

# Currency Support and Quality Importation Initiatives in Egypt

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Rather than accept calls for devaluing the Egyptian Pound, the Central Bank of Egypt (“CBE”) and the Egyptian Government seem to have a different strategy to address pressure on the Egyptian Pound derived substantially from massive importation.

The strategy adopted by Egypt appears to be a combination of qualitative and quantitative control approaches as embedded in the following measures fostered by the Government and the CBE.

## **Quality & Officially Branded Products Only**

The Ministry of Trade & Industry has issued Resolution No. 992 of 2015 on 31 December 2015 as published in the official Gazette (the “Resolution”). The Resolution attempts to improve the regulations in respect of the importation of certain products including some food products, dairy products and electrical equipment as well as certain accessories and other products outlined in the annex attached to the Resolution (the “Regulated Products”).

The Resolution establishes a register for all manufacturers of the Regulated Products. Registration will be pursuant to a decision of the Minister of Trade & Industry who will have discretion to exempt certain manufacturers from part, or all of, the requirements of registration.

Article 2 of the Resolution provides requirements for registration which include submission of an application form, copy of licensing as well as evidence of trademark rights to the Regulated Product. Furthermore, the Resolution requires submission of information relating to the manufacturer as well as an undertaking from the manufacturer to accept an inspection from a technical team to ensure that environmental and safety requirements are part of the manufacturing process.

One of the key requirements for admission for registration under the Resolution is to submit a certificate confirming that the plant in which the products are manufactured has quality assurance systems including ILAC certification or other certification issued from one of the Egyptian governmental entities or non-Egyptian ones that are approved by the Minister of Trade & Industry.

These requirements have been misperceived by some market players and importers as a ban on importation of products or an attempt to make importation of the Regulated Products difficult or burdensome. In our view, we believe that these requirements have taken a step towards improving the quality of products imported into Egypt. In addition, the Resolution once implemented and when the register is activated will support efforts to stop the importation of counterfeit products.

## **Reducing Pressure on Currency**

Furthermore, in a recent circular from the CBE, the documentary credit requirements for importation of commercial products were reregulated to minimise importation of “unnecessary” goods but not to “ban” them. Creation of documentary credit for importation of tradable goods requires a 100% guarantee with banks pursuant to this new circular.

Aside from the content of the circular, the Governor of the CBE explicitly announced that the measures being undertaken by the CBE and the Government target the reduction of imports by US\$ 20 billion this year.

Moreover, the CBE has announced a vision to support funding SMEs in Egypt as a parallel step to encourage production in the local market.

## **Conclusion**

When one assesses the implications of both the Resolution and the circular, together with the announcements recently made by the Governor of the CBE, the targeted outcome seems to be reducing pressure on local Egyptian currency by reducing imports of unnecessary goods while at the same time improving the quality of goods imported into Egypt and increasing local production via supporting SMEs. These steps will also help stop the importation of counterfeit products in line with Egypt's international commitments requiring protection of IP rights.