

E**BCC** E-Newsletter

Your **Free** Guide to
Business in Egypt & the
United Kingdom



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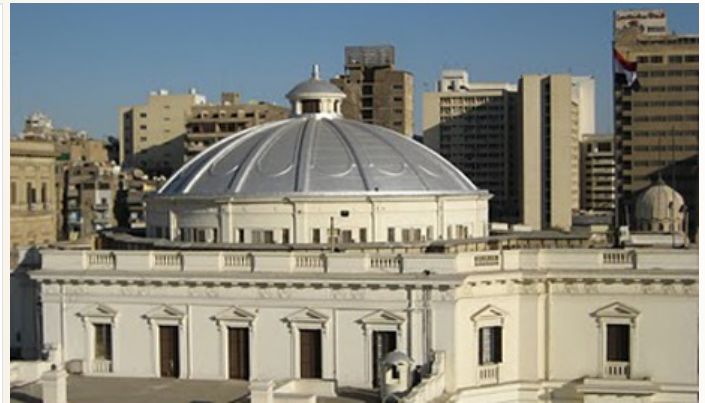


NEWS | OPINION | LATEST EVENTS | FINANCE | INVESTMENT

Egypt's Shura Council Elections

Elections for Egypt's upper house of Parliament, the Shura Council, began last Sunday, but unlike the long anticipated People's Assembly elections that ran from November to January, the Shura Council elections were a quiet affair. Many in Egypt question the contribution of the Shura Council to Egypt's Governance. Since its creation in 1980, the Council has lost most of its power, and can now only give non-binding legislation recommendations to Egypt's Cabinet and People's Assembly. There have even been complaints that the Shura Council election process is an unnecessary expense in the midst of Egypt's already financially challenging transition period.

The People's Assembly elections, or lower house, were held in three phases from November to January, each phase held a run off in case electoral law candidates did not secure a majority vote.



Egypt's Parliament

The Freedom & Justice Party (FJP - former Muslim Brotherhood) secured by far the most votes and won 47.2 percent of the seats in Parliament, or 235 of the total 498 seats. However, they did not manage to secure a majority of 50 + 1 percent which means that they will form a coalition government. The FJP has several options, the party can choose to form an alliance with the Conservative Nour Party, the Wafd Party, or the liberal Egyptian Bloc. It is unlikely that the FJP will form a coalition government with the Nour Party, in public statements the Freedom and Justice Party has resisted suggestions that it would form a coalition with the conservative Salafi parties because it hopes to lead a pluralistic legislature.

The new Parliament's primary duty will be to appoint the constituent assembly charged with drafting a new constitution to be put to a national referendum at a later stage.

Parliamentary Election Results:

Freedom and Justice Party - 235 seats (47.2%)
Nour Party - 121 seats (24.3%)
New Wafd Party - 38 seats (7.6%)
Egyptian Bloc - 34 seats (6.8%)
Al-Wasat Party - 10 seats (2.0%)
Reform and Development Party - 9 seats (1.8%)
Revolution Continues - 7 seats (1.4%)
Other parties - 18 seats (3.6%)
Independents - 26 seats (5.2%)

UK Will Not Veto Use of EU Institutions

Twenty-five of the EU's 27 member states have agreed to join a fiscal treaty to enforce budget discipline.

The Czech Republic and the UK refused to sign up. UK Prime Minister David Cameron said his government would act if the treaty threatened UK interests.

UK foreign secretary William Hague does stress that Britain will not veto the use of European Institutions in case other EU member states wish to make use of them.

Cameron still has "legal concerns" about the use of EU institutions in enforcing the fiscal treaty, he said.

The treaty will empower the European Court of Justice to monitor compliance and impose fines on rule-breakers.

The treaty also spells out the enhanced role of the European Commission in scrutinising national budgets.

Earlier in December Cameron vetoed EU treaty changes meant to bring about closer fiscal and economic integration within the eurozone to help tackle the current European debt crisis, much to the surprise and dismay of some other member states. He said at the time that he would consider blocking all EU member states from using the EU institutions to take the pact forward, but has since admitted this would be difficult to implement.

Egypt in Brief...



Lower Interest Rates IMF Loan

An IMF delegation visited Cairo mid-January to further discuss a proposed \$3.2bn loan to support the recovery of Egypt's economy. Hany Kadry, assistant to the Minister of Finance said the loan will come at lower interest rates than the one previously agreed because of a global drop in interest rates.

Central Bank Tightens Transfer Rules

Egypt's Central Bank has tightened its rules for importers who want to transmit funds, a move analysts say seems designed to close a loophole that has allowed businessmen to shift capital abroad without bringing goods into Egypt. The Central Bank has been spending about US\$2 billion in foreign reserves a month as it tries to plug a balance of payments deficit while keeping the Egyptian pound stable against the dollar.

