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Egypt

“FWC - Lot 2 - Events and Organize awareness campaigns”

POTENTIAL SECTORS FOR EU INVESTMENT IN EGYPT

Final Report

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EXECUTIVE SUMMARY

- The European Union (EU) commissioned the Egyptian Center for Economic Studies (ECES) to undertake a comprehensive assessment of EU investments in Egypt and identify priority sectors capable of attracting future European investment. The EU is one of Egypt's largest sources of foreign direct investment (FDI), with an investment stock reaching €36.6 billion in 2024. This partnership was further strengthened by the launch of the EU–Egypt Guarantee for Development Mechanism in June 2025, which aims to mobilize up to €5 billion in investments by 2027 through the European Fund for Sustainable Development Plus (EFSD+).
- The report is organized around three interrelated points: diagnostic assessment of the current landscape of EU investment in Egypt, identification of high-potential sectors and products capable of attracting future EU investment, and proposition of the policy reforms required to enhance the competitiveness of these sectors and strengthen their ability to attract future investment.
- The analysis begins with a comprehensive mapping of existing EU investments in Egypt, complemented by an analytical synthesis of the perspectives of EU Member States collected through questionnaires distributed to their embassies. The findings show that EU investment remains substantial and resilient despite periods of economic uncertainty. Moreover, EU investment is predominantly productive rather than financial, with capital concentrated in manufacturing facilities, productive assets, and service operations.
- The questionnaire results reinforce these findings. EU Member States continue to express confidence in Egypt's long-term investment potential, particularly in renewable energy, agriculture and agribusiness, ICT and digital services, healthcare, logistics, and transport. At the same time, they consistently identify regulatory complexity, customs procedures, licensing delays, legal uncertainty, and foreign exchange constraints as the principal barriers to expanding investment. Furthermore, a comparison of EU investment patterns in key service sectors between Egypt and Turkey suggests that the main challenge lies not in market demand, but in Egypt's overall investment competitiveness and value proposition.



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- Building on this diagnostic assessment, the report develops a systematic framework for identifying future investment opportunities by combining an analysis of industrial migration trends from the European Union, an assessment of Egypt's national investment priorities, and the application of two ECES analytical quantitative tools: the Normalized Weighted Composite Index and the Export and Investment Model.
- The analysis of global industrial migration trends shows that the EU is gradually restructuring its industrial base in response to rising production costs, energy price volatility, geopolitical developments, supply chain diversification, and increasingly attractive investment incentives offered by competing destinations. Although much of this industrial relocation has been directed toward the United States, China, Mexico, and Southeast Asia, these developments also create opportunities for Egypt to attract investment and integrate more deeply into European and global value chains.
- The assessment of Egypt's investment priorities highlights the importance of adopting a dynamic, evidence-based approach to investment planning. Rather than relying on single-year import data, the Normalized Weighted Composite Index identifies investment opportunities that remain consistently attractive across different economic conditions. These opportunities are concentrated in sectors characterized by strong domestic demand, high import dependency, existing industrial capabilities, and significant potential for downstream linkages.
- The integration of the Composite Index with the ECES Export and Investment Model provides strong validation of these results, identifying a clear group of high-potential sectors and products capable of attracting future EU investment. The greatest opportunities lie in advanced manufacturing activities, particularly electrical equipment, machinery, industrial components, metals, plastics, technical textiles, and other intermediate goods.
- These findings indicate that Egypt's comparative advantage lies less in final consumer products than in production inputs that can strengthen domestic value chains, expand exports, and deepen integration into European production networks. Realizing this potential will require closer alignment with EU technical regulations and standards, including through the modernization of the EU–Egypt Association Agreement.



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- These results also highlight the strategic importance of small and medium-sized enterprises (SMEs), which supply many of these intermediate products. Because SMEs are more vulnerable to regulatory and administrative constraints, they are expected to benefit disproportionately from the Sustainable Investment Facilitation Agreement (SIFA), particularly through improvements in transparency, regulatory stability, and good governance. Beyond manufacturing, the analysis also identifies strong investment potential in four service subsectors: wholesale and retail trade, financial services and insurance, professional and technology services, and information and communication services.
- While the analysis demonstrates significant opportunities for expanding EU investment in Egypt, realizing this potential requires addressing the structural constraints that continue to limit investment growth. The report therefore proposes a comprehensive package of policy reforms combining horizontal and sector-specific measures.
- Priority horizontal reforms include maintaining macroeconomic stability, enhancing regulatory predictability, streamlining investment and licensing procedures, improving trade and customs procedures, ensuring reliable access to production inputs, limiting legislative amendments to predefined periods, strengthening stakeholder consultation, and providing adequate transition periods for new regulations. Complemented by targeted sector-specific reforms relevant to the sectors of potential, these measures provide a practical roadmap for enhancing Egypt's competitiveness as a destination for EU investment while supporting industrial development, export diversification, employment creation, technological upgrading, and long-term economic resilience.



INTRODUCTORY SECTION

1. INTRODUCTION

The European Union ranks among Egypt’s largest investors, with its foreign direct investment stock reaching €36.6 billion in 2024. A major milestone under the trade and investment pillar was the launch of the EU–Egypt Guarantee for Development Mechanism in June 2025, designed to mobilize up to €5 billion in investments by 2027 through the European Fund for Sustainable Development Plus (EFSD+).

In this context, the EU has commissioned ECES to analyze the current landscape of EU investments in Egypt and to identify priority areas for future investment through a comprehensive mapping of existing EU investments in Egypt, complemented by an assessment of emerging sectors with high growth prospects. This exercise is intended to support European investors in pinpointing Egypt’s key sectors with strong investment potential.

This report consolidates and builds upon the analytical work undertaken in the previous reporting phases. It brings together the findings of the diagnostic mapping of existing EU investments in Egypt, the assessment of national investment priorities, and the application of advanced quantitative tools designed to identify sectors and products with the greatest potential to attract future EU investment. By integrating these different analytical components, the report moves beyond descriptive mapping toward the identification and prioritization of strategic investment opportunities capable of strengthening Egypt’s position within European and global value chains.

The report is structured into ten sections, in addition to the annexes. Following the introduction, objectives, and methodology presented in Sections 1 and 2, Sections 3 and 4 provide a diagnostic assessment of EU investments in Egypt from both quantitative and qualitative perspectives. This includes a detailed analysis of the scale, structure, distribution, and performance of EU investments across sectors and regions, complemented by a benchmarking exercise against Turkey and an analytical synthesis of responses from EU Member States’ embassies regarding investment trends, opportunities, and constraints. Building on these findings, Sections 5 to 7 identify priority sectors for future EU investment through an examination of global industrial



migration trends, an assessment of Egypt’s national investment priorities, and the application of two quantitative tools developed by ECES: the Normalized Weighted Composite Index and the Export and Investment Model. Sections 8 and 9 then present the consolidated results of these analytical approaches, identifying a shortlist of high-potential sectors and products for EU investment and proposing the policy reforms needed to attract and support such investments. Finally, Section 10 concludes the report by summarizing the main findings and key messages, while the annexes provide detailed methodological notes and supporting materials.

2. OBJECTIVES AND METHODOLOGY OF THE STUDY

2.1. General Objective:

Identify potential sectors for EU investments and relevant reforms to facilitate such investment.

2.2. Specific Objectives:

- a) Map existing EU investments in Egypt, and assess per sector, their competitive advantages, local added value, export orientation, integration into global or European supply chains in addition to their domestic impact on job creation, skills development and knowledge transfer;
- b) Based on the analysis under (a), Identify sectors/products (of existing EU investment and possibly others) that have significant growth potential;
- c) Identify priority reforms either required horizontally or within the specific sectors identified under (b) to facilitate investment.

2.3. Methodology

- a) **Secondary data collection** to map the current landscape of EU investments in Egypt and relevant sectoral trends.
- b) **Primary data collection** through a structured meeting organized by the European Commission with EU Member States’ embassies in Egypt, supplemented by a questionnaire survey distributed to the participating embassies.
- c) **Quantitative and qualitative analysis** of the collected data to assess investment performance, constraints, and opportunities.



- d) **Development of an analytical model** to identify Egypt’s most promising investment sectors.
- e) **Identification of priority sectors and subsectors for EU investors**, based on the combined outcomes of the analytical model and the current status of EU projects as revealed by the investment mapping exercise.
- f) **Examination and recommendation of policy reforms** required to unlock the identified potential and facilitate increased EU investment.

DIAGNOSTIC ASSESSMENT

The following Sections 3 and 4 present the empirical assessment of EU investment in Egypt from both quantitative and qualitative perspectives. Section 3 provides a detailed diagnostic assessment of existing EU investments in Egypt, examining their scale, sectoral distribution, performance, and investment trends.

Building on this assessment, Section 4 presents an analytical synthesis of the responses received from EU Member States regarding their investment activities, priorities, and perceptions of the Egyptian investment climate.

3. MAPPING OF EXISTING EU INVESTMENTS IN EGYPT

This part provides the diagnostic foundation of the report through a structured mapping and analysis of existing European Union (EU) investments in Egypt across different dimensions, of which sectors, subsectors, and geographic locations.

Using both quantitative and qualitative analytical methods, this section examines the scale, sectoral distribution, and structural characteristics of EU investments, while assessing their economic performance, employment contribution, and value creation across sectors. The extracted data is based on **Eurostat** data from 2013 to 2024 and the data and information obtained from **the Egyptian Ministry of Investment and Foreign Trade** (2015- 2025). Using two data sources enriches the analysis but also presents challenges due to discrepancies and differences in measurement methodologies between them.



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The Ministry of Investment and Foreign Trade dataset provides a highly detailed sectoral breakdown of net inflows, covering more than 240 economic activities. In contrast, the Eurostat dataset does not offer the same level of sectoral granularity. Instead, it distinguishes between Special Purpose Entity (SPE) capital and real (non-SPE) capital inflows. SPE capital refers to financial flows that generate disproportionately large cross-border linkages but typically have a limited impact on real economic activity in the host economy. Non-residents often establish SPEs to benefit from regulatory, legal, or tax advantages in the host jurisdiction. This important distinction is not captured in the Ministry of Investment and Foreign Trade dataset, representing a key limitation of that source. A comparison between the two datasets is shown in table 1.

Table 1. Comparison between Eurostat Dataset and Ministry of Investment and Foreign Trade Dataset

Dimension	Eurostat Dataset	Ministry of Investment and Foreign Trade Dataset
Geographic coverage	Cross-country and internationally comparable	Egypt-specific-detailed by governorate
Sectoral detail	Limited sectoral classification	Very high granularity with over 240 economic activities
Capital flow classification	Explicit distinction between SPE capital and non-SPE (real) capital	No distinction between SPE and non-SPE capital
Time Comparison	Temporal relations can be found	No temporal relations can be found

Source: ECES’ Analysis.

This part of the report is structured into two main subsections. The first presents an in-depth analysis of data extracted from Eurostat, while the second draws on data and information provided by the Egyptian Ministry of Investment and Foreign Trade.

As follows, the first subsection examines EU investment patterns across five analytical dimensions: A) macro-level investment indicators; B) sectoral and subsectoral distribution; C) the performance of EU firms operating in Egypt; D) a deeper look on three major EU investors—France, Italy, and Germany; and E) the major recipient countries of EU FDI outflows.



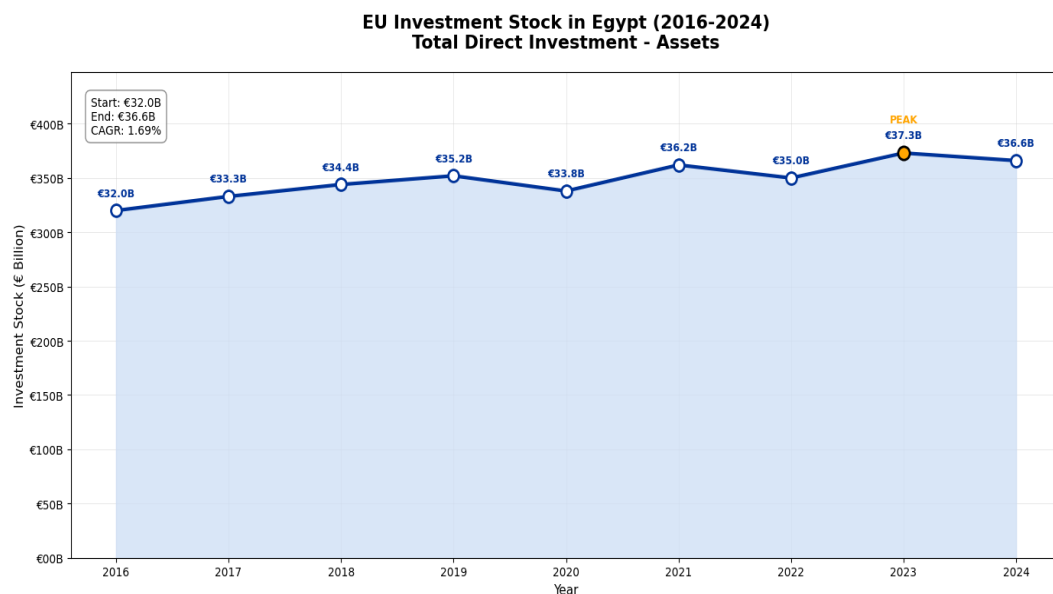
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3.1. Deep Analysis of Eurostat Data

A) Macro-Level Investment Indicators

EU Investment Stock in Egypt (2016-2024)

Figure 1. EU Investment Stock in Egypt (2016-2024)



Source: ECES’ analysis of Eurostat Datasets.

EU direct investment assets in Egypt have demonstrated a trend of lackluster performance. While the stock rose from a low of €32.0 billion in 2016 to €37.4 billion in 2023, the expansion has been underwhelming. By 2024, the figure stagnated at €36.6 billion, failing to maintain upward momentum. Over this eight-year period, the investment stock recorded a meager Compound Annual Growth Rate (CAGR) of approximately 1.7%, signaling a weak and insufficient increase rather than robust economic engagement (table 2).

Table 2. Annual Investment Stock Values

Year	Value (€B)	Year	Value (€B)
2016	€32.08B	2022	€35.08B
2017	€33.38B	2023	€37.38B

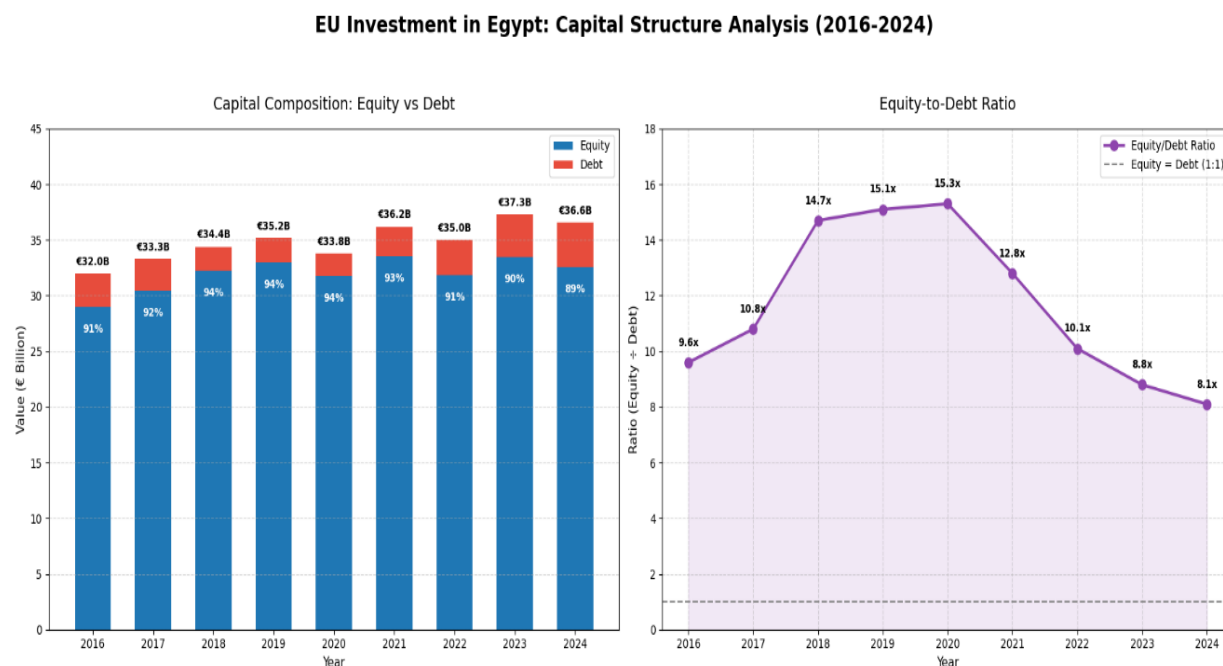


2018	€34.48B	2024	€36.6B
2019	€35.2B		
2020	€33.8B		
2021	€36.2B		

Source: Eurostat Datasets.

