

Egypt's Benchmark Drops as Investigations Widen

Egypt's stock benchmark reversed Tuesday's modest gains to slip 1.86 percent into the red on Wednesday trade as investor worries mounted that an investigation into the head of a leading Mideast private equity firm signalled a major widening in anti-corruption probes. The Egyptian Exchange's benchmark EGX30 closed 3.17 percent lower at 4,956 points, deepening the previous day's 3.43 percent decline. The drop pushed the index's year to date losses to over 30 percent - a clear reflection of the crisis of investor confidence confronting the Arab world's most populous nation in the wake of the uprising that ousted former President Hosni Mubarak.

Brokers said the drop was fuelled by the decision by authorities to ban Ahmed Heikal, the chairman of Citadel Capital, from travelling abroad and a decision late last week by an Egyptian government agency to rescind preliminary approval to sell 20 million meters of land to the Egyptian Resorts Company. One of ERC's board members is already under investigation for alleged links to violence against the protesters in the initial days of the uprising. The death of Nasser El Kharafy, a major Kuwaiti strategic investor in Egyptian companies registered in the Cairo Stock Exchange also



Under Investigation: Hosni Mubarak (centre) and his two sons, Alaa (l) and Gamal (r)

contributed to the drop.

Of 178 listed stocks, 140 declined and 32 gained, according to the exchange's website. Citadel's shares were down 9.59 percent, while investment bank EFG-Hermes saw its shares tumble 9.9 percent. Heikal, Citadel's chairman, had been a managing director at EFG before founding the private equity firm and the investment bank's shares appeared to be taking a beating in part because of his prior links to the institution.

Egypt's new military rulers and civilian authorities, under pressure from protesters to move forward more quickly with pledges to hold accountable former regime officials and businessmen seen as benefiting from links to Mubarak and the then-ruling National Democratic Party, have stepped up investigations against these individuals. In the span of about a week, authorities have ordered Mubarak detained in hospital, placed his two sons in detention in Cairo's notorious Tora prison, and charged former Prime Minister Ahmed Nazif, and Youssef Boutros-Ghali, former Finance Minister.

Those moves have largely been welcomed as evidence of political reform. But some links between the regime and top businessmen has also sparked worries that the investigations could affect some of the country's blue chip companies.

Economists and analysts say that while there needs to be a reckoning, it must be within certain bounds so that the broader economy is not affected, economists said.

Al Masry Al Youm

EU Approves New Trade Incentives for North Africa

Exporters in North Africa, the Middle East and the Balkans will be able to sell goods to the European Union at lower tariffs more easily in future, under an agreement endorsed by the 27-nation bloc on Thursday. The agreement on preferential "rules of origin", approved by EU ministers, allows exporting states to source raw materials from countries such as China, and still qualify for low duties when shipping finished goods to Europe. "This will help their economies to grow faster, thus contributing to the stability of the whole region and easing migration pressures," the EU's rotating presidency, held by Hungary, said of the accord. The agreement covers seven Balkan countries and nine

North African and Middle Eastern states -- Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and Turkey -- plus the West Bank and Gaza.

The EU's rules of origin require exporters to prove that a minimum level of added value was created in goods produced domestically from imported raw materials, in order to qualify for preferential EU import tariffs. Under the new agreement, the added value of goods produced in more than one participating country can be added together when determining if a product meets the minimum threshold.

Reuters Africa

Egypt In Brief...



HSBC: Egypt Boom by 2050

Egypt will be the largest economy in the Middle East by 2050 according to a report published by HSBC. Egypt's economy is forecast to grow to US\$ 1,128 trillion. By 2050, GDP of emerging economies is estimated at US\$ 55tn compared to US\$ 49tn for developed countries. This strong growth forecast for emerging markets is largely based on rapid increase in population and major reforms in areas of education, spending patterns, and income.

Egypt Cancels Daylight Saving Time

The Egyptian Cabinet, headed by Prime Minister Essam Sharaf, has endorsed a decree law cancelling daylight saving time. Clocks would have gone ahead one hour from the last Friday of April. In Egypt the standard time is GMT (UTC) + 2 and during the Daylight Saving Time, Egypt is GMT + 3. The DST had started at midnight on the last Thursday of April and ends on the last Thursday of September.

Egypt Pushes Foreign Investment

According to Egypt's Finance Minister Dr Samir Radwan, the interim government plans to focus on infrastructure, business development and "mega national projects" to spur growth and create jobs. One such "mega national project" is expected to create an economic corridor that would involve shifting 9 million people to the western part of the country creating an economic area akin to a Hong Kong in Egypt.

The UK In Brief...



