moved Egypt from the IPR "Priority Watch List" (a designation that Egypt had retained since 1997) to the "Watch List." However, the U.S. government is very concerned that the Egyptian government has given its approval for local manufacturers to produce copies of several U.S. pharmaceutical products. These approvals, which were granted in late 2003, appear to violate Egyptian data exclusivity laws and regulations designed to protect the holder of the intellectual property rights of such products.

Copyright piracy is another concern and currently affects most categories of works, including motion pictures (in video cassette format), sound recordings, printed matter, textile designs, and computer software. Regarding computer software protection, the Government of Egypt recently has taken steps to ensure the authorized use of legitimate business software by civilian government departments and in schools. False licensing, where a local unauthorized distributor receives and is permitted to rely upon Ministry of Culture approval to distribute pirated software, music, and films remains a problem and undermines copyright protection in Egypt. The Egyptian government, however, has recently taken steps to revoke such approvals for well-known pirates. Infringement of trademark, textile design and industrial designs remains problematic, though there are signs of improvement. For example, according to the Business Software Alliance, an international NGO, computer software piracy in Egypt declined by six percent over the fiscal year 2002/2003. The U.S. Government is intensively engaged in working with Egypt to address deficiencies in Egypt's IP protection which U.S. industry estimates resulted in 2003 losses for U.S. firms of $33 million due to pirated music and books, a figure which does not take into account high levels of piracy in software or movies

The United States has sought, through USAID-funded projects, to assist Egypt's efforts to address its deficiencies in IP protection. These programs have contributed to substantial and meaningful progress in establishing and strengthening some of the government institutions necessary for an effective IP regime. A modern, computerized Egyptian Patent Office is now capable of processing patent applications, and the quality and transparency of the trademark and industrial design registration system has been significantly improved. A new USAID technical assistance program is currently under final stages of design to support the government of Egypt in IPR enforcement and public awareness. Egypt has taken advantage of numerous technical assistance opportunities at the United States Patent and Trademark Office (USPTO) on topics such as computerized patent and trademark application searching, patent, trademark, and design application examination, and the processing of applications under the Patent Cooperation Treaty (PCT).

**SERVICES BARRIERS**

Egypt participated actively in the Uruguay Round negotiations on services but made commitments in only four sectors: construction, tourism, financial services, and international maritime transport. Egypt subsequently made commitments in the 1997 WTO agreement on financial services negotiations. Egypt is gradually implementing its General Agreement on Trade in Services (GATS) commitments. Egypt supported launching a new round of trade negotiations, including trade in services, at the WTO Ministerial meeting in Doha in November 2001.

Egypt has restrictions for most service sectors in which it has made GATS commitments. These restrictions place limits on foreign equity in construction and transport services. Egypt restricts the employment of non-nationals to 10 percent of the personnel employed by a company. Restrictions on the acquisition of land by foreigners for commercial purposes were amended in 2002 to allow the acquisition of land by non-Egyptians under certain criteria and procedures.

In 1998, the Government passed legislation allowing privatization of Egypt's four state-owned insurance companies. The law removed the prohibition on majority foreign ownership of Egyptian private insurance firms, permitting up to 100 percent foreign ownership. In addition, the law eliminated the prohibition on foreign nationals serving as corporate officers of insurance companies. There are currently at least four foreign insurance companies operating in the market: Alico and AIG-Pharaonic (U.S.), Legal and General (U.K.), and Allianz (Germany). There are eleven private sector insurance companies, three of which are joint ventures with U.S. firms. Plans to prepare the four state-owned insurance companies for privatization appear to have made little headway in the past two years.

Also in 1998, legislation was passed to allow privatization of the four state-owned banks that control over 50 percent of the banking sector's total assets. A new banking law passed in mid-2003 confirmed that possibility. The government has appointed new, western-trained senior management teams for the four banks, but has announced no explicit plans for privatizing them. There are 63 banks in Egypt, 23 of which are joint ventures with foreign participation. As a result of its 1997 WTO financial services commitments, Egypt does not limit foreign equity participation in local banks. Several foreign banks have majority shares in Egyptian banks, while other foreign banks are registered as branches of the parent bank (rather than subsidiaries). In all cases, these foreign banks can conduct all banking activities in Egypt. New foreign banking entrants face barriers, however. Because the government believes there are too many banks in Egypt, it has not issued a new banking license in at least ten years. As a result, the only way a foreign bank can enter the market in Egypt is to purchase an existing bank. Since early 2001 the government has advocated the merger of some smaller banks, though little has happened in this regard. In 2002, the Central Bank of Egypt required that banks raise their capital adequacy ratios to meet Basel II standards. The 2003 banking law substantially raised minimum capital requirements for all banks.

Egypt's WTO financial services commitment in the securities sector provides for unrestricted market access and national treatment for foreign companies. International investors are permitted to operate in the Egyptian stock market largely without restriction. Several foreign brokers, including U.S. and European firms, have established or purchased stakes in brokerage companies. In May 2002, the Minister of Finance issued a decree to establish the Primary Dealers System, though it has yet to be implemented. The new system will allow financial institutions that are registered with the Ministry of Finance, including banks and bond dealers, to underwrite primary issues of government securities and to activate trading in the secondary market through sale, purchase and repurchase of government securities.

Telecommunications services have expanded rapidly in the past three years as the sector has been liberalized and opened to international competition. Telecom Egypt (TE) is still a state-owned monopoly, though the GOE has announced that it plans to offer up to 34 percent of the company to a strategic investor and additional shares on the stock exchange when market conditions are suitable. Attempts to find a strategic investor have been unsuccessful. An initial public offering of TE stock was originally planned for late 2000, but it was delayed due to market conditions.