Capital Structure Analysis: Equity vs Debt

Figure 2. Capital Structure - Equity vs Debt Composition



Source: ECES' analysis of Eurostat Datasets

The capital composition of EU direct investment in Egypt has maintained a heavily equity-reliant structure since 2016, though recent trends indicate a gradual shift toward increased leverage. Throughout the observed period, equity has consistently served as the dominant funding source, accounting for over 90% of the capital structure for the majority of the timeframe. Starting at a 91% equity share in 2016, this reliance deepened, reaching 94% between 2018 and 2020. However, starting in 2021, the debt component began to widen slightly. By 2024, the equity

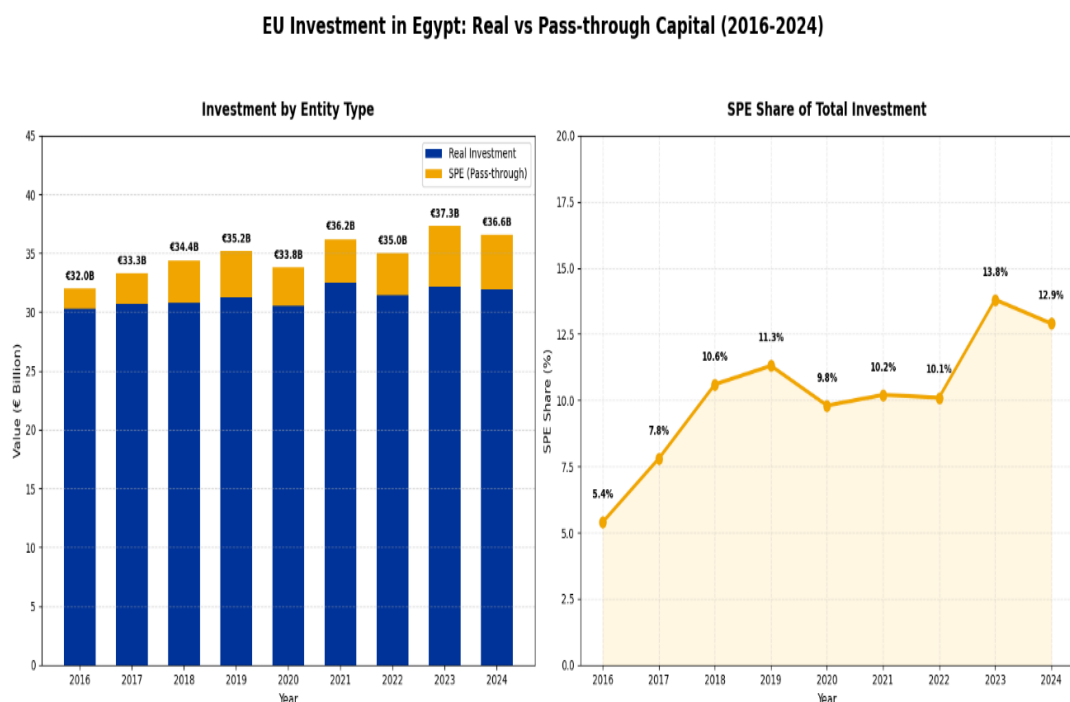


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portion had moderated to 89%, indicating a slight rebalancing where debt financing is playing a marginally larger role than at the start of the period.

Real Investment vs Pass-through Capital (SPE Analysis)

Figure 3 Real vs Pass-through Capital (SPE Share)



Source: ECES’ analysis of Eurostat Datasets.

Throughout the 2016–2024 period, real investments has consistently formed the bedrock of the EU's portfolio in Egypt. Unlike historical data (pre-2016) which showed massive fluctuations due to pass-through entities, this period displays stability. Real investment remains robust indicating that most of the capital entering Egypt is tied to actual operational assets rather than purely financial holding structures.

Stability Start (2016): The period began with SPEs at a historical low of 5.4%, indicating a clean investment slate dominated by productive assets.

Gradual Increase (2017–2019): There was a steady rise in SPE utilization, doubling the share to 11.3% by 2019.



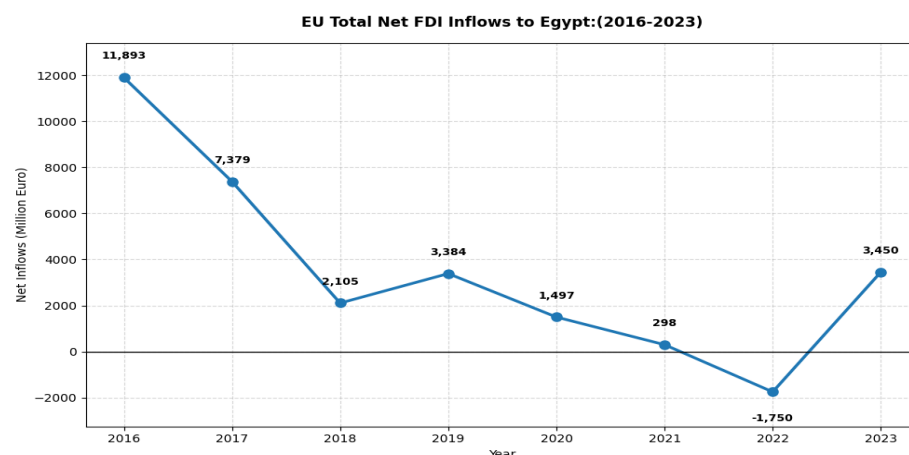
Recent Peak (2023): After a brief stabilization during 2020-2022 (hovering around 10%), the SPE share rose to 13.8% in 2023 before settling at 12.9% in 2024.

Sector Net Inflows: After examining Eurostat datasets to identify overall investment trends, the data can be further leveraged to analyze annual inflows by sector over the period from 2016 to 2023. Although Eurostat does not provide the same level of sectoral granularity as national sources, its consistent classification framework allows for a reliable assessment of sector-level dynamics across time. This temporal analysis makes it possible to track shifts in investment patterns, identify periods of acceleration or contraction in specific sectors, and distinguish between structurally driven changes and short-term fluctuations. Moreover, when combined with Eurostat’s separation between Special Purpose Entity (SPE) and non-SPE capital, the analysis offers additional insight into whether observed sectoral inflows reflect real economic investment or are primarily driven by financial and regulatory considerations. As a result, the Eurostat data serve as a robust foundation for understanding medium-term sectoral investment trends between 2016 and 2023.

First, we can take a look at total inflows, real inflows and SPE inflows for the whole economy and then do the same for the service sector and the manufacturing sector. It is worth noting that total investments are calculated by adding real and SPE investments together.

Total Inflows to the Economy

Figure 4 Total Egypt’s Net Inflows from EU (2016-2023)



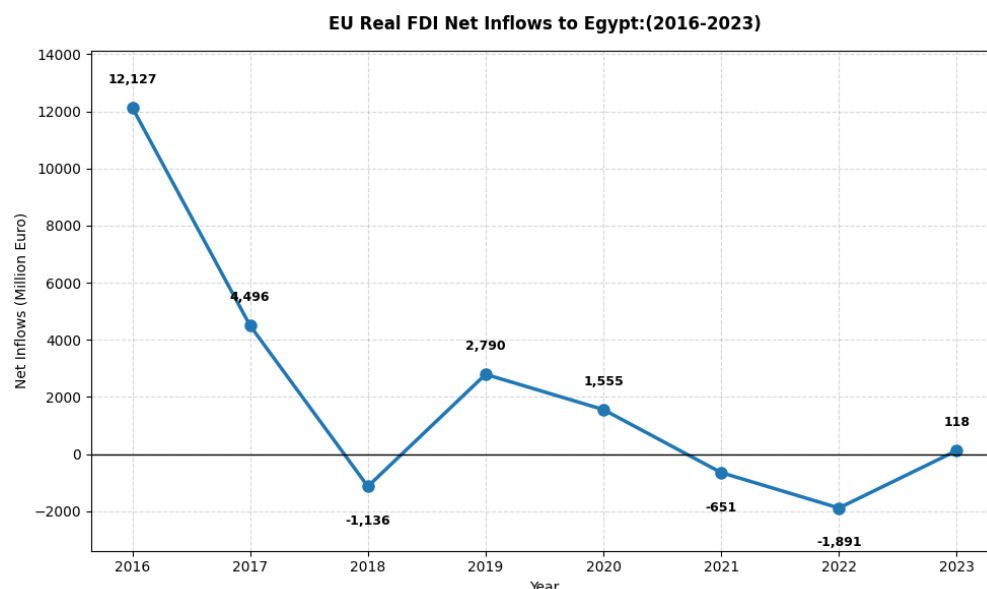
Source: ECES’ analysis of Eurostat Datasets.



This graph provides the headline view of European investment into Egypt, showing a highly volatile trend over the last eight years. The most notable peak occurred in 2016 (€11.9B), likely reflecting a surge of post- Egypt’s Economic Development conference commitments or specific large-scale deals. However, the trend generally points downward until a sharp drop into negative territory (net outflows) in 2022 (-€1.75B), driven by global economic instability and local currency challenges. The graph shows a significant recovery in 2023, bouncing back to €3.45B.

Real EU Net Inflows to Egypt (Total Economy - Excluding SPEs)

Figure 5 EU Real FDI Net Inflows to Egypt (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.

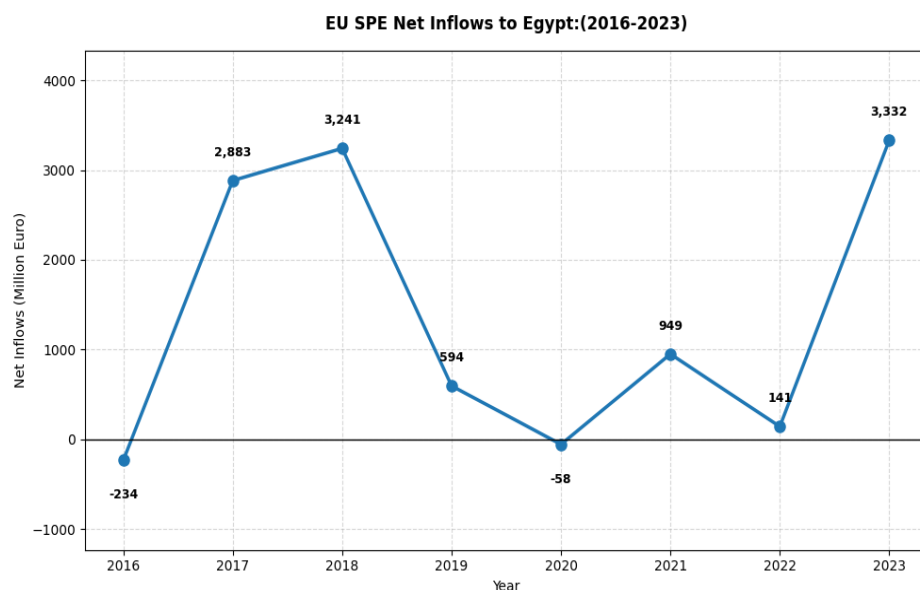
While the above figure mirrors the high starting point of 2016, the "recovery" seen in 2023 completely disappears here. Instead of billions in inflows, the real economy saw a modest result in 2023 (€118M). The decrease from 2020 to 2022 is consistent with the COVID-19 pandemic and the subsequent emerging market capital flight. The key economic takeaway here is that while financial flows returned in 2023, money for actual businesses and operations did not.



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EU Net Inflows to Egypt: Special Purpose Entities (General)

Figure 6 EU SPE Net Inflows to Egypt (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.

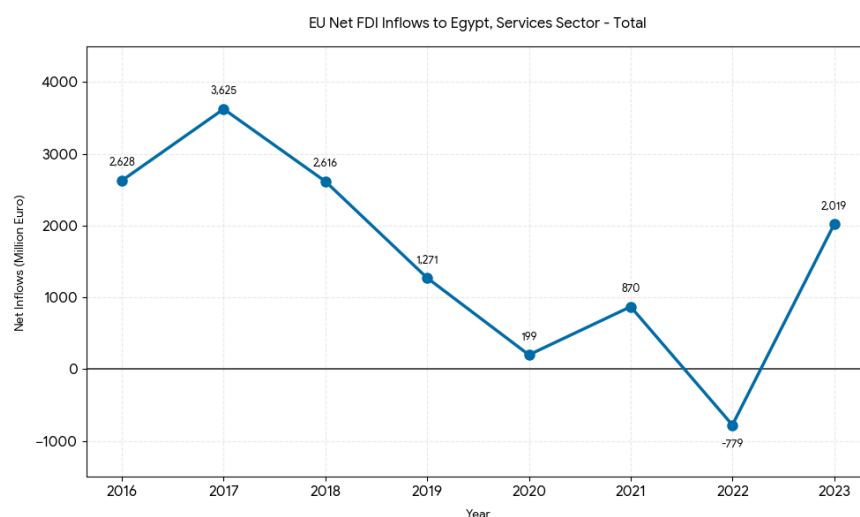
This graph acts as the "decoder key" for the discrepancy between the first two graphs. It tracks funds that are merely passing through Egypt (SPEs). The massive spike in 2023 (€3.3B) explains almost the entire recovery seen in the Total Economy graph. This peak likely represents tax optimization flows or holding company restructuring rather than fresh FDI. Conversely, the value for 2022 (€143M) suggests that during some years, even these transient financial flows dried up and couldn’t make up for the total net outflows.



B) Sectoral And Subsectoral Distribution

EU Net Inflows to Egypt: Services Sector (Total)

Figure 7 Total EU Net Inflows to Egypt: Services Sector (2016-2023)



Source: ECES' analysis of Eurostat Datasets.

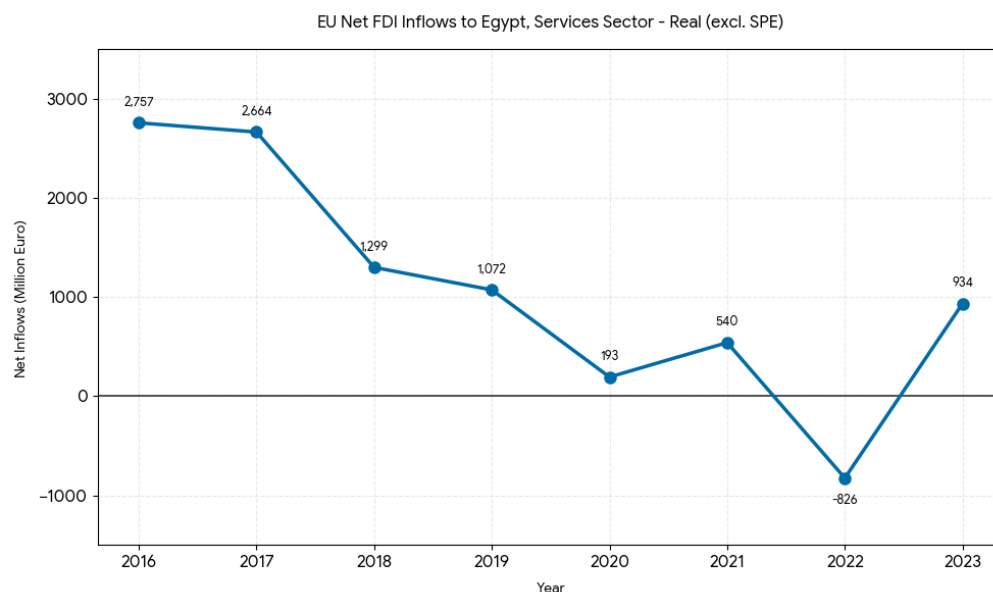
This graph tracks the service sector, it shows a strong performance in 2017 (€3.6B) and 2018 (€2.6B), periods associated with economic reform optimism in Egypt. However, the graph hits a severe drought in 2022 (-€779M), indicating a net exit of capital. The sharp rebound in 2023 (€2.0B) mirrors the Total Economy graph, again raising the question of whether this is genuine service expansion or just financial structuring within the service sector like banking or holding activities, something that will become clearer when observing the special purpose investments trends and the sectoral break down of service inflows.



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Real EU Net Inflows to Egypt: Service Sector (Excluding SPEs)

Figure 8 Real EU Net Inflows to Egypt: Service Sector (Excluding Special Purpose Entities) (2016-2023)



Source: ECES' analysis of Eurostat Datasets.

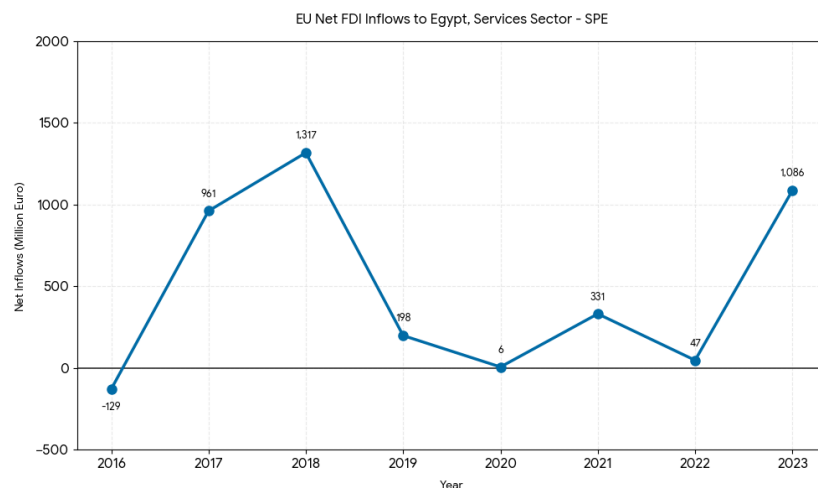
When we remove SPEs from the service sector, the 2023 rebound becomes smaller. The graph shows a relentless downward trend from a peak in 2016 (€2.8B) to deep divestment in 2022 (-€826M). This implies that genuine European service providers (tourism operators, consultancies, logistics firms) are actively reducing their financial exposure to Egypt, likely due to operating cost volatility or currency repatriation issues, rather than expanding. The year of 2023 marks a remarkable improvement from the previous three years.



