

## Egypt's Roadmap Towards Democracy

Egypt's ruling military council will announce a constitutional decree within the next two days that will chart the path towards elections and civilian rule.

The decree will set a timeframe for parliamentary elections, expected in September of this year, and the presidential polls that will follow them at the end of this year.

The constitutional amendments were approved at the weekend in a referendum that drew nearly 18 million Egyptians to the polls, an unprecedented 41 percent of total voters. Of those, 77.2 percent approved the reforms.

The decree that makes the 1971 constitution invalid, will act as a temporary constitution that will remain in force until a new constitution is drawn up by an elected constitutional committee after the new parliament convenes. Once the new constitution is drawn up, several new laws will be drafted and implemented; this includes a new presidential, electoral, Shura Council and People's Assembly law.

The military, to which President Hosni Mubarak handed power after he stepped down on 11 February, has said it



**Egypt's Cairo Stock Exchange**

picture: Al Jazeera English

will also lift restrictions on forming political parties after the referendum to help reinvigorate political life. (Law no. 5, the New Party Law).

The Muslim Brotherhood, is expected to announce the formation of a more liberal "Freedom and Justice Party" once the restrictions are lifted. A plethora of other parties are also expected to emerge.

## UK Chancellor George Osborne Forced to Cut Growth in 2011 Budget

George Osborne today revealed that he expects the UK economy to grow at a slower rate than previously expected, the growth forecast for 2011 was cut from 2.1 percent to 1.7 percent.

His budget is overshadowed by spiraling inflation, which this morning reached 4.4% on the back of higher food and fuel costs. Public finances are also weaker, public sector borrowing came in above expectations at £11.8bn.

The Chancellor has announced that he is increasing the personal allowance by £600 from April 2012 to £8,075 for all but the wealthiest, equivalent to a tax cut of £45 per year. The Treasury estimates that 25 million earners will benefit from the tax cut, which will cost the exchequer around £1bn.

Osborne will also unveil a £250mln package to help first-time buyers get on

the property ladder while providing a timely boost for the construction sector. The injection of £250mln will help 10,000 first-time buyers and provide 40,000 construction jobs.

Other measures, such as deferring a 1p increase in petrol duty - paid for by a £2bn tax on oil companies - and scrapping the planned hike in air passenger duty will go some way to mitigating the soaring costs of fuel.

Further measures are a reform of taxation of foreign profits made by multinationals in an attempt to bring back firms that left the UK for tax reasons.

Osborne's so-called 'strategy for growth' was heavily criticized by Labour leader Ed Miliband who claimed that government cuts were damaging the economic recovery.

Meanwhile, shares on Egypt's stock exchange plunged by about 10 percent within moments of the market's reopening this morning following a nearly two-month closure. The Egyptian Exchange has been closed since 27 January as a result of Egypt's uprising.

Despite plans to keep the stock market open for 3 hours daily during the first week, trading was halted shortly after the market reopened this morning. This follows yesterday's announcement that if Egypt's main index EGX30 falls by 5 percentage points upon re-opening, transactions will cease. Trading opened again briefly this afternoon and the exchange dropped another 8.9 percent. The Chairman of Egypt's Stock Exchange, Mohamed Abdel Salam, announced that the bourse will not be closed again.

Analysts expect further sharp losses as investors pull their money from the market amid ongoing investigations of former regime officials and business tycoons affiliated with the Mubarak regime whose companies are listed on the exchange.

## Egypt In Brief...



### Stock Market Loses Capital

Egypt's stock market lost around LE34 billion of its capital in the first few seconds of trading before the session was suspended for half an hour. The slump was attributed to the fallout of leading stocks, including Ezz Steel and Palm Hills Developments. State-run news agency MENA said market capital dropped to LE373 billion, down from LE407 billion, before the trading resumed.

### CBE: BOP Deficit Increases

The Central Bank of Egypt stated that the balance of payment would register a deficit of \$3bn by the end of Q3 of the present fiscal year. The January 25 revolution negatively affected tourism, exports and Egyptian remittances particularly from Libya which deprived Egypt of \$2bn from Egyptians working there. CBE's hard currency reserves dropped to \$34bn.

### Tourism is Gradually Picking Up

Tourism Ministry Deputy Ahmed Atteya revealed an increase in hotel occupancy rates from 5 percent to 25 percent over the past two weeks. Atteya said tourism business in the Red Sea resort of Sharm El Sheikh would not be affected by former President Hosni Mubarak living there. Hotel occupancy rates usually range between 85 percent and 90 percent at this time of the year.

## The UK In Brief...



### Jobless Total on the Rise

The number of people without jobs in the UK has risen by 27,000 to 2.53 million. This equates to 8% of the total workforce. The number of unemployed young people aged 16 to 24 also increased by 30,000 to 974,000, or 20.6%.

### What the War Will Cost the UK

Britain's engagement in Libya will cost the government millions of pounds. Chancellor Osborne informed MP's yesterday that the cost of military operations will be met from the Treasury reserve. The cost of one Storm Tornado or Tomahawk missile is estimated at £500,000, while the weekly cost of enforcing a no-fly-zone will set Britain back an average £200,000.