Private sector firms participate actively in Internet, cellular, and pay telephone services. Foreign firms compete for contracts offered by TE to modernize its networks and switching equipment.

Telecom Egypt has sought foreign participation in the management and operation of the national telecommunications grid, however no agreements have yet been signed. In February 2003, Egypt's parliament approved a new telecommunications law (Law 10). It stipulates that Telecom Egypt will relinquish its monopoly status as Egypt's domestic operator and sole international operator by January 2006 and provides for greater price flexibility for TE shares in a future public offering. In June 2002, Egypt's schedule of commitments for basic telecommunications under the Fourth Protocol was certified in the WTO, including commitments to adhere to the WTO basic telecommunications Reference Paper. In April 2003, Egypt joined the WTO Information Technology Agreement, which requires the eventual phasing out of tariffs on all IT imports from WTO members.

Maritime and air transportation services are being liberalized. A 1998 law ended the long-held government monopoly in maritime transport, and the private sector now conducts most maritime activities, including loading, supplying, and ship repair, and, increasingly, container handling. The new Ain Sukhna port is the first privately owned and operated Egyptian port. Egypt Air's monopoly on carrying passengers has been curtailed, and several privately owned airlines now operate regularly scheduled domestic flights and international charter services, although the national carrier remains by far the dominant player in the sector. Egypt passed laws in 1996 and 1997 permitting private firms to build and operate new airports. Private concessions can operate businesses and provide services in airports, but private ownership of airports is still not permitted. Six new build-operate-transfer (BOT) airports were under construction at the start of 2001. One of these, at Marsa Alam, opened at the end of 2001. The government of Egypt plans to increase the number of airports in the country from the current 18 to 31 over the next decade.

Egypt maintains several other barriers to the provision of certain services by American and other foreign firms. Foreign motion pictures are subject to a screen quota and limitations on the number of prints (five) of a foreign film a distributor may import. Private and foreign air carriers may not operate charter flights to and from Cairo without the approval of the national carrier, Egypt Air.

The government applies a licensing fee of 10 percent of revenue with a minimum of approximately $70,000 per year on private express mail operators, a fee that negatively affects their competitiveness. Only Egyptian nationals may become certified accountants.

**INVESTMENT BARRIERS**

Under the 1992 U.S.-Egypt Bilateral Investment Treaty (BIT), Egypt committed to maintaining the critical elements of an open investment regime, including national and Most-Favored-Nation (MFN) treatment of investment (with limited exceptions specified by the treaty), the right to make financial transfers freely and promptly, and international law standards for expropriation and compensation. The BIT also establishes formal procedures to enforce the treaty, including the availability of international arbitration for investors.

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In 1999, Egypt and the U.S. signed a Trade and Investment Framework Agreement (TIFA) that established a TIFA Council designed to facilitate the discussion of bilateral trade and investment issues. The Council met most recently in October 2002, and it established at that time four working groups to review technical issues related to agricultural trade, customs administration, and government procurement. Other issues, including IPR, Egypt's foreign exchange regime, and specific commercial issues are discussed in the Council itself and in less formal groupings.

Egypt offers first-time investors expedited approval to establish operations, and investors in 16 priority sectors (among them agriculture, housing, transportation, petroleum, and computer software) receive special advantages and incentives. Many incentives are geographically based to encourage investors to locate outside of the greater Cairo area. For example, investors locating businesses in parts of Upper Egypt can receive 20 year tax holidays. A dozen new industrial zones have been built in satellite cities in the desert areas outside of Cairo and Alexandria.

In 1995, Egypt notified the WTO that it maintained measures inconsistent with its obligations under the Agreement on Trade-Related Investment Measures (TRIMS). The notified measure granted customs duty reductions to investments that met certain conditions with respect to resource exploitation, technology transfer, and export performance. By making a formal notification under the TRIMS Agreement, Egypt qualified for a five-year transition period for phasing out the relevant measure. In February 2001, Egypt submitted a request to the WTO for an additional five-year transition period. This request, which was received one year after the initial transition-period had ended, was never formally granted by the WTO. The United States is seeking to confirm whether Egypt is now fully in compliance with its TRIMS Agreement obligations.

## ANTICOMPETITIVE PRACTICES

The government of Egypt has drafted a comprehensive competition and antitrust law that would prohibit monopolistic behavior that negatively impacts prices and quantities in local markets, and would call for monitoring companies that exceed a specific benchmark market share. The government circulated the draft law in the business community for discussion in the past year and made several amendments to accommodate international standards and the structure of the Egyptian economy. The law is expected to be considered during the current session of parliament (November 2003-June 2004).

## ELECTRONIC COMMERCE

Egypt has drafted an electronic signature law, which has been approved by the Cabinet and is on the docket for discussion by the parliament in the 2003-2004 session. Egypt is deferring a broader electronic commerce law that will address such issues as domain names, customs and duties, and creation of a certificate authority to verify electronic signatures. The development of electronic commerce in Egypt has been impeded by concern about the lack of security on computer networks, the relatively high prices charged by Internet Service Providers, and the limited number of Internet users in the country. Businesses are also required to pay high telephone rates for dedicated Internet lines. The duty rate on personal computers was reduced in 2000 from 20 percent to 5 percent, which should stimulate demand for them and help expand the market for electronic commerce.

## OTHER BARRIERS

### Pharmaceuticals

Industry has raised concerns that the government has not allowed pharmaceutical price increases to compensate for general inflation and depreciation of the Egyptian pound. For example, though the Egyptian pound has fallen 76.5 percent in value against the U.S. dollar since June 2000, the government has adjusted for inflation for only a few pharmaceutical products. Because both domestic and foreign pharmaceutical companies rely heavily on imported inputs, some companies claim to be operating at a loss. Several foreign pharmaceutical companies have been forced to downsize as a result.