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EU Net Inflows to Egypt: Service Sector (SPEs)

Figure 9 EU Net Inflows to Egypt: Service Sector (SPEs) (2016-2023)



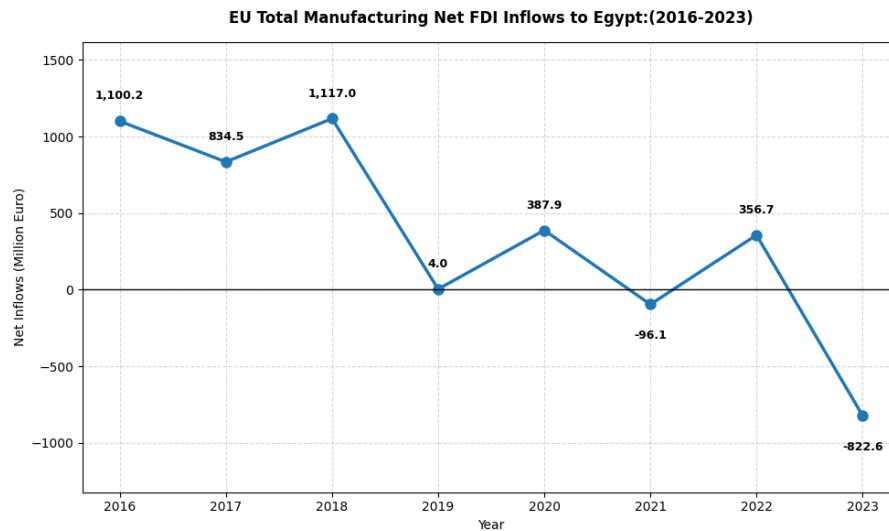
Source: ECES’ analysis of Eurostat Datasets.

The data demonstrate that the recovery of service sector investments is not solely a product of real investments. In fact, during the 2023 recovery, Special Purpose Entities (SPEs) drove more than half of the observed expansion.



EU Net Inflows to Egypt: Manufacturing (Total)

Figure 10 EU Total Manufacturing Net FDI Inflows to Egypt (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.

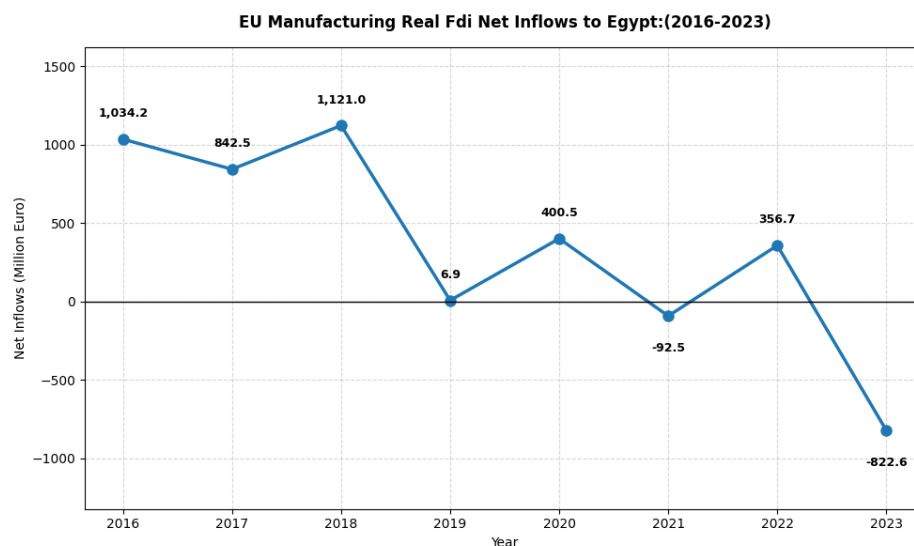
This graph now tells a story of extreme instability rather than simple decline. We see a strong period of industrial investment peaking in 2018 (€1.12B), followed by a near-total pause in 2019 (€4.0M). Crucially, the sector showed resilience in 2022, bouncing back into positive territory with €356.7M in net inflows. However, this recovery was short-lived and violently reversed. In 2023, the sector did not just slow down; it crashed into massive divestment, recording -€822.6M in net outflows. This phenomenon—recovering in 2022 and crashing in 2023—indicates that whatever stability attracted investors in 2022 completely evaporated the following year.



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EU Net Inflows to Egypt: Manufacturing (Real - Excluding SPEs)

Figure 11 EU Manufacturing Real FDI Net Inflows to Egypt (2016-2023)



Source: ECES' analysis of Eurostat Datasets.

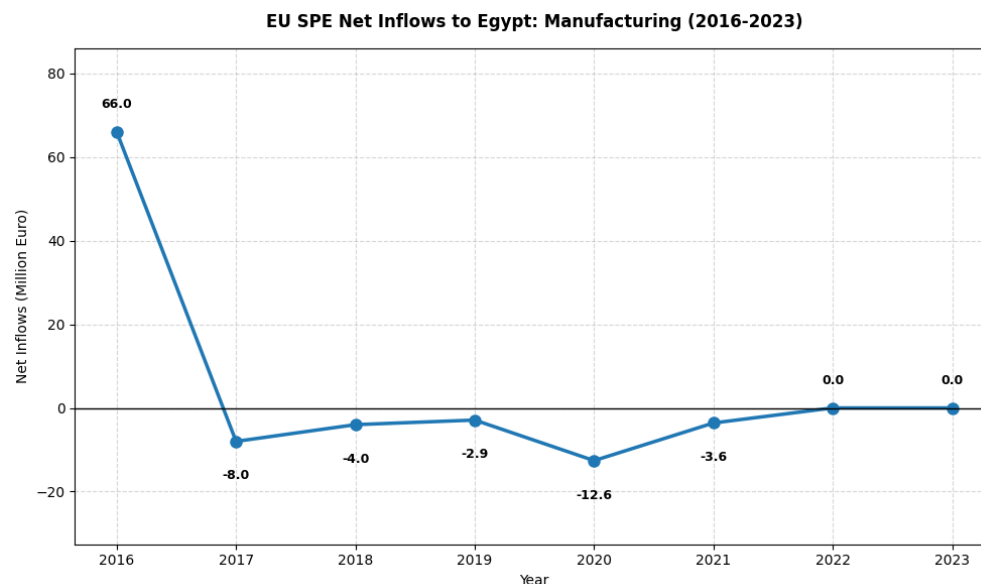
Because the (SPEs) in manufacturing is zero, this graph mirrors the Total graph perfectly. It confirms that the 2022 recovery (€356.7M) was genuine—real factories were being funded. It also confirms that the 2023 decrease (-€822.6M) was equally real. This is a very critical chart because it shows that European manufacturers were willing to invest as recently as 2022, but something specific in the operating environment of 2023 caused them to aggressively pull nearly a billion Euros out of the country which probably was the severe currency crisis and the shortage of foreign currencies used to import raw materials.

- **The 2016-2018 Boom:** Massive expansion by FMCG giants (L'Oréal, Henkel) to leverage cheap labor costs.
- **The 2023 Crash (-€822 M):** A historic collapse caused by the FX Liquidity Crisis. Factories could not import raw materials, forcing production halts and capital repatriation.



EU Net Inflows to Egypt: Manufacturing (SPEs)

Figure 12 EU SPE Net Inflows to Egypt: Manufacturing (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.

This graph remains a "flatline" at €0.0M for both 2022 and 2023, with only negligible historical activity (e.g., €66M in 2016). This proves that the massive swing from +€356M (2022) to -€822M (2023) in the previous figures was not caused by financial engineering or tax maneuvering. It was driven purely by operational business decisions.

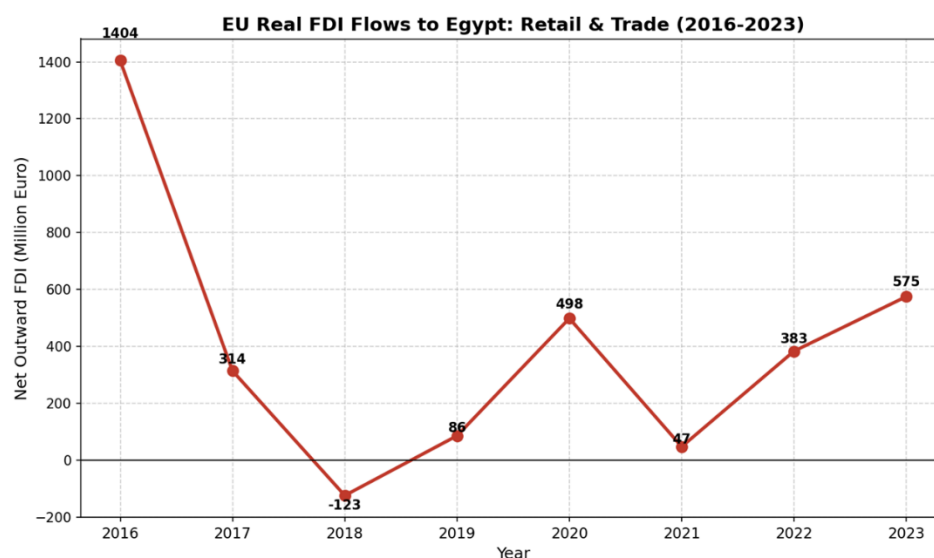
In summary, the analysis of EU investment flows into Egypt reveals a critical divergence between headline recovery and structural reality. While 2023 aggregate data suggests a rebound in foreign direct investment, this growth is almost exclusively driven by Special Purpose Entities (SPEs)—financial currents that offer minimal integration into the local economy. Beneath this surface, the productive base is flashing a warning sign: the manufacturing and real service sectors have shifted from attracting capital to experiencing net outflows for two consecutive years. This data indicates that the current incentive structure is successfully facilitating financial transit but failing to anchor the industrial assets essential for sustainable employment and technology transfer. Consequently, future policy must urgently pivot from chasing gross inflow targets to addressing the operational friction driving real European manufacturers to divest.



Beyond total volume, the composition of investment determines its long-term impact. This subsection dissects the inflows to identify which industries and sectors drove the historical peaks and which are responsible for the recent decline.

Retail & Trade

Figure 13 EU Real FDI Flows to Egypt- Retail and Trade (2016-2023)



Source: ECES' analysis of Eurostat Datasets.

The volatility in the Retail sector is primarily driven by monetary policy and regulatory changes.

- **The 2016 Spike (€1,404 M):** Occurred during the currency floatation. Egyptian assets became ~50% cheaper, triggering a rush of "opportunistic investment" from European retailers.
- **The 2018 Drought (-€123 M):** This negative flow represents profit repatriation. The Law no.72 for 2017 gave firms the right to manage, use, and dispose of the project, to profit from the project, and to transfer such profits abroad, allowing companies to finally send accumulated profits back to Europe.
- **The 2020 Spike (€498 M):** Driven by the pandemic. Investment flowed into essential food retail and logistics to meet the surge in demand during lockdowns.



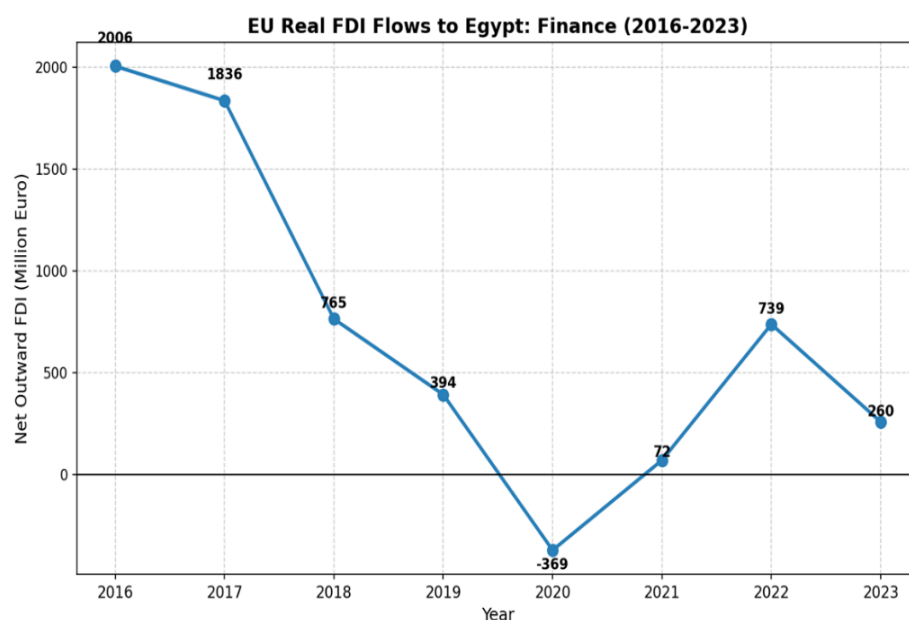
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Summary Table

Year	Trend	Flow (€ M)	Primary Cause
2016	Huge Spike	1,404	Currency Floatation: Assets became cheap; investors rushed in.
2018	Drought	-123	Profit Repatriation: Capital controls lifted; companies sent profits home.
2020	Spike	498	COVID-19: Surge in essential food retail and logistics investment.
2023	Recovery	575	Strategic: Supply chain nearshoring and new devaluations.

Financial Services

Figure 14 Real Annual Net Inflows- Financial Services (2016-2023)



Source: ECES' analysis of Eurostat Datasets.

This sector is driven by institutional intervention (EU development banks) and bank recapitalization, rather than new commercial entrants.

- **The 2016-2017 Boom:** Following the 2016 devaluation, European parent banks like Crédit Agricole maintained solvency by providing subordinated loans to their Egyptian subsidiaries to ensure compliance with the Central Bank of Egypt's capital adequacy ratios.



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Simultaneously, the EBRD and EIB launched aggressive lending; by 2018, Egypt became the EBRD’s largest global operation.

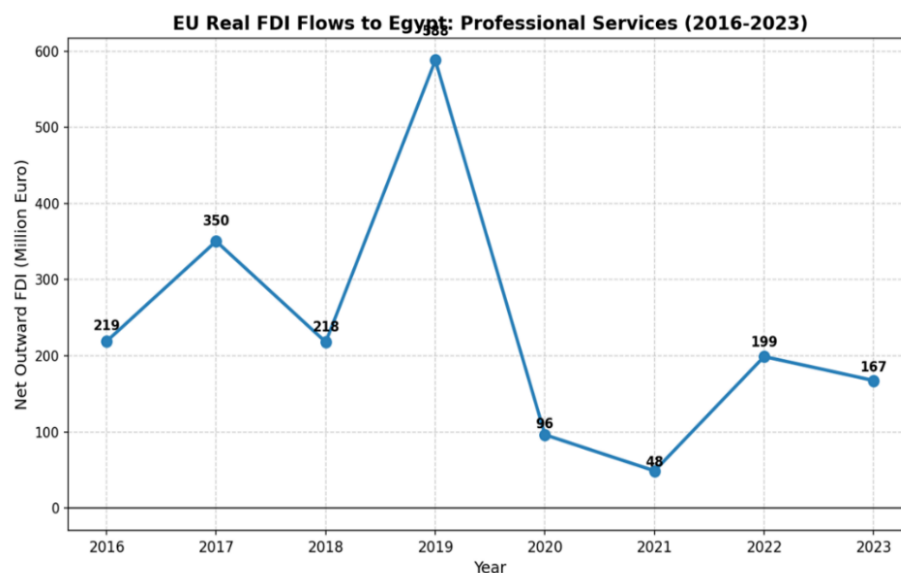
- **The 2020 Drop (-€369 M):** Represents the exit of the National Bank of Greece (NBG), which sold its Egyptian unit to Bank Audi, a non-EU entity.
- **The 2022 Recovery (€739 M):** Fueled by "Green Financing" credit lines provided by EU institutions to Egyptian banks to support SMEs.

Summary Table

Year	Flow (€ M)	Primary Driver	Specific Event
2016	2,006	Crisis Management	Recapitalization of EU subsidiary banks post-float.
2020	-369	Divestment	National Bank of Greece exits the market.
2022	739	Green Finance	New credit lines from EIB/EBRD for climate projects.

Professional Services

Figure 15 Real Annual Net Inflows- Professional Services (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.



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This sector covers high-value engineering and the booming Outsourcing (BPO) industry.