### Corporation Tax to be Cut to 23%

Corporation Tax will be reduced by 2% from April 2011, rather than 1% as previously intended, and fall by 1% in the next three years, to reach 23%. Mr Osborne also said that he was looking to boost enterprise and exports, as part of a Budget "for making things". He said he also wanted the UK to be the best place to establish a company.

## Do You Agree?

Should Egypt opt to hold its parliamentary elections before its presidential elections?

This is a question that has lately occupied the minds of most Egyptians – and rightfully so. On 19 March 2011, the amended constitution was put to a public referendum and was approved by 77.2 percent of voters. Under the newly amended constitution, the president's term will be curtailed to a maximum of two terms, each one four years in length. Furthermore, future elections will come under the supervision of an independent judiciary body, and the future imposition of emergency law will become an issue to be determined via public referendum. It is likely that Parliamentary elections will take place in September, followed by Presidential elections at the end of the year. There are still some that support the election of a President prior to these Parliamentary elections, claiming that leadership is needed to restore security and create political stability. The handover of power from Egypt's military council to a civilian President will also accelerate Egypt's process towards a civilian regime. One of the risks of electing a President first is the danger that Egypt will revert back to an autocratic regime.



As mentioned earlier, Egypt's Parliamentary elections will almost certainly take place before its Presidential elections. However, this presents a serious challenge for those involved in the formation of new parties. Egypt's political arena is underdeveloped and there is a real risk that the only two mature parties, the NDP and Muslim Brotherhood - now

rebranded as the 'Freedom and Justice Party' - will dominate the coming Parliamentary elections for lack of other viable parties to vote on. Egypt has a mere 6 months in which to establish viable alternatives. Then again, it is questionable whether two extra months makes a significant difference, should Parliamentary elections be postponed in favour of Presidential elections in September.

Ultimately, regardless of whether or not a new president precedes a new parliament or vice-versa, Egypt will remain in a transition period for the foreseeable future. The next four/five years will be critical, and will serve to season new political parties with more confidence and clearer ideologies.

[Comment](#)

## Chamber News

- The Chamber welcomes Mr James Watt (*pictured right: centre*) as the new UK Ambassador to Egypt. Mr Watt has previously been the Ambassador to Jordan (2006-11) and Lebanon (2003-06). Mr Watt has been with the Foreign and Commonwealth Office since 1977 and has been active in the Middle East Region since the 1980s.



- Egypt has been the focus of several high-profile business events that took place this month. Our Secretary-General, Mr Taher El Sherif has given the key-note address at the Middle East Business Conference organised by the Cambridgeshire Chambers of Commerce and UKTI (*pictured left*). He has also delivered a presentation at the luncheon of the Rotary Club of London.

### Next Issue...Do You Agree?

**Rising fuel prices in the UK are a real threat to its economic growth**

[Comment](#)

## Event Review



Panel Discussion



Conservative Arab Network

### 18 Days that Changed Egypt; Political Outlook & Opportunities for Trade and Investment

The EBCC and CAN organised a hugely popular event on Egypt's political and economic prospects at 61 Whitehall in London last Wednesday, 16 March 2011.



The event opened with a passionate personal account of Sarah Abdel Rahman (*pictured left*), a political activist involved in the protests at Tahrir Square from 25 January.

Her speech was followed by a discussion led by our Chair for the afternoon, Sir David Blatherwick - Chairman of the EBCC. Our Panel of Experts consisted of Lord Howell of Guildford - Minister of State at the Foreign and Commonwealth Office, Angus Blair from Beltone Financial, Ian Gray from Vodafone Egypt, Mohamed Kaoud from Eglyière Travel, Wafik Moustafa from the Conservative Arab Network, and Taher El Sherif from the EBCC. The panellists gave their views on Egypt's political changes, future economic potential and outlook for business, trade & investment with the UK.

Lord Howell commented that assisting Egypt is a "global issue that needs the help of all, not least Europe & the UK. The UK will continue to build strong and dynamic partnership with Egypt between people, civil society, businesses and government to help drive global growth in years ahead to the benefit of all."

A recording of the entire event is available on the Policy Review TV website, <http://www.policyreview.tv/conference/568.html>

## Events Calendar

**EBCC 'Regional Chambers Tour'** to support Egypt's business and trade development

UK

April/May 2011

**EBCC Get Together**

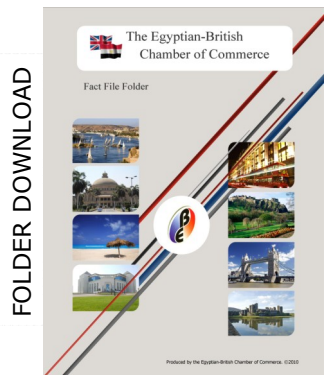
Networking Reception  
299 Oxford Street, London