EU Budget Increase

The European Union's executive arm has asked for a significant increase in the annual EU budget - risking a new row with member states. The European Commission asked for a 4.9% rise - well above EU inflation, which is about 3%. The British government said 4.9% was "not acceptable" at a time when EU states were imposing austerity cuts. The Commission's request for a near-6% rise last year caused a major dispute with the UK and other countries.

FSA wins PPI Battle in High Court

Britain's banks will be forced to re-open thousands of claims over the mis-selling of payment protection insurance (PPI) and pay up to £4.5bn in compensation following a high court ruling. PPI is insurance typically sold to consumers at the point of sale of personal loans, credit cards and other forms of debt, which is designed to meet their repayments in the event of accident, sickness or unemployment.

UK Car Production Cut

Toyota has put one of its UK factories on short-time working after a shortage of car parts following the recent earthquake and tsunami in Japan. Toyota will close Burnaston factory in Derbyshire for two days each week in May. Toyota became the third Japanese carmaker to announce production cuts in UK factories last month, Honda and Nissan have also cut production in the UK.

Do You Agree?

It is feasible to ensure higher economic growth by reducing the tax component of UK fuel prices

Mahmoud Youssef
Oil & Gas Consultant

"Chancellor George Osborne has cut fuel duty by 1p per litre and delayed the planned rise of over 4p per litre. In addition, the Government has implemented a 'fair fuel stabiliser' which means when the oil price is high, tax rises will be limited to inflation; when the oil price is lower, the rises will be bigger. The average price of a litre of unleaded is currently £1.33. About 60% of the price we pay at the pumps is tax. The VAT increase from 17.5% to 20% in January added an extra layer of tax on top of the duty because VAT is charged on the total price. The Government anticipates using a \$75 per barrel threshold but will seek views from oil firms and motoring groups before finalising the figure. The Chancellor would like us to think we've gained six pence a litre, as the rate was due to rise by 5p, now it's being cut by 1p. In real terms the cut is far less than the VAT rise put on petrol prices earlier in the year, as a result of this increase the real victim will be British industry. With the majority of British businesses relying on transportation in some way – whether this is to import or export goods, or to provide some form of service – companies will suffer doubly, as the cost of raw materials is also set to increase. It is just not feasible for a business to raise its prices to



accommodate these growing duties every time they occur. Instead, establishments up and down the country will be forced to absorb the increases. Sadly, not everyone will be in a position to do this – many smaller companies, particularly in the transport industry, will find it difficult to survive. Customers, too, will be hit twice, having to front both the increased cost of their personal fuel consumption alongside

their now more expensive grocery bill. Even the largest of supermarkets will still be affected by the transportation costs of shipping their goods. The overall effect? Britain will become a less competitive arena in which to do business; services and products will cost more than those provided by international competitors not plagued by higher levies. Corporations will tilt their emphasis towards contracts in foreign markets which, in turn, would have a negative effect on the economy. At the risk of sounding like it is all doom, it is entirely possible that this could push the UK into a double-dip recession. To conclude, it is not certain that by reducing the tax component of UK fuel prices, you will ensure higher economic growth, but if you increase the tax you are most likely reducing economic growth."

[Comment](#)

Chamber News

- The EBCC has published its latest periodic report 'A British Vision of Egypt' last week. To access this report (members only), [click here](#)

"This EBCC report, presented to the Egyptian government and business communities in Egypt and the UK, illustrates Britain's positive view on recent developments in Egypt. The report lists recommendations on how to best take advantage of the positive momentum gained from the January 25 Revolution to boost business, trade and investment between both countries." – **Taher El Sherif, Secretary General**

- The Chamber is preparing a specialised outward trade mission to Egypt. This mission will focus on important developments for the healthcare and manufacturing sectors in Egypt.

Next Issue...Do You Agree?

Young Demonstrators from Tahrir Square Should be Included in Egypt's Cabinet of Ministers in Honour of Their Achievements

[Comment](#)

Upcoming Event - Textile Exhibition



Egyptian Textile & Garment Exhibition

The Egyptian-British Chamber of Commerce and Sahara Group are organising an Egyptian Textile & Garment Sourcing Exhibition to take place on 21 July 2011 at the Radisson Blu Portman Hotel in London.

Today, the textile industry is one of the most important sectors in Egypt, representing 25 percent of total industry and accounting for 30 percent of all Egyptian jobs. Egypt produces an average of 315 million garments and exports roughly 300,000 tonnes of textile every year. 80 percent of those exports go to the United States and 20 percent to the EU and Arab countries.

Egypt's textile production is unique, it is completely processed within the country. In the past, government owned companies dominated this industry but the role of the private sector is becoming increasingly important. Private companies mostly produce high value added items; in 2009 around 1,500 private companies were operating in the Egyptian textile industry. The total apparel production output is \$3bn; \$1.3bn of this comes from the textile and garment sectors.