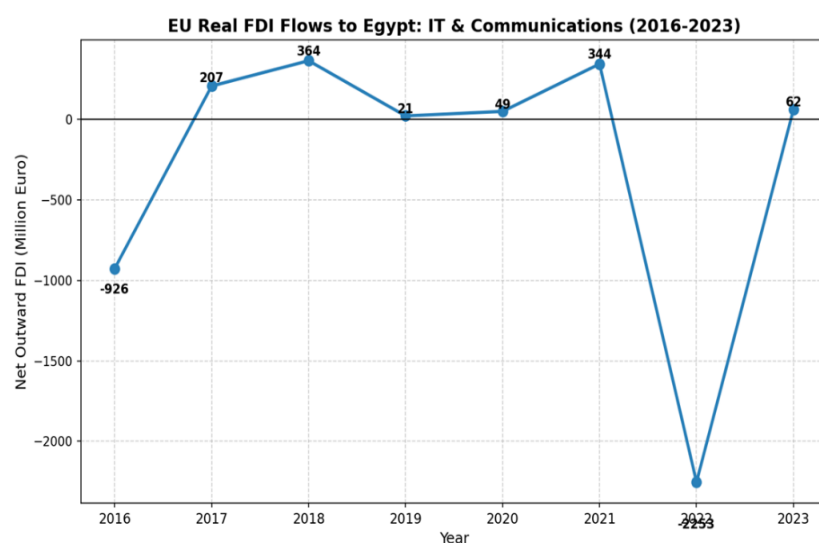
- **The 2019 Peak (€588 M):** Corresponds to massive technical engineering contracts for the Zohr Gas Field and Siemens Power Plants reaching their operational peak.
- **The 2022 Recovery (€199 M):** Driven by the Outsourcing Boom. Following the 2022 devaluation, European firms established "Shared Service Centers" in Cairo for HR, IT, and accounting to cut costs.

Summary Table

Year	Trend	Flow (€ M)	Primary Driver
2019	Peak	588	Mega-Projects: Technical contracts for Zohr Gas & Siemens Power.
2021	Low	48	COVID-19: Freeze on external consultancy.
2022	Recovery	199	Outsourcing: Boom in shared service centers due to cheap currency.

IT & Communications

Figure 16 Real Annual Net Inflows- IT& Communications (2016-2023)



Source: ECES' analysis of Eurostat Datasets.



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Volatility here is defined by ownership transfers and infrastructure licensing.

- In 2016, the IT and Communications sector saw a €926M drop due to massive foreign exchange losses following the Egyptian pound's flotation. For instance, Orange Egypt reported a net loss of 2.5 billion EGP, specifically attributing 2.3 billion EGP of that to its foreign currency positions. These "paper losses" occurred because the cost of US dollar-denominated debts and 4G license fees doubled overnight in local currency terms, turning reinvested earnings negative.
- The 2021 Spike (€344 M): This reflects payments for new 4G frequencies and infrastructure, largely driven by France's Orange and supported by EU-funded loans from the EIB. These upgrades were essential to provide the high-speed connectivity required by European firms relocating their back-office operations to Cairo.
- The 2022 Crash (-€2,253 M): This is an accounting change, not a collapse. Vodafone Europe transferred its ownership of Vodafone Egypt to Vodacom (South Africa), recording a massive divestment from the EU side.

Summary Table

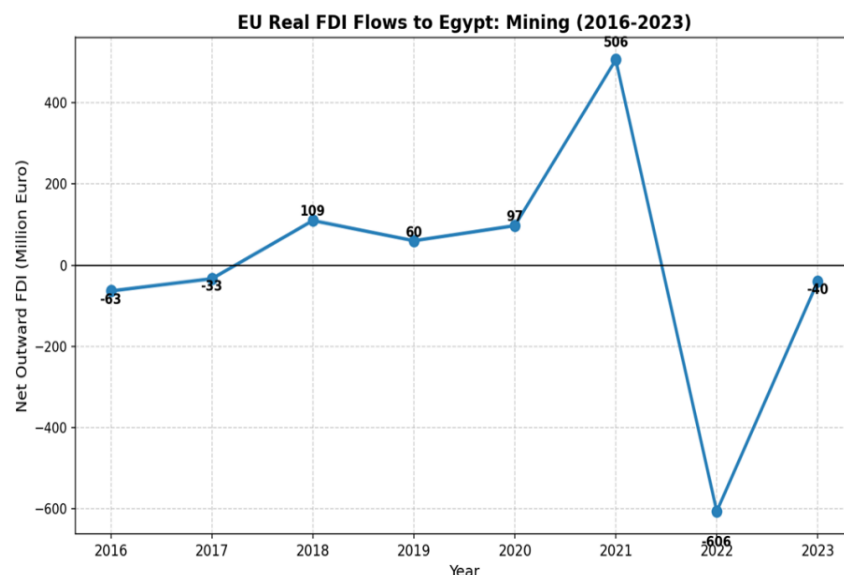
Year	Trend	Flow (€ M)	Primary Cause
2016	Deep Drop	-926	Forex Losses: Currency float caused accounting losses.
2021	Spike	344	Infrastructure: Payments for new spectrum/frequencies.
2022	Mega Crash	-2,253	Ownership Transfer: Vodafone Europe sells stake to Vodacom (Non-EU).



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Mining (Oil & Gas)

Figure 17 Real Annual Net Inflows- Mining (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.

- In 2021, a €506M spike occurred when Italy’s Eni settled a long-standing dispute to restart the Damietta LNG plant. This agreement ended years of arbitration and allowed Eni to process Zohr field gas for export. The plant's reopening turned Egypt into a regional energy hub, supplying critical fuel to Europe during global shortages.
- The 2022 Mining Crash (-€606 M) was driven by Shell (Netherlands) selling its onshore Western Desert assets to a non-EU consortium to focus on offshore exploration. This divestment involved offloading assets to a partnership led by Egypt’s Cheiron Energy and the UK’s Capricorn Energy. The move shifted Shell's capital away from mature, low-growth oil fields toward high-stakes deepwater gas projects in the Mediterranean, causing a massive accounting outflow in European FDI data.

Summary Table

Year	Trend	Flow (€ M)	Specific Event
2021	Spike	506	Eni restarts Damietta LNG plant.

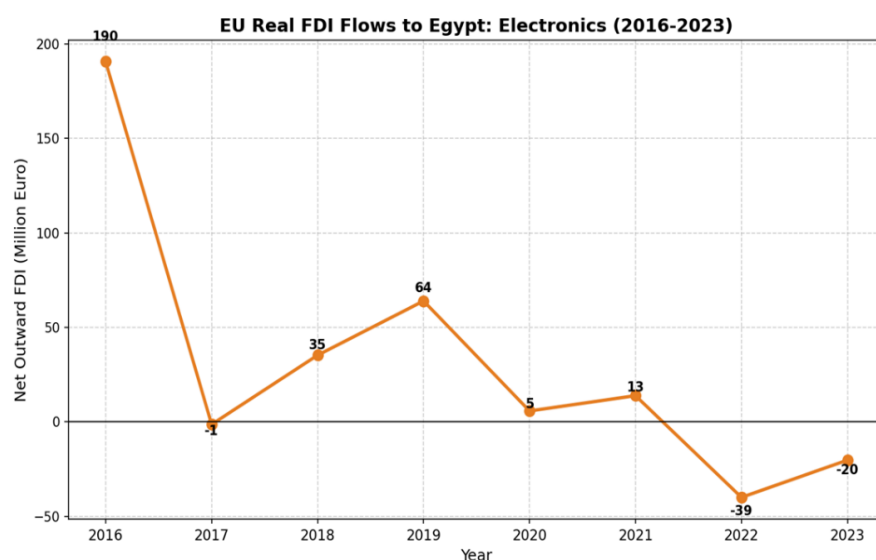


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2022	Crash	-606	Shell divestment of Western Desert onshore assets.
2023	Recovery	-40	Pivot to Offshore Exploration (Nargis/Zohr).

Electronics

Figure 18 Real Annual Net Inflows- Electronics (2016-2023)



Source: ECES' analysis of Eurostat Datasets.

A sector highly sensitive to supply chains and component imports.

- **The 2016 Spike (€190 M):** Electrolux and Siemens expanded factories to use Egypt as an export hub post-devaluation.
- **The 2023 Drop (-€20 M):** Driven by the FX crisis preventing raw material imports and Electrolux's announcement (later reversed) that it intended to divest its Egyptian business.



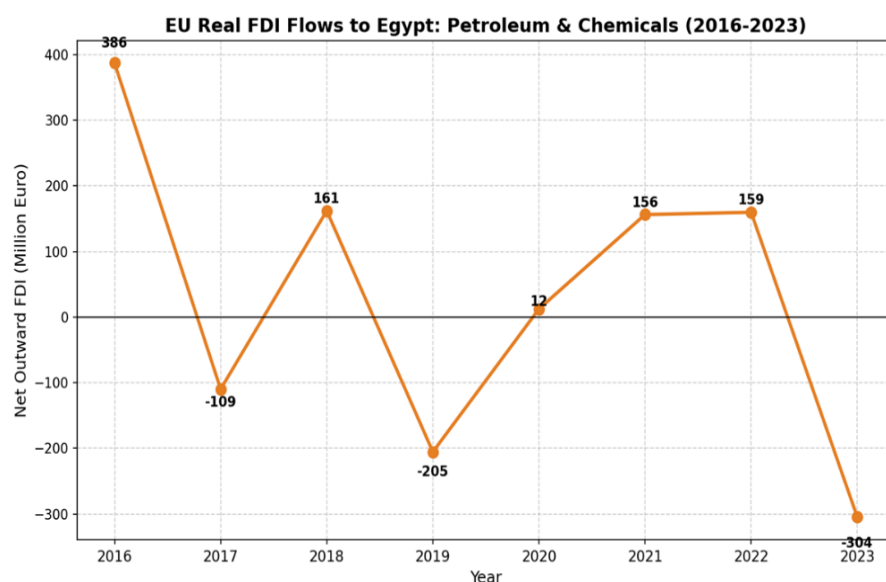
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Summary Table

Year	Trend	Flow (€ M)	Primary Cause
2016	Spike	190	Export Hub: Expansion post-devaluation (Electrolux).
2019	Growth	64	Automotive: Leoni expands wiring harness production.
2023	Drop	-20	Divestment Fear: Electrolux exit plans + Import blocks.

Petroleum & Chemicals

Figure 19 Real Annual Net Inflows- Petroleum and Chemicals (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.

This section refers to downstream refining and fertilizers.

- **The 2019 Drop (-€205 M):** Marked the completion of the Mostorod Refinery. Flows switched from "construction investment" to "debt repayment."
- **The 2023 Crash (-€304 M):** Similar to manufacturing, the lack of foreign currency prevented the import of catalysts and chemicals, forcing operational slowdowns.



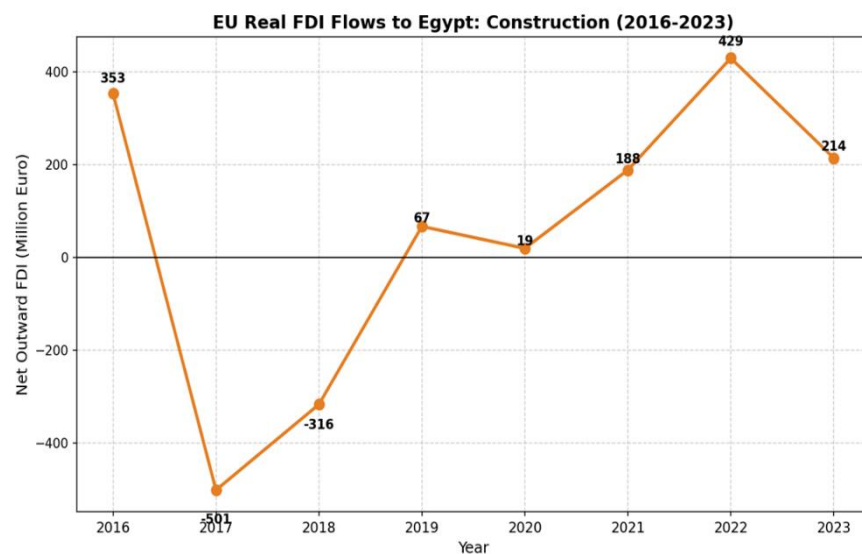
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Summary Table

Year	Trend	Flow (€ M)	Primary Cause
2016	Spike	386	Devaluation: Investment in fertilizer exports.
2019	Drop	-205	Completion: Major refineries finished construction.
2023	Crash	-304	Import Crisis: Lack of FX for raw materials.

Construction

Figure 20 Real Annual Net Inflows- Construction (2016-2023)



Source: ECES’ analysis of Eurostat Datasets.

- **The 2017 Crash (-€501 M): The Cement Crisis.** European firms (Lafarge, Titan) stopped investing due to massive market oversupply and state entry.
- **The 2022 Spike (€429 M):** Peak construction for French-led transport projects: Cairo Metro Line 3 (Vinci) and the Monorail (Alstom).



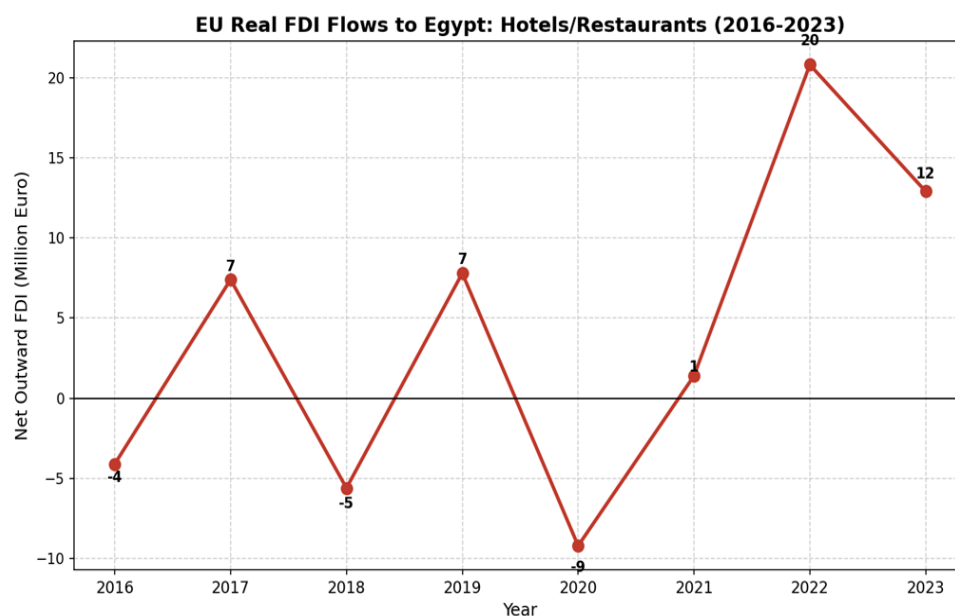
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Summary Table

Year	Trend	Flow (€ M)	Specific Event
2017	Crash	-501	Cement Crisis: Oversupply forces losses.
2022	Spike	429	Transport: Metro & Monorail construction peaks.

Hotels & Restaurants

Figure 21 Real Annual Net Inflows- Hotels and Restaurants (2016-2023)



Source: ECES' analysis of Eurostat Datasets.

Trend: Flows are low because European brands use Management Contracts (no ownership).

The 2022 Spike (€20 M): A specific surge for COP27. Hotels in Sharm El Sheikh invested in solar energy and renovations to meet "Green Star" requirements for the UN summit.



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Summary Table

Year	Trend	Flow (€ M)	Specific Event
2016-20	Flat	~0	Asset-Light Model: Management contracts only.
2022	Spike	20	COP27: Renovations for the Climate Summit.

C) EU firms’ performance in Egypt

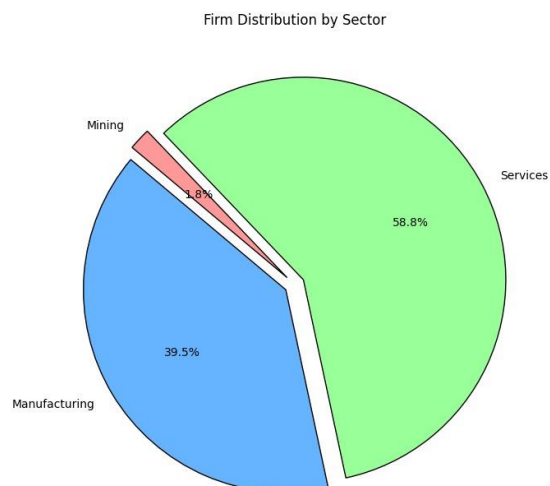
The analysis now turns to the firm-level performance of EU-owned enterprises operating in Egypt, using Eurostat’s detailed firm-level data. This dataset provides valuable information on firm characteristics and performance indicators, enabling an assessment of employment, turnover, and productivity patterns among EU-owned enterprises. However, as noted earlier, the sectoral classification within the Eurostat firm-level data is relatively limited, which constrains the ability to conduct highly disaggregated sector-specific analyses. Despite this limitation, the data remain well suited for examining aggregate firm-level trends and comparative performance across broad activity categories, allowing for meaningful insights into the role and economic contribution of EU-owned enterprises in Egypt.



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EU Firm Distribution by Sector (2023)

Figure 22 Firm Distribution by Sector



Source: ECES’ analysis of Eurostat Datasets.