Early May 2011

**Egyptian Textile & Garment Fair**

Radisson Blu, London

20/21 July 2011



## Advertisers

**McGill & Co**  
SOLICITORS

UK Based Solicitors

specialising in UK immigration law

**Sol Melià**  
HOTELS & RESORTS

**Sama El Qahera**  
المدينة الساحرة في قلب القاهرة  
Magical city in the heart of Cairo.  
First we build, then we sell

## Egypt-UK Trade Statistics • January 2011

### UK Imports From MENA

| January          | 2010    | 2011    | % change |
|------------------|---------|---------|----------|
| <b>MENA</b>      | 807mln  | 1,333bn | 65       |
| <b>Egypt</b>     | 52,3mln | 69,5mln | 33       |
| <b>% of MENA</b> | 6.5     | 5.2     |          |

### UK Exports to MENA

| January          | 2010   | 2011    | % change |
|------------------|--------|---------|----------|
| <b>MENA</b>      | 866mln | 1,111bn | 28       |
| <b>Egypt</b>     | 58mln  | 111mln  | 92       |
| <b>% of MENA</b> | 6.7    | 10      |          |

### UK Exports to MENA

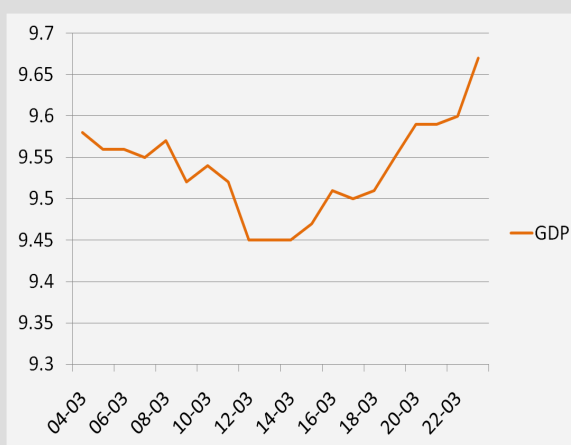
|          |              |               |             |
|----------|--------------|---------------|-------------|
| 1        | UAE          | 344mln        | +63%        |
| 2        | Saudi Arabia | 181mln        | +10%        |
| 3        | Israel       | 115mln        | +29%        |
| <b>4</b> | <b>Egypt</b> | <b>111mln</b> | <b>+92%</b> |
| 5        | Qatar        | 82mln         | +27%        |
| 6        | Morocco      | 44mln         | +90%        |
| 7        | Lebanon      | 32mln         | +106%       |
| 8        | Algeria      | 30mln         | +47%        |

### UK Imports from MENA

|          |              |              |             |
|----------|--------------|--------------|-------------|
| 1        | Qatar        | 423mln       | +120%       |
| 2        | UAE          | 163mln       | +97%        |
| 3        | Libya        | 131mln       | +55%        |
| 4        | Algeria      | 122mln       | +572%       |
| 5        | Saudi Arabia | 111mln       | +60%        |
| 6        | Israel       | 102mln       | +21%        |
| <b>7</b> | <b>Egypt</b> | <b>69mln</b> | <b>+33%</b> |
| 8        | Kuwait       | 58mln        | -61%        |

## Financial Market Information • 23/03/11

### 04/03/11 - 23/03/11 • EGP against GBP



### Exchange Rates

|            | EGP    |
|------------|--------|
| <b>GBP</b> | 9.67 ▲ |
| <b>USD</b> | 5.91 ▲ |
| <b>EUR</b> | 8.41 ▲ |

## The EU and UK: Ready to Support Egypt



Egypt is proving resilient. Shortly after the ousting of former President Mubarak, David Cameron and Lord Green - the Minister of State for Trade and Investment - flew to Egypt to discuss the future of Egypt with the ruling military council. Among the guests were prominent British representatives from a variety of industries such as oil &

gas, retail, infrastructure, defence, education, engineering, healthcare and construction. All of these industries are flourishing in Egypt, and sizeable investments made before the uprising show great promise. These investments need to continue and are more vital today than ever before in helping Egypt in its transition towards a transparent democracy. On 25 October 2010 the European Union announced that it would be granting a €20mln contribution for the Egyptian Power Transmission Project, while

the European Investment Bank loaned Egypt over €1 billion to fund the North Giza Power Plant (due to be commissioned in 2014), the Egyptian Refining Company, and to provide a support package for priority electricity generation and transmission. In addition, following the revolution, Baroness Ashton, the EU Foreign Affairs Commissioner announced that €4bn will be made available to Egypt and Tunisia between 2011 and 2014 (source: EU). In addition to the EU grants, there has been serious talk of partial debt-relief. The EU-Egypt free trade agreement (quota free) signed in 2001 has significantly improved trade relations; the EU holds the largest share of foreign direct investment in Egypt and is currently Egypt's biggest trading partner.

The UK is the largest non-Arab investor in Egypt. In 2010, there were over 900 British companies in Egypt operating in sectors ranging from oil & gas to education. While trade was negatively affected during the revolution, analysts predict it will significantly improve in the long run, owing to increased transparency and fairness. After all, the amount of investment in Egypt is testimony to the UK's deep commitment and enduring relationship with the Egyptian market.