One of the most stimulating developments for the industry in Egypt has been the establishment of the so called Qualifying Industrial Zones (QIZ). This is an agreement between Egypt and the US where any company located in this geographical area enjoys a duty free status with the US provided that the Israeli component of the company's product is at least 11.7% percent. There are currently 717 companies in production in over 15 zones. Textile and garment production in Egypt has quadrupled since the establishment of QIZ in 2005.

The purpose of this important event is to stimulate stronger textile trade relations between Britain and Egypt. The exhibition will also support the promotion of Egyptian business in the country's transition towards democracy.

More information will be available shortly on our website, www.theebcc.com

Events Calendar

Get Together Reception

EBCC Office, London

19 May 2011

Workshop: The Challenges of Establishing a Private Sector in the MENA region

King's College London

20 June 2011

Egypt Open for Business

Surrey & Kingston Chamber of Commerce

5 July 2011

Egyptian Textile & Garment Exhibition

Radisson Blu, London

20/21 July 2011



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UK-Egypt Trade Figures Jan-Feb 2011

UK Imports from MENA

	Jan-Feb 2010	Jan-Feb 2011	% Change
MENA	£1,479bn	£2,673bn	81
Egypt	£92mIn	£145mIn	56
% of MENA	6.2	5.4	

UK exports to MENA

	Jan-Feb 2010	Jan-Feb 2011	% Change
MENA	£2,112bn	£2,537bn	20
Egypt	£124mIn	£175mIn	41
% of MENA	5.9	6.9	

UK Import Ranking

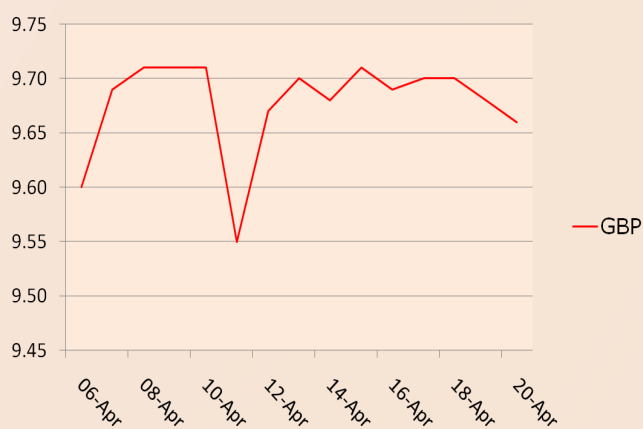
1	Qatar	£799mIn	+126%
2	UAE	£316mIn	+38%
3	Kuwait	£286mIn	+688%
4	Libya	£240mIn	+72%
5	Algeria	£215mIn	+591%
6	Saudi	£209mIn	+72%
7	Israel	£192mIn	+19%
8	Egypt	£145mIn	+56%

UK Export Ranking

1	UAE	£772mIn	+126%
2	Saudi	£454mIn	+16%
3	Qatar	£295mIn	-7%
4	Israel	£257mIn	+34%
5	Egypt	£175mIn	+41%
6	Algeria	£78mIn	+98%
7	Morocco	£76mIn	+49%
8	Lebanon	£68mIn	+24%

Financial Market Information

06 April - 20 April 2011 EGP against GBP



Exchange Rates

	EGP
GBP	9.66 ▲
USD	5.93 ▲
EUR	8.47 ▲

EGX30 · Egyptian Stock Exchange

Open	High	Low	Close	% Change
5,080.95	5,083.58	4,985.49	4,986.46	-1.860

For interactive chart [click here](#)

FTSE 100 · London Stock Exchange

Open	High	Low	Close	% Change
5,896.87	6,033.79	5,896.87	6,022.26	2.126

For interactive chart [click here](#)

Surprisingly, trade between the UK and Egypt for the period Jan-Feb 2011 has increased significantly despite disruptions caused by the 25 January Revolution. Egypt's global trade dropped by 40 percent during the uprising, but the UK has maintained high levels of import and export from and to Egypt. Most notable is the year-on-year increase in UK exports to Egypt by 41 percent to £175mIn, this can in part be explained by the export backlog from last December as a result of the bad weather conditions in the UK. The figures are particularly encouraging in a time when UK exports to many other Middle East destinations facing unrest are down. Exports to Libya have suffered a 51 percent decrease and exports to Yemen and Oman are down 23 and 40 percent respectively. Even at the height of the Egyptian Revolution, trade services remained in full operation, and all trade routes (Suez Canal) were open. The interim government is actively boosting foreign trade to minimise the losses caused by the Revolution.