The distribution of EU firms operating in Egypt reveals a clear sectoral pattern:

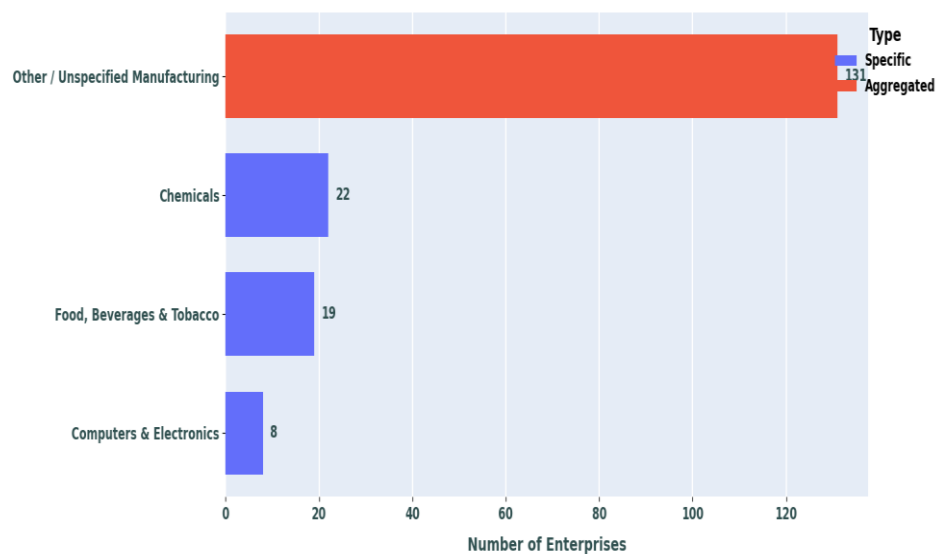
- Services: 212 firms (58.8%)
- Manufacturing: 180 firms (39.5%)
- Mining & Quarrying: 8 firms (1.8%)



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Manufacturing Sector Breakdown (180 Total Firms)

Figure 23 Manufacturing Sector Breakdown



Source: ECES' analysis of Eurostat Datasets.

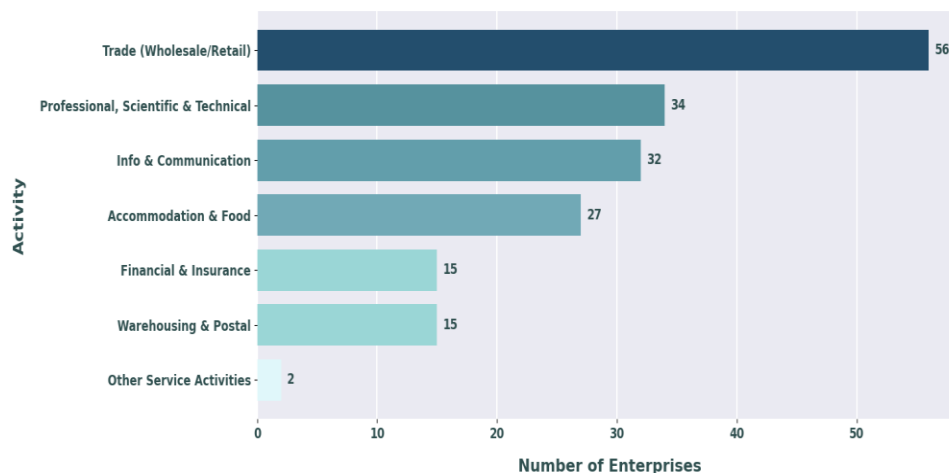
- Other/Unspecified Manufacturing: 131 firms (aggregated category)
- Chemicals: 22 firms
- Food, Beverages & Tobacco: 19 firms
- Computers & Electronics: 8 firms



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Top Service Activities (212 Total Firms)

Figure 24 Top Service Activities by Number of Firms



Source: ECES’ analysis of Eurostat Datasets.

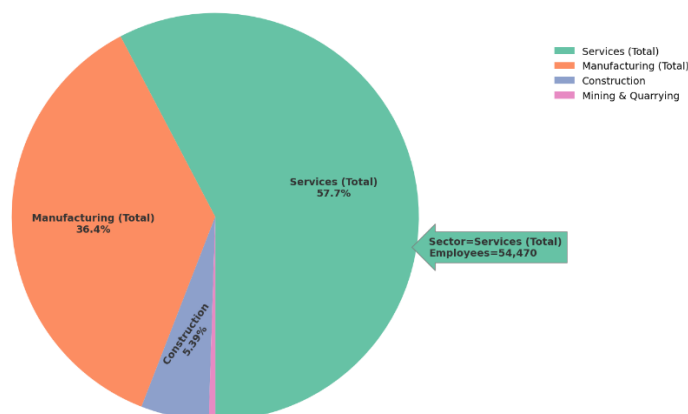
- Trade (Wholesale/Retail): 56 firms
- Professional, Scientific & Technical: 34 firms
- Information & Communication: 32 firms
- Accommodation & Food: 27 firms
- Financial & Insurance: 15 firms
- Warehousing & Postal: 15 firms
- Other Service Activities: 2 firms



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Workforce Distribution Analysis (2023)

Figure 25 Workforce Distribution by Major Sector



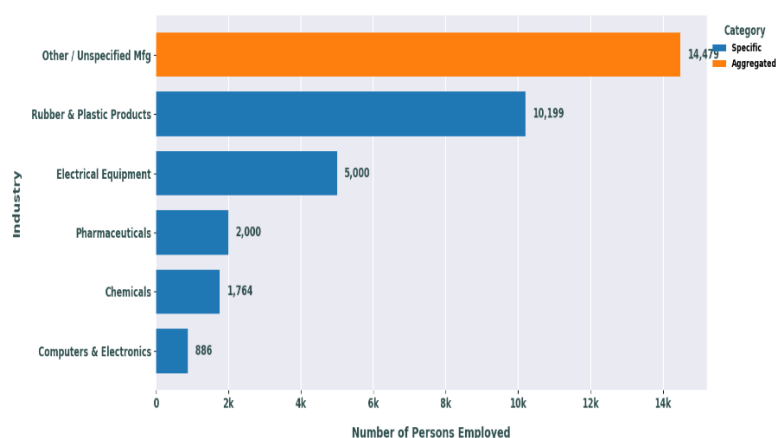
Source: ECES' analysis of Eurostat Datasets.

EU firms in Egypt employ approximately 94,000 workers across all sectors:

- Services (Total): 54,470 employees (57.7%)
- Manufacturing (Total): 34,328 employees (36.4%)
- Construction: ~3,300 employees (3.5%)
- Mining & Quarrying: ~2,200 employees (2.3%)

Top Manufacturing Employers (34,328 Total)

Figure 26 Top Manufacturing Employers



Source: ECES' analysis of Eurostat Datasets.

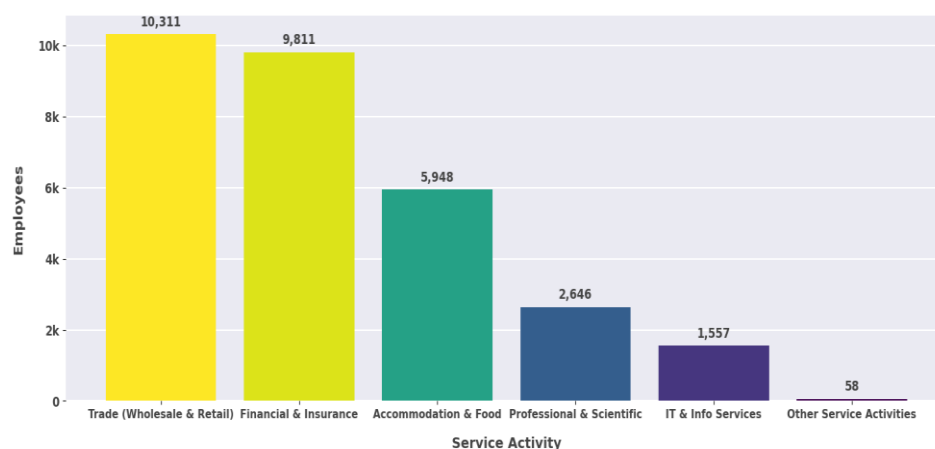


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- Other/Unspecified Manufacturing: 14,479 employees (aggregated)
- Rubber & Plastic Products: 10,199 employees
- Electrical Equipment: 5,000 employees
- Pharmaceuticals: 2,000 employees
- **Chemicals:** 1,764 employees
- Computers & Electronics: 886 employees

Service Sector Jobs Breakdown (54,470 Total)

Figure 27 Service Sector Jobs Breakdown



Source: ECES’ analysis of Eurostat Datasets.

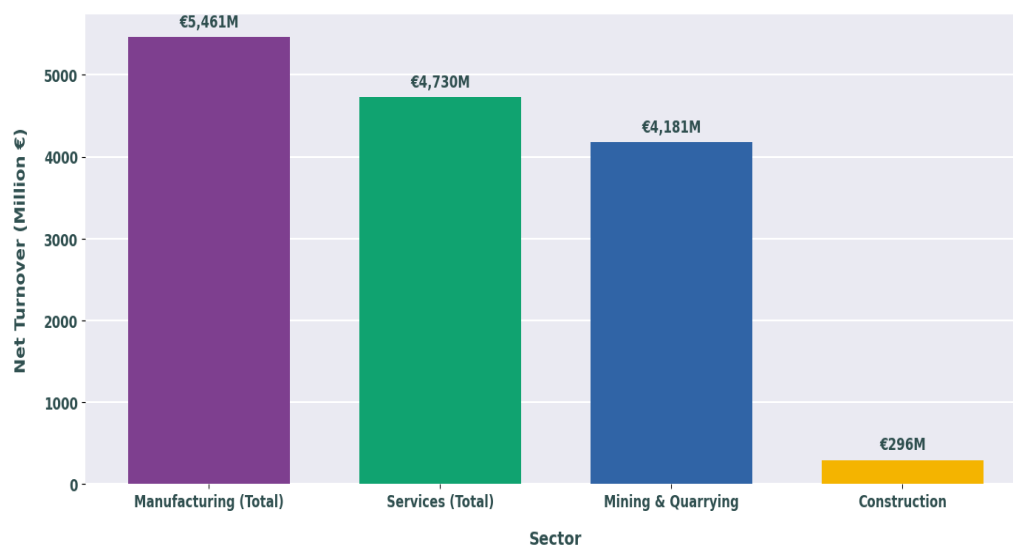
- Trade (Wholesale & Retail): 10,311 employees
- Financial & Insurance: 9,811 employees
- Accommodation & Food: 5,948 employees
- Professional & Scientific: 2,646 employees
- IT & Info Services: 1,557 employees
- Other Service Activities: 58 employees



Revenue and Turnover Analysis (2023)

a) Total net turnover by broad sector

Figure 28 Total Net Turnover by Broad Sector



Source: ECES’ analysis of Eurostat Datasets.

EU firms in Egypt generated significant revenue in 2023:

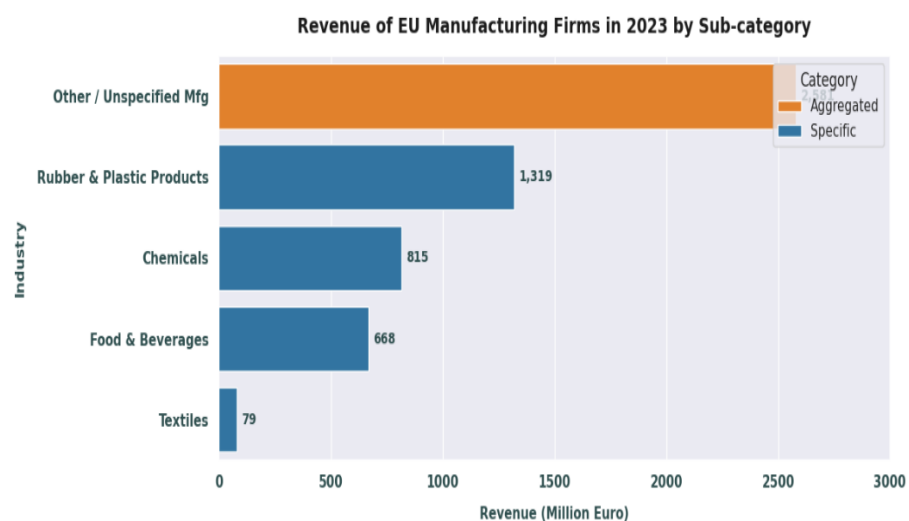
- Manufacturing (Total): €5,461 million
- Services (Total): €4,730 million
- Mining & Quarrying: €4,181 million
- Construction: €296 million
- Total Revenue: €14.78 billion (2023)



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b) Manufacturing turnover breakdown (€5.4 billion total)

Figure 29 Manufacturing Turnover Breakdown



Source: ECES' analysis of Eurostat Datasets.

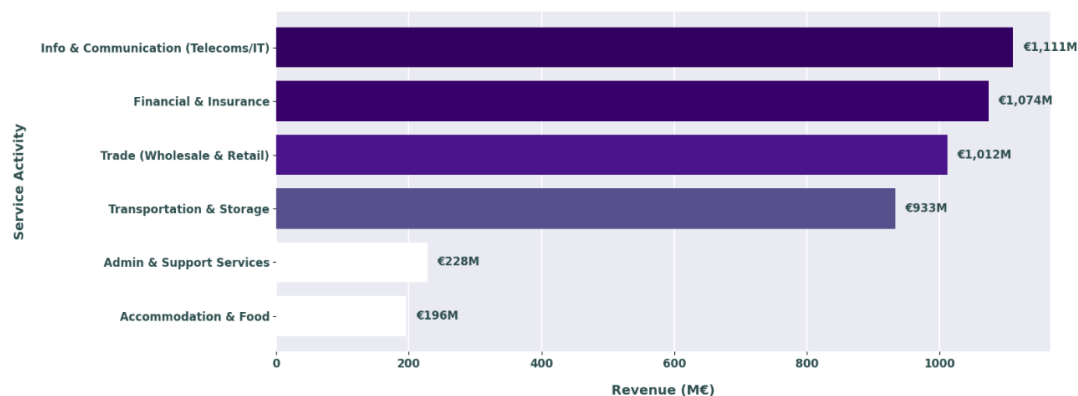
- Other/Unspecified Manufacturing: €2,581 million (aggregated)
- Rubber & Plastic Products: €1,319 million
- Chemicals: €815 million
- Food & Beverages: €668 million
- Textiles: €79 million



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c) High-Value Service Activities (Revenue > €100M)

Figure 30 High-Value Service Activities (Revenue > €100M)



Source: ECES' analysis of Eurostat Datasets.

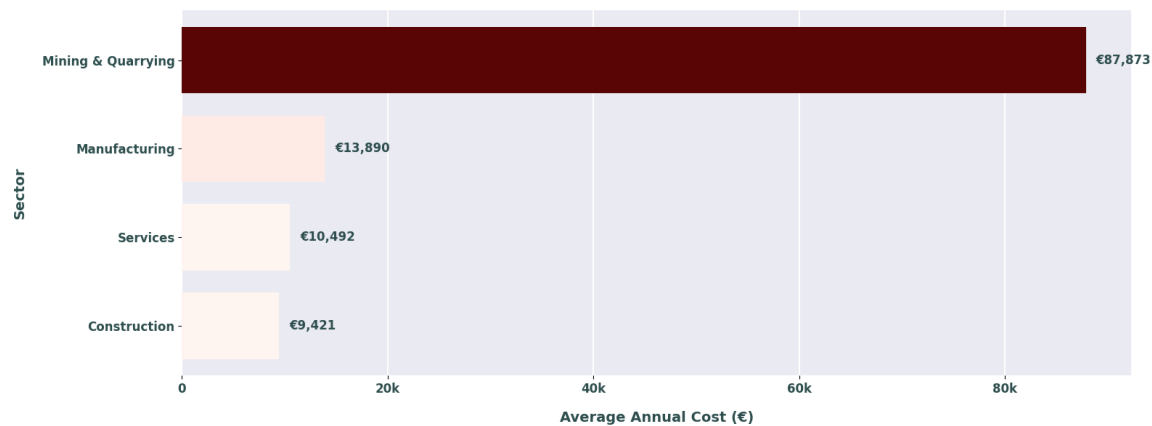
- Info & Communication (Telecoms/IT): €1,111 million
- Financial & Insurance: €1,074 million
- Trade (Wholesale & Retail): €1,012 million
- Transportation & Storage: €933 million
- Admin & Support Services: €228 million
- Accommodation & Food: €196 million



d) Personnel cost analysis

Average Personnel Cost per Employee (2023)

Figure 31 Average Personnel Cost per Employee



Source: ECES' analysis of Eurostat Datasets.