Egypt Continues Privatisation

Egypt's Minister of Planning and Int'l Cooperation, Mrs Fayza Abouelnaga declared on Saturday that more companies will be sold to the private sector in the immediate future. Egypt's Prime Minister has given instructions to examine the status of 100 public sector companies that are facing financial and operational difficulties.

The UK in Brief...



UK Economy Shrinks by 0.2%

The UK economy suffered a worse than expected 0.2% contraction in the final quarter of 2011 compared to Q3, fuelling fears of another recession.

The City expected a drop of 0.1%, Prime Minister called the figures released by the Office for National Statistics (ONS) 'disappointing but not unexpected'.

Eurozone Unemployment New Record

In December 2011 some 16.5 million people were out of work in the eurozone, an increase of 751,000 compared to December 2010. Records show that Spain has the highest unemployment rate in Europe at 22.9 percent. Austria's unemployment is lowest at 4.1%.

Meanwhile, UK unemployment has risen to 2.69m (8.4%) in the three months to November, the highest

Fury over RBS Executive Bonuses

A £963,000 bonus in shares awarded to Royal Bank of Scotland boss Stephen Hester has been strongly criticised. Chancellor, George Osborne, said the previous Labour government was responsible as it had forged the contract that included a bonus clause.

Meanwhile, Royal Bank of Scotland CEO Stephen Harper has given up a £1.4m shares reward he was due next month.

'Do You Agree?'

The Muslim Alliance Will Dominate and Influence the Formation of Egypt's New Government and Committee to Draft the New Constitution

The Parliamentary elections held in Egypt over the past 4 months led to a resounding victory for the Muslim alliance. The Freedom & Justice Party (formerly the Muslim Brotherhood) gained 47.2 percent of total votes, and the more conservative Salafi Nour Party secured an impressive 24.3 percent of total votes. The term 'alliance' is somewhat of a misnomer; although both parties have strong support in Egypt, their ideologies and policies are diametrically opposed. It is therefore unlikely that they will choose to form a coalition.

Nevertheless, the Freedom & Justice Party (FJP) will be the dominant force in Parliament, no matter who they choose to form an alliance with. The most likely candidate will be the Wafd Party, but with only 7.6% of total votes, they are the clear minority.

The concern for many is the possible allegiance between the FJP and the Military Council. If they decide to play footsie, they have every opportunity to advance their own interests. The FJP is in a position to protect the Council against any hostilities because they are backed by the popular vote. A



Election Banners for the FJP and Nour Party

particular problem is the method in which the new constitution will be formed. A committee of 100 experts is selected by the Parliament (dominated by the FJP). The draft constitution will be approved via a public referendum. The FJP is able to use its popularity to enforce the approval of the draft constitution, particularly when most of Parliament's internal committees (i.e. Foreign relations, security, economic, sports & youth, etc) are run by members of the FJP.

It is also important to note that Egypt is still a Presidential Republic, which means that the elected President will

appoint cabinet members, governors and the Prime Minister. The only way to diminish Presidential power is by accelerating the approval of a new constitution, foregoing a public referendum. However, it is probable that the Military Council will agree with FJP that no FJP member will run for Presidency, or be appointed as Cabinet Minister.

The FJP is a party founded on principles of the Islam, but the internal party structure is a combination of conservatives, reformists and Egypt's youth, the later two roughly make up 80 percent of the party members. The FJP further provides a strong barrier against the more extreme and conservative Salafi's of the Nour Party.

Let us hope that the FJP will work in the interest of the entire nation, no matter what alliances are formed in this transition period.

Next Issue Do You Agree?

Stripping Former Bankers of Knight-hood is an appropriate political concession to public anger in Britain over ongoing excess in the City

[Comment](#)

Chamber News

- The Chamber has recruited two new UK Board Members this January.



Peter Rufus
Managing Director
The Red Partnership



Steven Wait
Senior Partner
Stephenson & Harwood

- The EBCC held a successful Conference & Trade Mission from 15 to 19 January 2012. See below for more information.
- The EBCC welcomes two new members this month, Trevor Barker of Pasmar Consulting, and Mohammed Al-Miqdadi & Nadhmi Auchi of General Mediterranean Holding.

Event Review - January Conference & Trade Mission

In addition to our usual Board Meeting and AGM, the Chamber organised a Conference on PPP schemes for waste management and power generation from waste, which the Egyptian Businessmen's Association kindly co-hosted. We brought with us a group of potential investors, including the conglomerate of General Mediterranean Holding, owner of hotels and other businesses in Egypt's service industry. The company is building an aluminium complex and a paper factory together with an 80 MW/hr power station in Beni Suef. Other British interests were in residential tourism, waste management and the establishment of a new British university.

