



MARKET BRIEF

Heart of the Arab World

Hinged at the eastern Mediterranean between North Africa and the Persian Gulf, with 70 million industrious people, Egypt is the heart and soul of the Arab world. The Egyptian economy, traditionally associated with agriculture, has diversified greatly over the past decade. Its unmatched ancient monuments and beautiful Red Sea beaches and spectacular coral reefs have made tourism the largest foreign exchange earner, employing nearly 12 percent of the Egyptian workforce.

Market Overview

▶ The U.S. is Egypt's largest bilateral trading partner and also the second largest investor in Egypt, after the United Kingdom. About two-thirds of U.S. investment is in the oil and gas sector, but other important sectors include investment in consumer goods, automobile production, and financial services. Given its strategic position in the region, the U.S. Government works closely with Egypt on its economic reform program, and is its largest bilateral aid donor. U.S. non-military economic assistance to Egypt in FY 2003 was approximately \$615 million.

▶ After four years of economic stagnation, Egypt is suddenly on the move. Tourism receipts are up sharply, Suez Canal revenues are up and natural gas exports are beginning to be a serious economic factor. Still, Egypt remains a difficult and often frustrating market for U.S. firms. Red tape such as over-regulation and multiple regulatory agencies, customs delays, arbitrary decision-making, high market-entry costs, and a generally unresponsive commercial court system, inflate costs and complicate business.

▶ A new reform-minded government that came to power last summer has taken aim at a number of bottlenecks to business and moved quickly to make things happen. Already there has been simplification of customs and a reduction of tariff rates. A new simplified tax law is before the parliament and there are plans for solid reform of the banking sector. The business sector is suddenly optimistic about prospects and that means many opportunities for American companies. When the Heart of the Arab World beats well, growing and prospering, it is good news for the rest of the region.

Top 5 Sectors

1. Telecom & IT
2. Environmental Services
3. Oil & Gas Services
4. Hotel & Restaurant Equipment
5. Medical Equipment