Personnel costs vary dramatically across sectors:

- Mining & Quarrying: €87,873
- Manufacturing: €13,890
- Services: €10,492
- Construction: €9,421

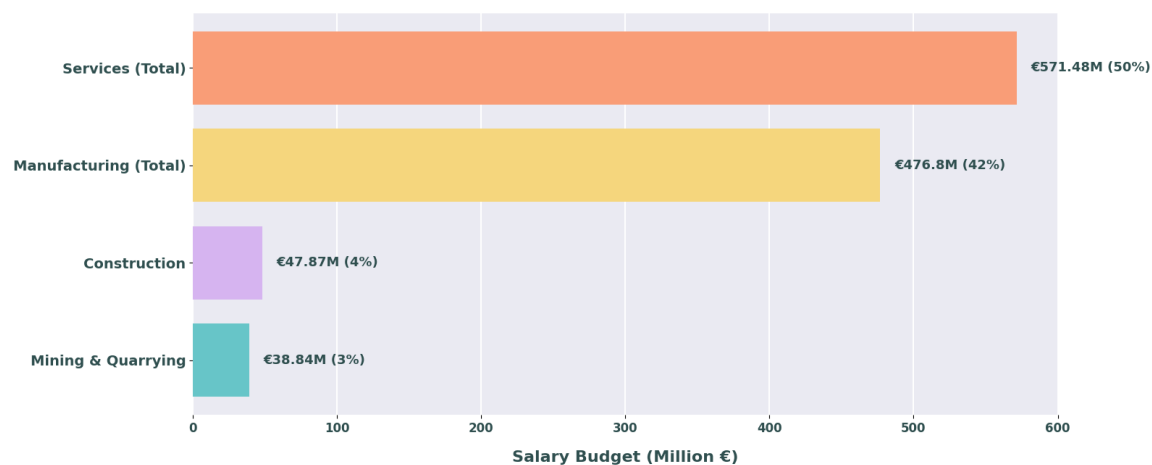
The significantly higher personnel costs in Mining & Quarrying reflects the specialized technical skills and safety requirements in extractive industries.



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e) Total salary budget composition (€1.1 Billion)

Figure 32 Total Salary Budget Composition



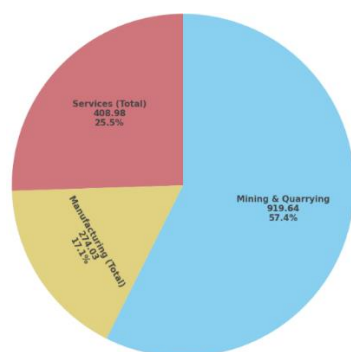
Source: ECES’ analysis of Eurostat Datasets.

- Services (Total): €571.4M (50%)
- Manufacturing (Total): €476.8M (42%)
- Construction: €47.87M (4%)
- Mining & Quarrying: €31.8M (3%)

f) Capital expenditure analysis

Total Capex by Sector (€1.6 Billion)

Figure 33 Capital Expenditure by Sector



Source: ECES’ analysis of Eurostat Datasets.

Capital expenditure reveals where EU firms are making new investments:

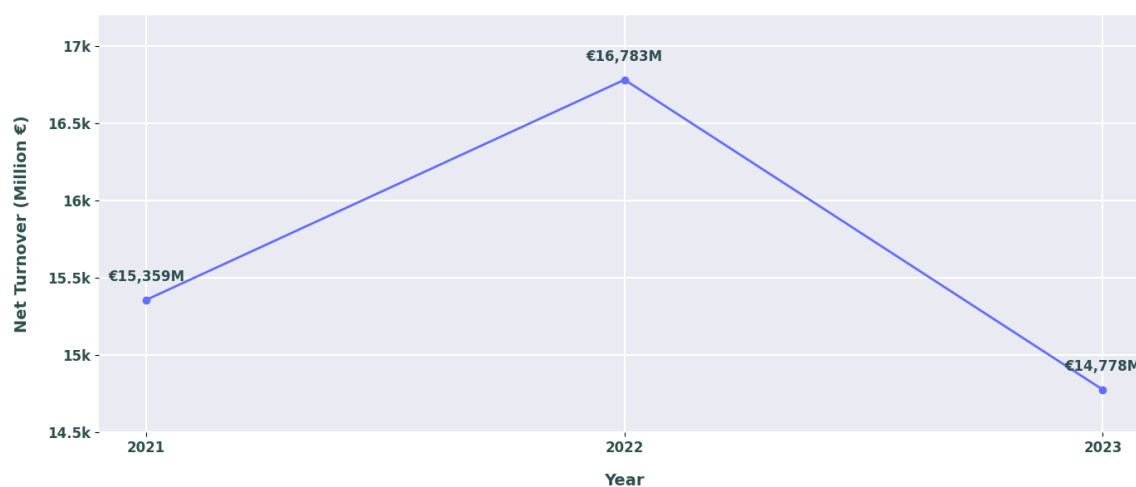


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- Mining & Quarrying: €919.64M (57.4%) - Dominant investor in physical capital
- Services (Total): €408.98M (25.3%)
- Manufacturing (Total): €274M (17.1%)

g) Total Revenue Trend (2021-2023)

Figure 34 Total Revenue Trend (2021-2023)



Source: ECES' analysis of Eurostat Datasets.

Overall EU firms' revenue in Egypt has shown volatility:

- 2021: €15,359 million (baseline)
- 2022: €16,783 million (+9.3% YoY, peak)
- 2023: €14,778 million (-12.0% YoY)

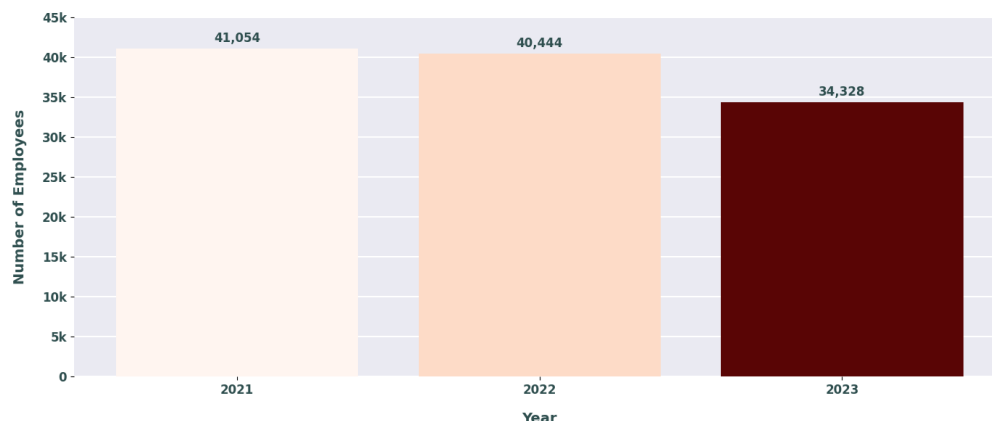
The 2023 decline reflects global economic pressures, including currency fluctuations, supply chain adjustments, and local market conditions.



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h) Manufacturing employment decline

Figure 35 Decline in Manufacturing Jobs (-16%)



Source: ECES' analysis of Eurostat Datasets.

A concerning trend is the decline in manufacturing employment:

- 2021: 41,054 employees
- 2022: 40,444 employees (-1.5%)
- 2023: 34,328 employees (-15.1%)

Overall Decline: -16% from 2021 to 2023 This represents a loss of approximately 6,700 manufacturing jobs over two years.

D) Deeper look on 3 EU Giants

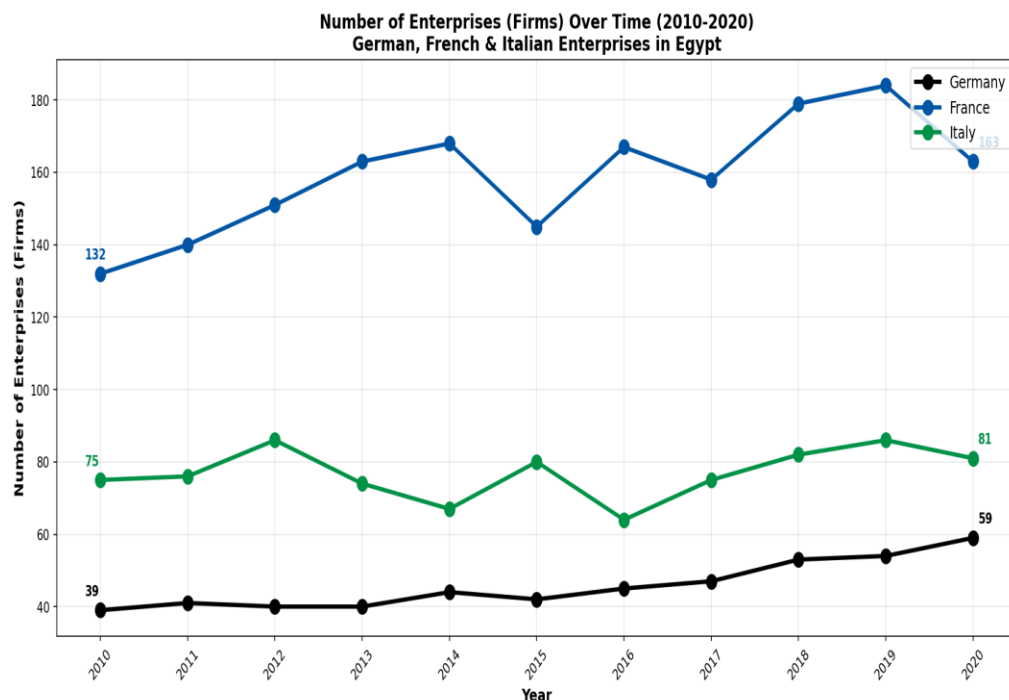
we can examine the firm-level performance of Egypt's three largest EU investment partners: France, Germany, and Italy. These nations serve as the primary engines of the EU-Egypt Comprehensive Strategic Partnership, each dominating a distinct pillar of the Egyptian economy. While France maintains a stronghold in the digital and telecommunications landscape through giants like Orange, Germany has become the lead architect of Egypt's industrial and transport modernization via Siemens. Meanwhile, Italy's influence is most visible in the energy sector, where Eni's strategic management of Mediterranean gas fields has effectively turned Egypt into a regional power hub.



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Number of firms over the years

Figure 36 Number of French, Italian and German Firms in Egypt (2010-2020)



Source: ECES' analysis of Eurostat Datasets.

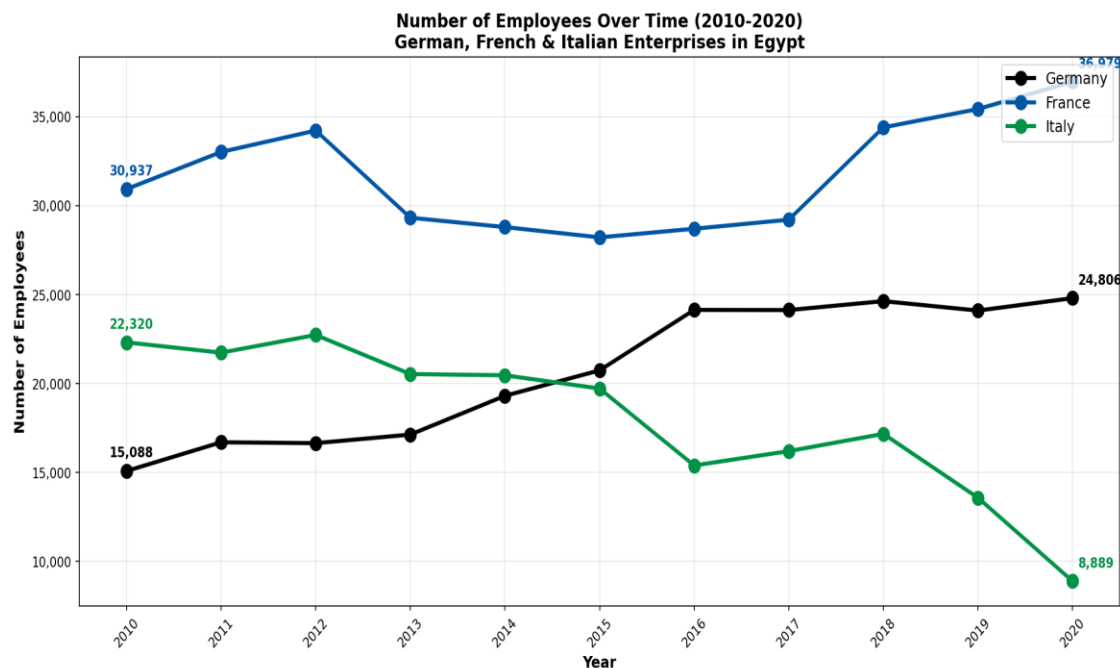
- In France, the number of firms increased from 132 to 183, a 38.6% growth, reflecting steady expansion and giving France three times as many firms as Italy.
- In Italy, the firm count rose modestly from 75 to 81, an 8% increase, indicating a stable presence.
- Germany saw its firms grow from 39 to 59, a 51% increase, making it the fastest growth rate among the three countries.
- Overall, France dominates in total number of firms, while Germany shows the strongest growth rate.



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Number of employed personnel Over the years

Figure 37 Number of Employees in French, Italian and German Firms in Egypt (2010-2020)



Source: ECES' analysis of Eurostat Datasets.

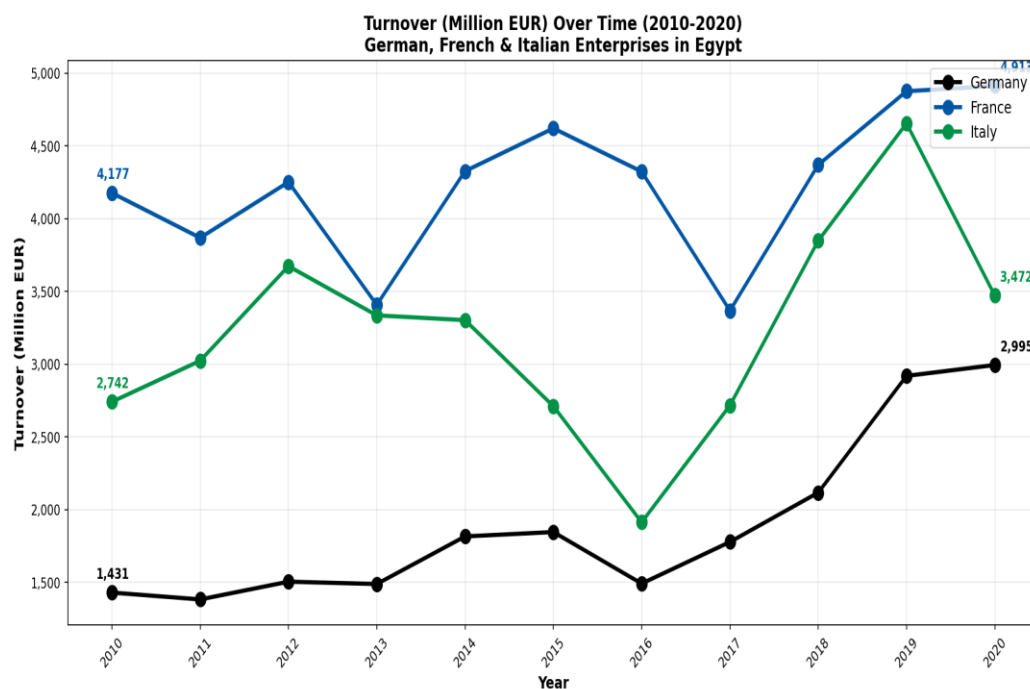
- In France, the workforce grew from 30,937 to 35,679, a 15% increase, making France the consistent growth leader.
- In Italy, the workforce fell sharply from 22,320 to 8,889, a 60% decline, showing a dramatic reduction in workforce.
- In Germany, the workforce increased from 15,088 to 24,806, a 64% rise, meaning employment has grown substantially and more than doubled since 2015.