The delegation had several valuable meetings, most notably with Minister of Planning and International Cooperation HE Mrs Fayza Abounaga, the Deputy Head of the General Authority for Investment & Free Zones (GAFI), and representatives of the Industrial Development Authority (IDA). The delegation further spoke with the Minister of Higher Education HE Dr Khaled Hussein, and had a long meeting with the Governor of Beni Suef and his officials. The governorate has a wealth of investment opportunities and is eager to attract British investors to the region. The delegation also had the chance to meet with Banque Misr to talk about finance possibilities for proposed projects in Egypt. The Egyptian officials, business community and media greatly appreciated the efforts of British delegates to visit Egypt at this relatively uncertain time.

Mrs Abounaga in particular shed further light on the government's present ambitions and the way things might develop over the next few months. It was the first visit for some of our members since the revolution, and they could see that there has been an enormous change, despite what the cynics say.

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McGill & Co
SOLICITORS
UK Based Solicitors
specialising in UK immigration law

Events Calendar

Get Together Networking Reception

@ EBCC Office

8 March 2012

Spotlight on Egypt

with Hull & Humber Chamber of Commerce

March 2012

Chambers Working Together

April/May 2012

The Textile Industry - Egypt

September 2012

British Midland International



Daily from London Heathrow to Cairo – we look forward to welcoming you on board

flybmi

Egypt-UK Trade Statistics for the Period January-November 2011

UK Imports from Egypt

	Jan-Nov 2010	Jan-Nov 2011	% Change
MENA	£10,392bn	£14,561bn	40
Egypt	£592mln	£743mln	25
% of MENA	5.7	5.1	

UK Exports to Egypt

	Jan-Nov 2010	Jan-Nov 2011	% Change
MENA	£13,004bn	£13,991bn	8
Egypt	£1,014mln	£948mln	-7
% of MENA	7.8	6.8	

UK Imports from MENA Ranking

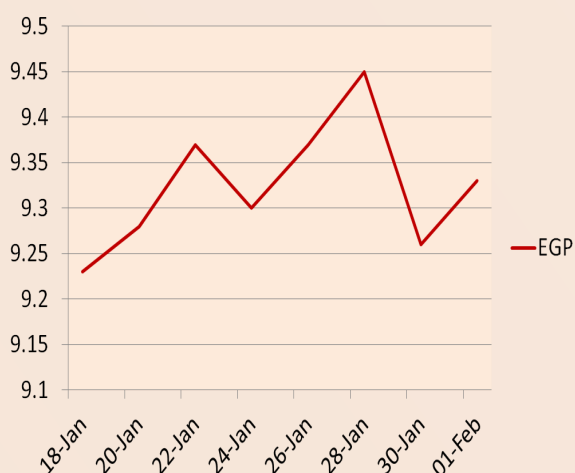
1	Qatar	£4,547bn	+130%
2	Israel	£1,906bn	+35%
3	UAE	£1,753bn	+18%
4	Kuwait	£1,383bn	+64%
5	Algeria	£1,308bn	+95%
6	Saudi	£1,077bn	+30%
7	Egypt	£743mln	+25%
8	Morocco	£381mln	+17%

UK Exports to MENA Ranking

1	UAE	£4,279bn	+22%
2	Saudi	£2,823bn	+7%
3	Israel	£1,439bn	+21%
4	Qatar	£1,044bn	+14%
5	Egypt	£948mln	-7%
6	Algeria	£537mln	+67%
7	Morocco	£510mln	+11%
8	Kuwait	£438mln	-11%

Financial Market Information

18 January - 1 February 2011 EGP against GBP



Exchange Rates

	EGP
GBP	9.43
USD	5.99
EUR	7.88

EGX30 • Egyptian Stock Exchange

Open	High	Low	Close	% Change
3,648.13	3,712.61	3,637.69	3,688.29	0.86

For interactive chart [click here](#)

FTSE 100 • London Stock Exchange

Open	High	Low	Close	% Change
5,681.61	5,790.72	5,680.07	5,790.72	+1.92

For interactive chart [click here](#)

Egypt's FDI Rises

Direct foreign investments (FDI) in Egypt in the first quarter of fiscal year 2011/2012 have more than tripled, increasing by US\$341 million over the preceding quarter. The total amount of FDI was \$440 million in the first quarter, up from \$99 million in the fourth quarter of last year.

However, the Ministry of Planning and International Cooperation report said although first quarter FDI was higher than the previous quarter, it dropped by \$1.2 billion, or 72.5 percent, from the same quarter the year before.

Net inflows from FDI decreased in the third quarter of fiscal year 2010/11, dropping by almost 125 percent compared to the same quarter the year before.

[Comment](#)