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Revenue over the years

Figure 38 Total Revenue Generated by French, Italian and German Firms in Egypt (2010-2020)



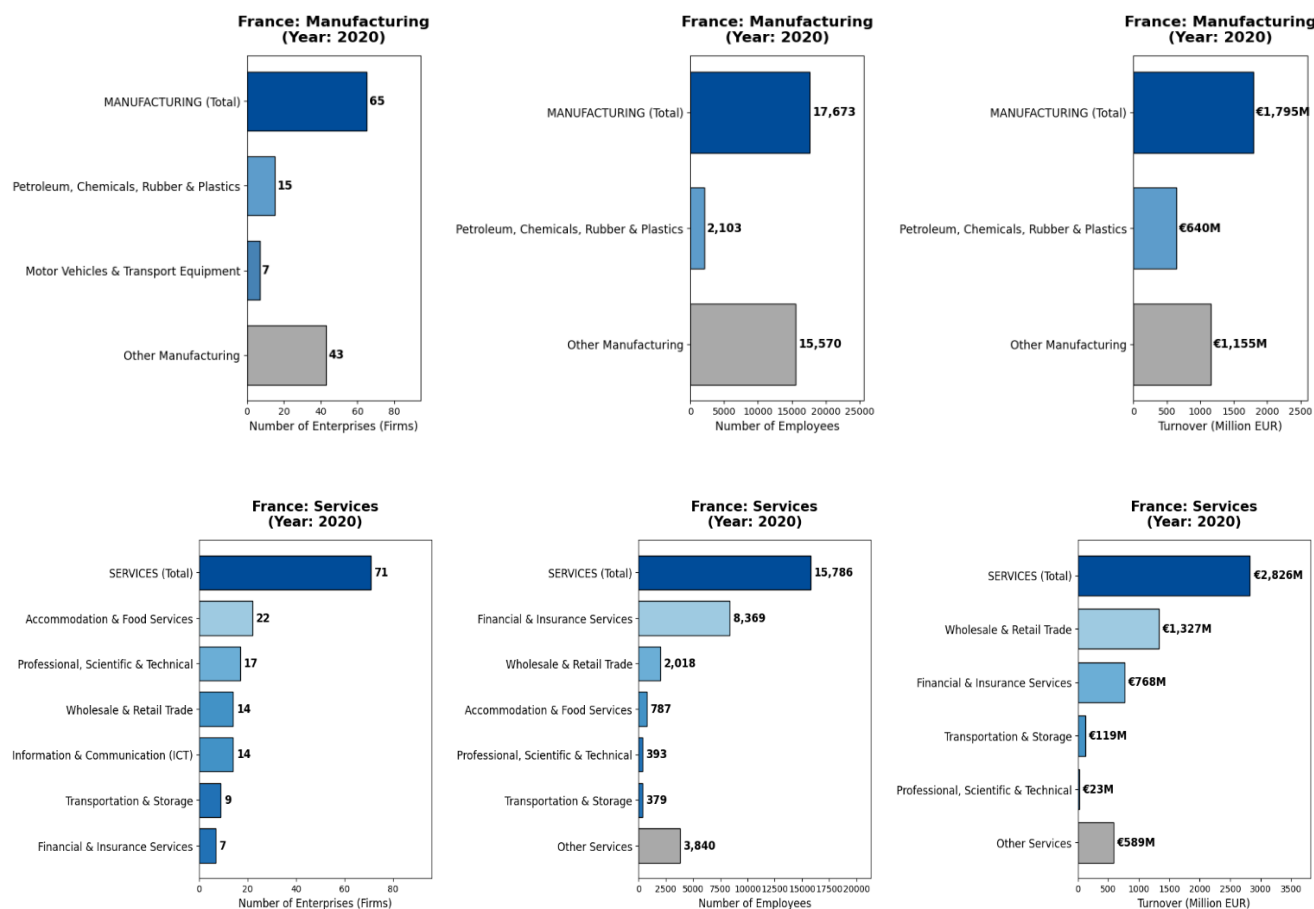
Source: ECES' analysis of Eurostat Datasets.

- In France, revenue increased from €4,177 million to €4,913 million, an 18 % rise, with France remaining the revenue leader throughout.
- In Italy, revenue grew from €2,742 million to €3,472 million, a 27 % increase, showing solid growth despite fewer employees.
- In Germany, revenue jumped from €1,431 million to €2,995 million, a 109 % gain, meaning revenue more than doubled, with manufacturing driving growth.
- Overall, France leads in total revenue, but Germany's growth rate is exceptional.



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– *France Overview*



Source: Eurostat Datasets.

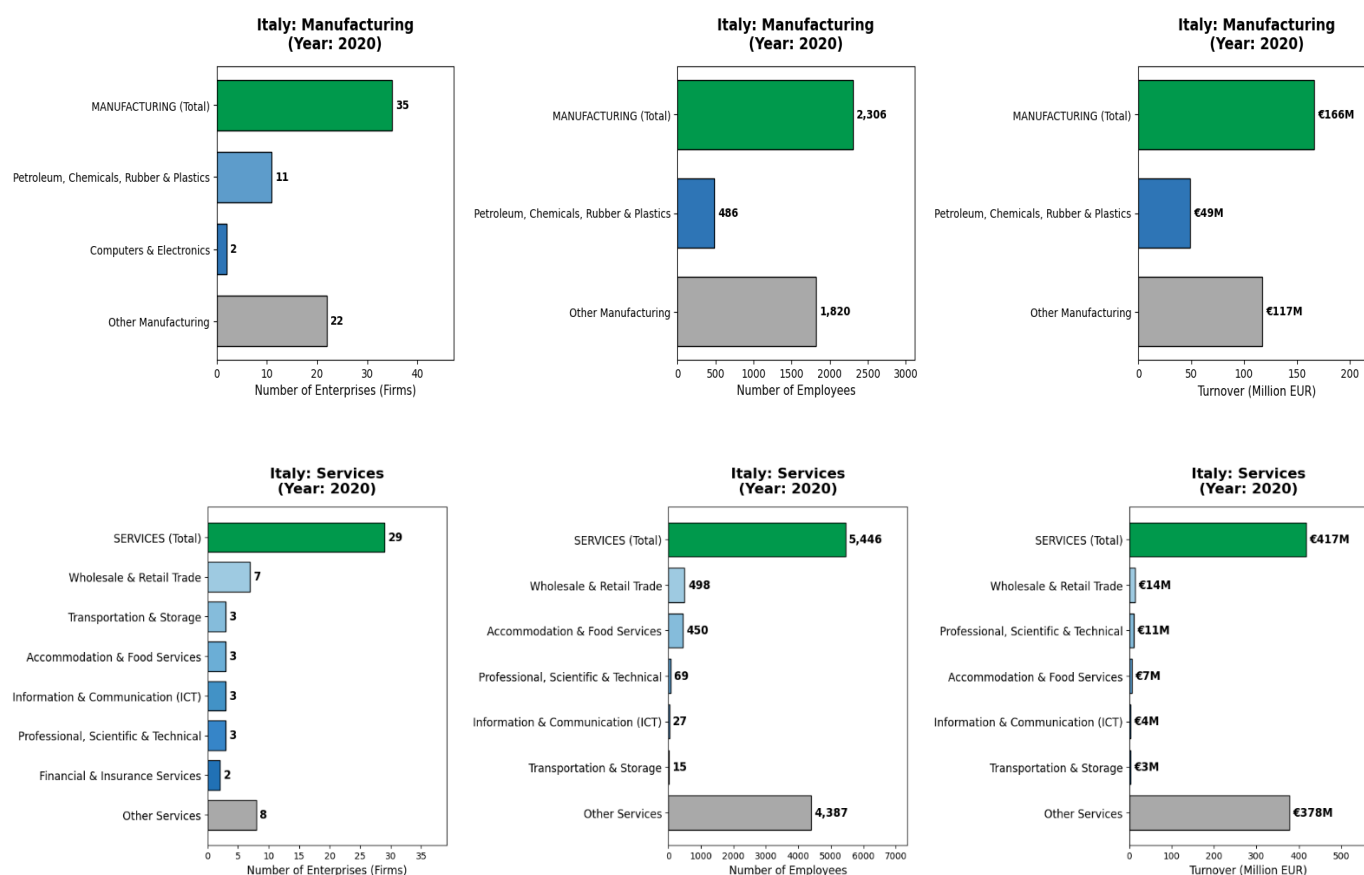
- The overall EU investment presence in Egypt comprises 183 firms employing 30,934 people and generating a total turnover of €4,913 million.
- Within this investment base, the manufacturing sector includes 65 firms, which together employ 17,473 people and generate €1,795 million in turnover.
- Of these manufacturing firms, 15 are in petroleum, chemicals, and rubber activities, contributing €640 million in turnover, while 43 firms operate in other manufacturing subsectors, accounting for €1,155 million of turnover.
- The services sector consists of 71 firms, employing 15,786 people and generating €2,824 million in turnover.



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- Within services, the financial and insurance segment contributes €768 million, and wholesale and retail trade accounts for €1,327 million of that turnover.
- Overall, France stands out as the most diversified EU investor in Egypt across these sectors.

– *Italy Overview*



Source: ECES’ analysis of Eurostat Datasets.

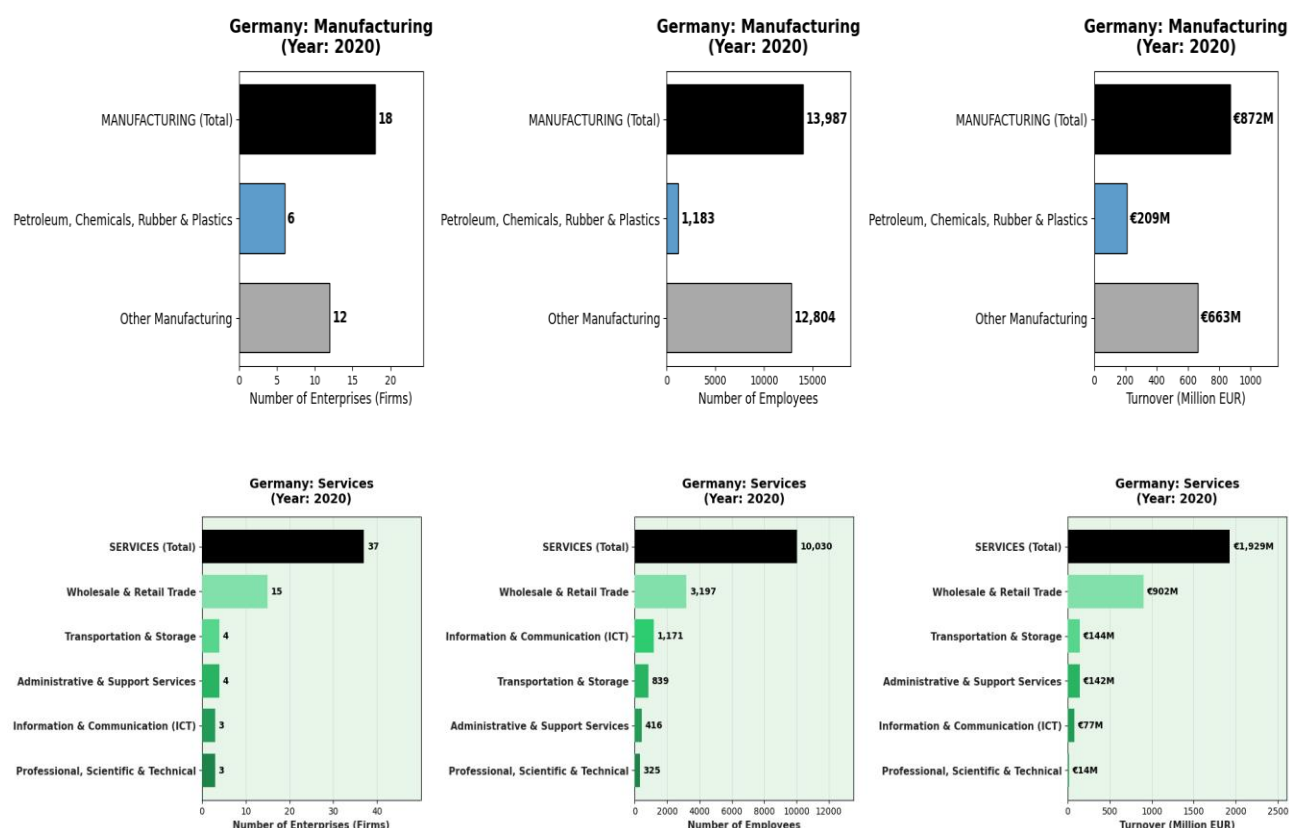
- The overall Italian investment presence in Egypt comprises 81 firms employing 8,889 people and generating a combined turnover of €3,472 million.
- Within this investment base, the manufacturing sector includes 35 firms, which together employ 2,306 people and produce €166 million in turnover.
- Of the manufacturing firms, 11 operate in petroleum, chemicals, and rubber, contributing €69 million in turnover, 2 firms work in computers and electronics, and 22 firms in other manufacturing activities collectively generate €117 million.



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- The services sector is made up of 29 firms, employing 5,446 people and generating €617 million in turnover.
- Within services, 7 firms in wholesale and retail trade contribute €16 million, and the professional, scientific, and technical services segment accounts for €113 million in turnover.
- Overall, Italy experienced a significant 60 % decline in employees in Egypt, with the workforce shrinking from 22,320 to 8,889 over the period.

– *Germany Overview*



Source: ECES' analysis of Eurostat Datasets.

- There are 59 German firms operating in Egypt, collectively employing 24,806 people and generating a total turnover of €2,995 million.
- Within this group, the manufacturing sector comprises 18 firms, which employ 13,983 people and produce €872 million in turnover.



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- Of these manufacturing firms, 4 are in petroleum, chemicals, and rubber, contributing €209 million in turnover, while 12 firms in other manufacturing segments together generate €663 million.
- The manufacturing sector has the most employees per firm compared with other sectors in the German portfolio in Egypt.
- The services sector includes 37 firms, employing 10,698 people and generating €1,929 million in turnover.
- Within services, 15 firms in wholesale and retail trade contribute €902 million, and the transportation and storage segment adds €144 million in turnover.
- On average, German firms in Egypt achieve the highest revenue per firm, with an average of €50.8 million.

Key metrics

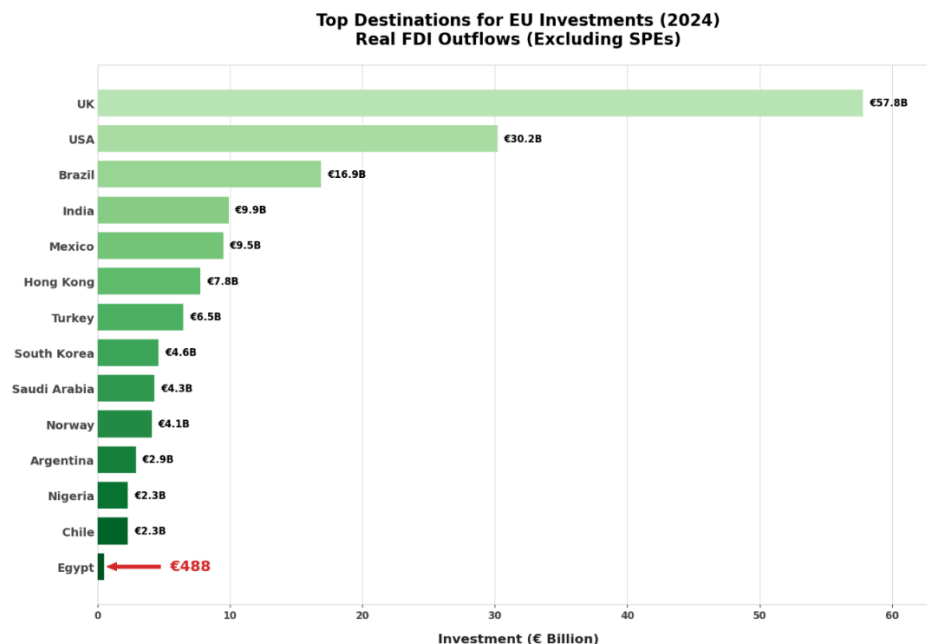
	Germany	Italy	France	
REVENUE PER FIRM	€50.8M	€42.9M	€26.8M	Germany's firms are 2x more productive per unit
EMPLOYEES PER FIRM	420	110	169	German firms are much larger scale
REVENUE PER EMPLOYEE	€121K	€391K	€159K	Italian operations are most capital-intensive

Source: ECES' analysis of Eurostat Datasets.



E) Major Recipient Countries of EU FDI Outflows

Figure 39 Top Destinations for EU Investments (2024) Real FDI Outflows (Excluding SPEs)



Source: ECES' analysis of Eurostat Datasets.

- **Egypt is marginalized in global capital flows**

With only €488 million in real FDI outflows, Egypt is virtually invisible on the scale of EU global investment. To put this in perspective, the UK attracts ~315 times more capital, and the USA attracts ~165 times more. This indicates that European capital is currently fleeing to "safe havens" or mature markets rather than taking risks in developing economies like Egypt.

- **Outpaced by regional and emerging peers**

The comparison with similar emerging markets is stark.

Regional Rivals: Turkey (€6.5B) and Saudi Arabia (€4.3B) are securing “13x” and “10x” more investment than Egypt, respectively. This shows that Egypt is losing the competition for capital within the MENA/Mediterranean region.

Emerging Giants: Countries like “Brazil” (€16.9B) and “India” (€9.9B) are capturing the bulk of EU investments destined for the "Global South," leaving very little for Egypt.



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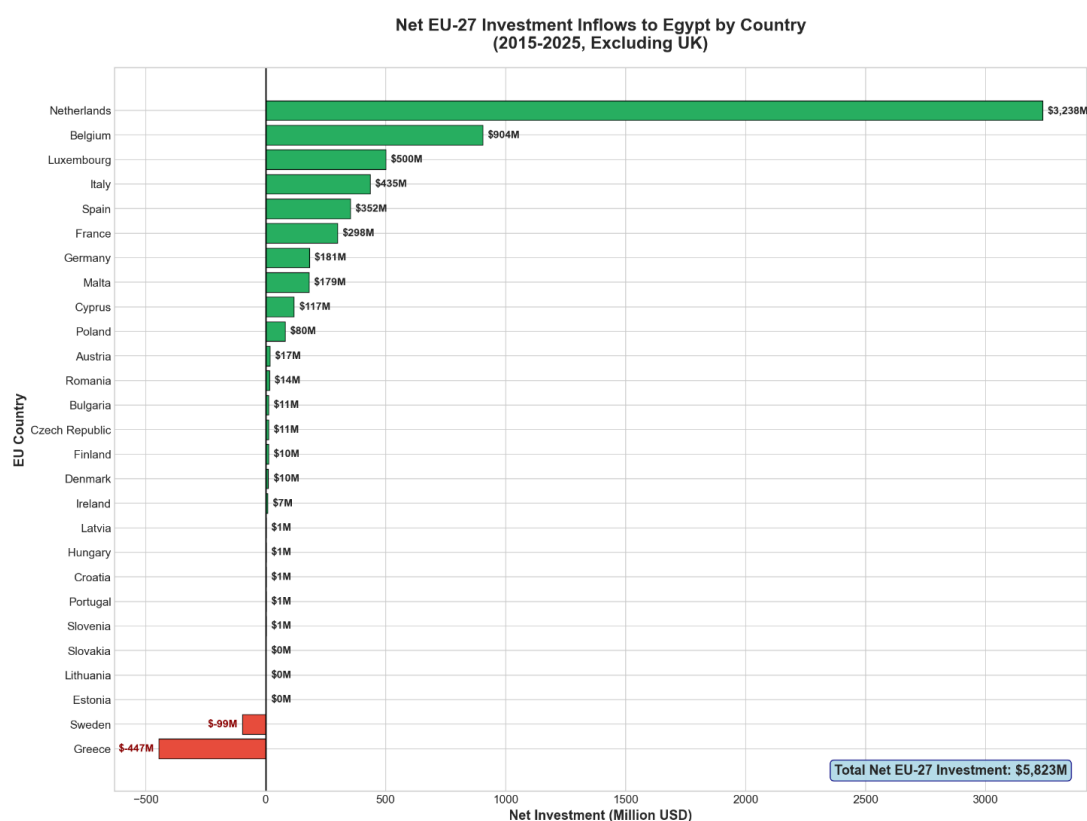
3.2. Deep Analysis of Data and Information Obtained from Ministry of Investment and Foreign Trade

This subsection provides a complementary analysis based on national data sources, structured across four levels: country of origin, sector, activity, firms and geographic location within Egypt.

This analysis is done building on data gathered from the Ministry of Investment and Foreign Trade, as mentioned earlier, this data is much richer than Eurostat dataset in terms of granularity, however, misses two key important features, time series analysis and the distinction between real and pass-through capital.

A) EU investments by Country

Figure 40 EU Investments in Egypt by EU Country



Source: ECES' analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

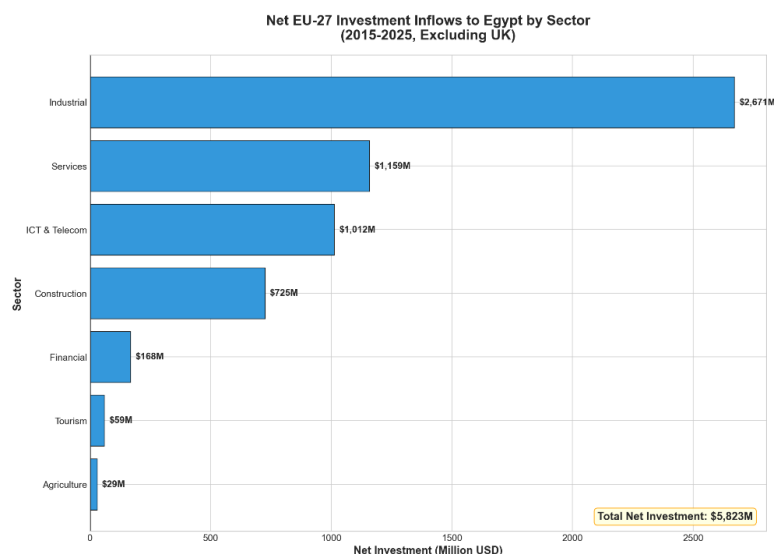
After analyzing the performance of EU owned firms in Egypt We can now dive deeply into EU investments in Egypt (this means EU investments in All firms operating in Egypt)



The data reveals a high concentration of capital inflows, with the Netherlands overwhelmingly dominating the landscape by contributing \$3,238M —more than half of the total EU-27 net investment in Egypt. While other Western European nations like Belgium, Luxembourg, and Italy play significant supporting roles. However, it is worth noting that these numbers include special purpose investments (SPE) so countries like the Netherlands and Luxembourg widely considered as Euro Zone tax havens show inflated numbers. On the other hand, Greece stands out as a notable outlier with significant net capital outflows (divestment) of \$447M during this period. Due to selling BNP Paribas headquarters in Egypt to non-EU investors.

B) EU investments by sector

Figure 41 Top Sectors Receiving EU Investments



Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

EU investment is overwhelmingly concentrated in the Industrial sector (\$2,671M), which accounts for nearly half of all inflows and underscores Egypt's growing role as a nearshore manufacturing hub for Europe. The combined strength of Services and ICT & Telecom (over \$2.1 billion) highlights a significant parallel focus on modernizing Egypt’s digital infrastructure and outsourcing capabilities. In contrast, traditional sectors like Tourism and Agriculture attract



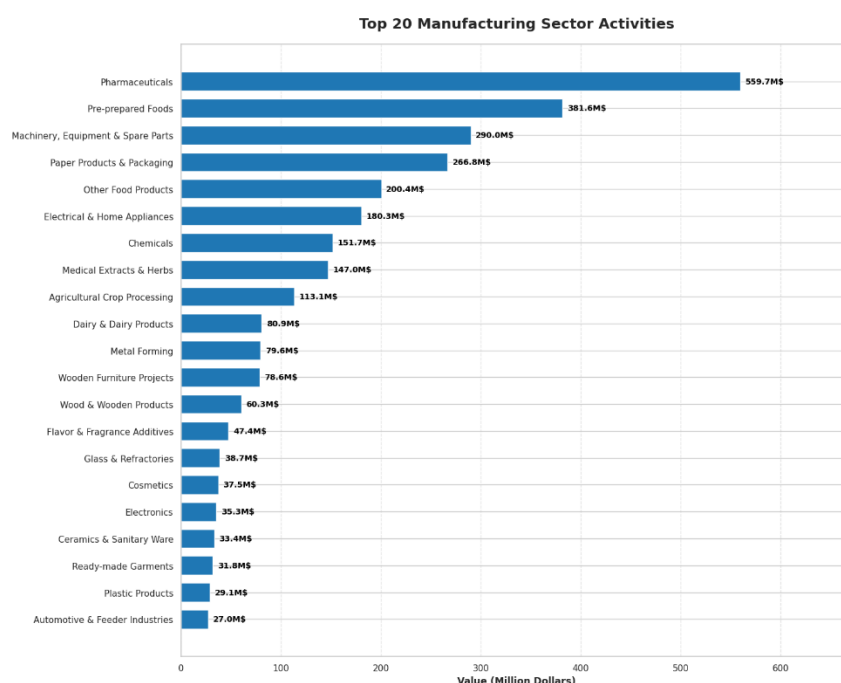
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negligible direct capital from the EU, suggesting those industries rely primarily on domestic or non-European funding.

C) EU investments by Activity

EU investment by Activity in the Manufacturing Sector

Figure 42 Top 20 Investments by Activity in the Manufacturing Sector (2015-2025)



Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

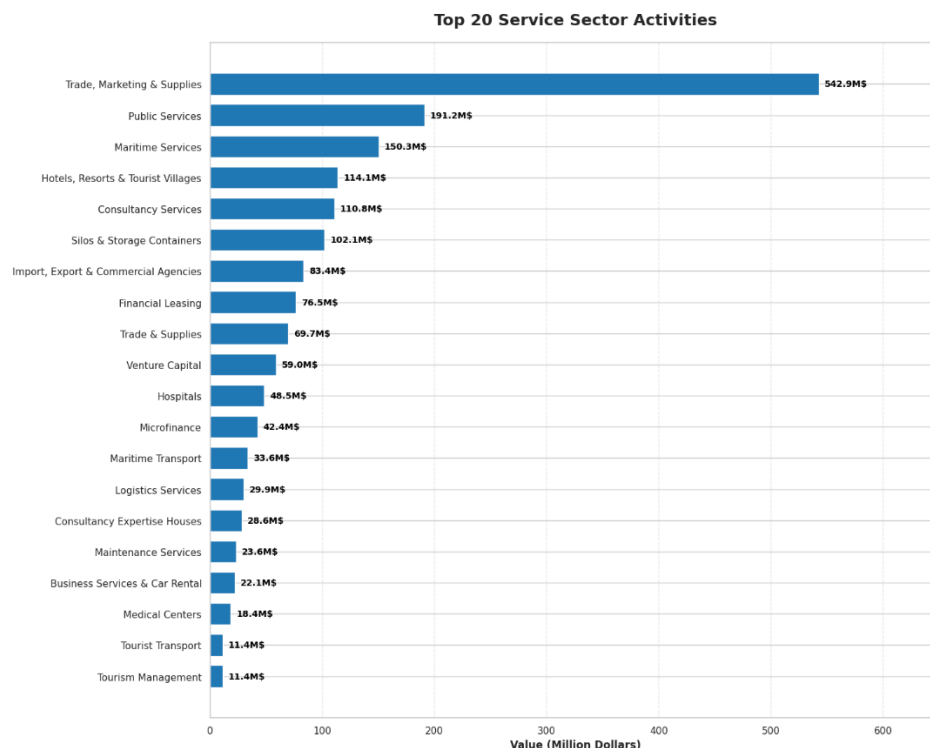
The data illustrates a significant disparity in investments attraction across the top 20 manufacturing activities, with the pharmaceuticals sector dominating the landscape by securing \$559.7 million in net inflow investments. This figure substantially outperforms the second-ranked sector, Pre-prepared Foods, which attracted \$381.6 million. The top five activities—which also include Machinery (\$290.0M), Paper Products (\$266.8M), and Other Food Products (\$200.4M)—account for the bulk of the total investment, showing a steep drop-off in capital inflows for subsequent industries. Notably, food-related sub-sectors collectively represent a major draw for investors. Conversely, heavy industries that require high tech and high capital investments as Electronics and Automotive appear at the lower end of this specific top-20 list, with net inflows of \$35.3 million and \$27.0 million respectively.



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EU investment by activity in the service sector

Figure 43 Top 20 Investments by Activity in the Service Sector (2015-2025)



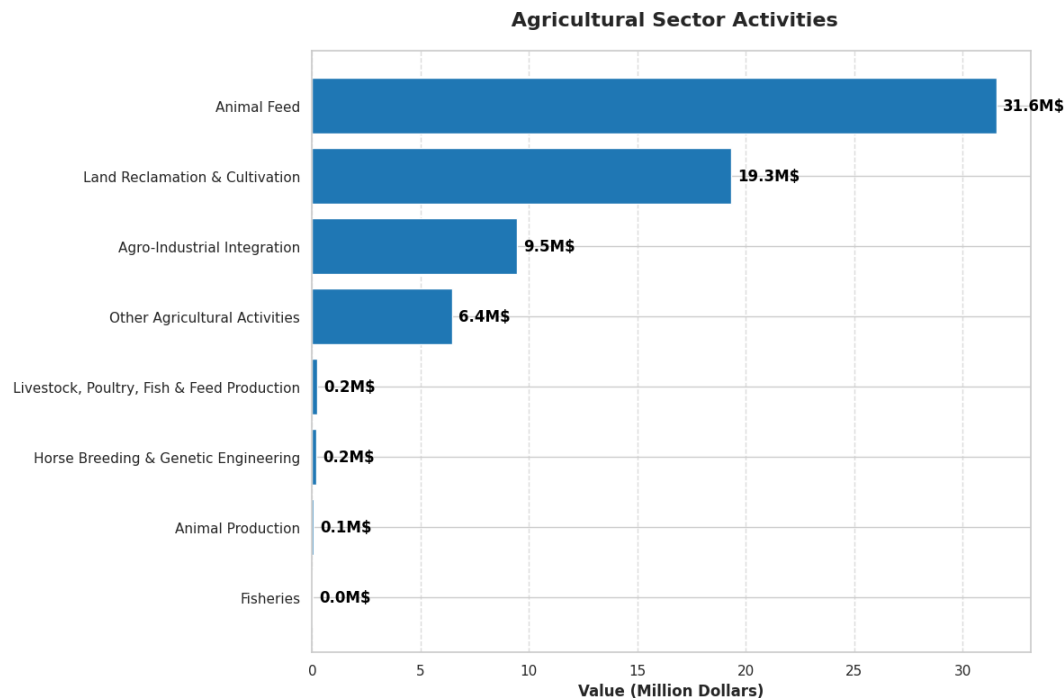
Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

The data reveals a stark hierarchy within the service sector's ability to attract capital, overwhelmingly dominated by Trade, Marketing & Supplies, which generated \$542.9 million in net inflow investments—nearly triple the amount of the second-ranked activity, Public Services (\$191.2M). The top tier is diverse, featuring significant capital contributions from logistics and hospitality, specifically Maritime Services (\$150.3M) and Hotels, Resorts & Tourist Villages (\$114.1M). Professional and financial sectors also feature prominently in the upper-middle range, evidenced by Consultancy Services (\$110.8M) and Financial Leasing (\$76.5M). In contrast, the lower end of the top 20 list plateaus significantly, with specialized tourism activities—Tourist Transport and Tourism Management—anchoring the chart with net investments of \$11.4 million each.



EU investment by Activity in the Agriculture Sector

Figure 44 Agricultural Sector Activities



Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

• *Agricultural Sector Investment Analysis*

The agricultural sector exhibits a focused investment profile, with capital heavily concentrated in primary supply chain activities. Animal Feed leads the sector, securing \$31.6 million in net inflow investments. This is followed closely by Land Reclamation & Cultivation at \$19.3 million, reflecting a prioritized interest in expanding arable land and production capacity. Significant investment also flows into Agro-Industrial Integration (\$9.5M) and Other Agricultural Activities (\$6.4M). In contrast, specialized sub-sectors such as Livestock & Poultry (\$0.2M) and Fisheries (\$0.05M) represent a much smaller fraction of the sector’s total net inflows, suggesting these areas remain niche targets for investors.

D) EU Investments by Firms

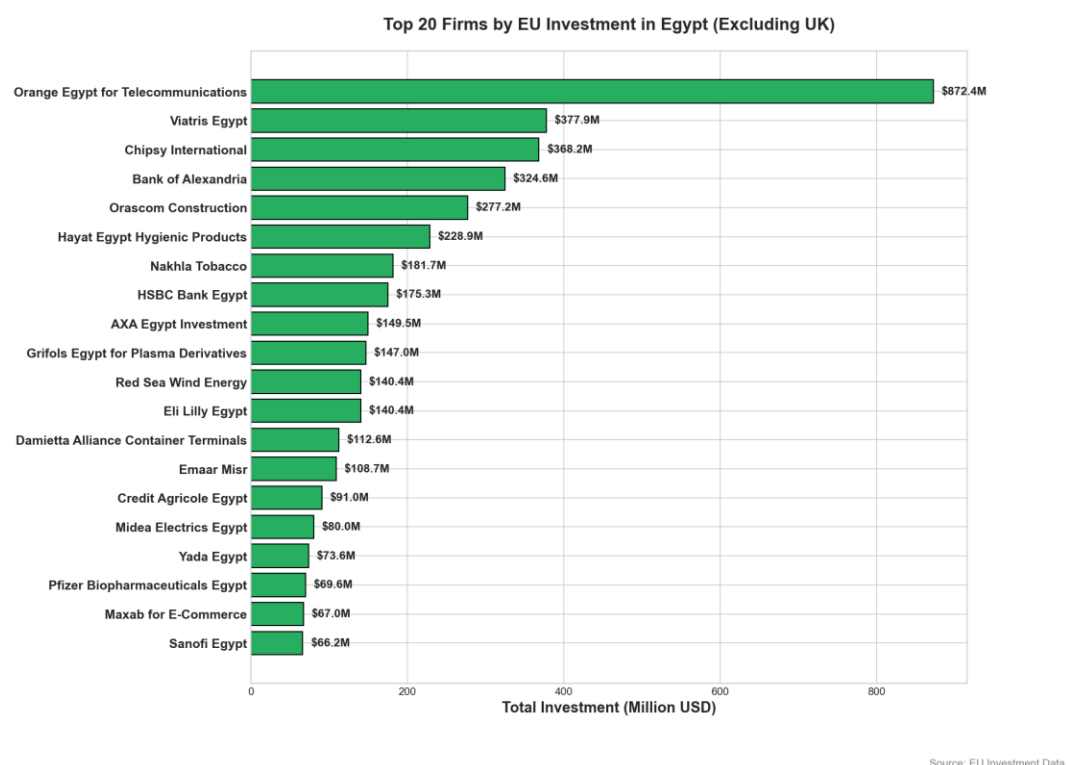
Orange Egypt stands as the overwhelming market leader with \$872.4M, driving the telecommunications sector’s dominance and dwarfing all other individual investments. The list



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also clearly illustrates the role of EU nations as financial conduits, with global non-EU giants like Chipsey (PepsiCo) and Midea (China) ranking highly by routing capital through European subsidiaries. Beyond telecom, the portfolio is heavily weighted toward stable, defensive industries, evidenced by the strong presence of major pharmaceutical firms (Viatris, Pfizer, Sanofi) and banks (Bank of Alexandria, HSBC, Credit Agricole).

Figure 45 Top 20 Investments Injected in Egyptian Firms (2015-2025)

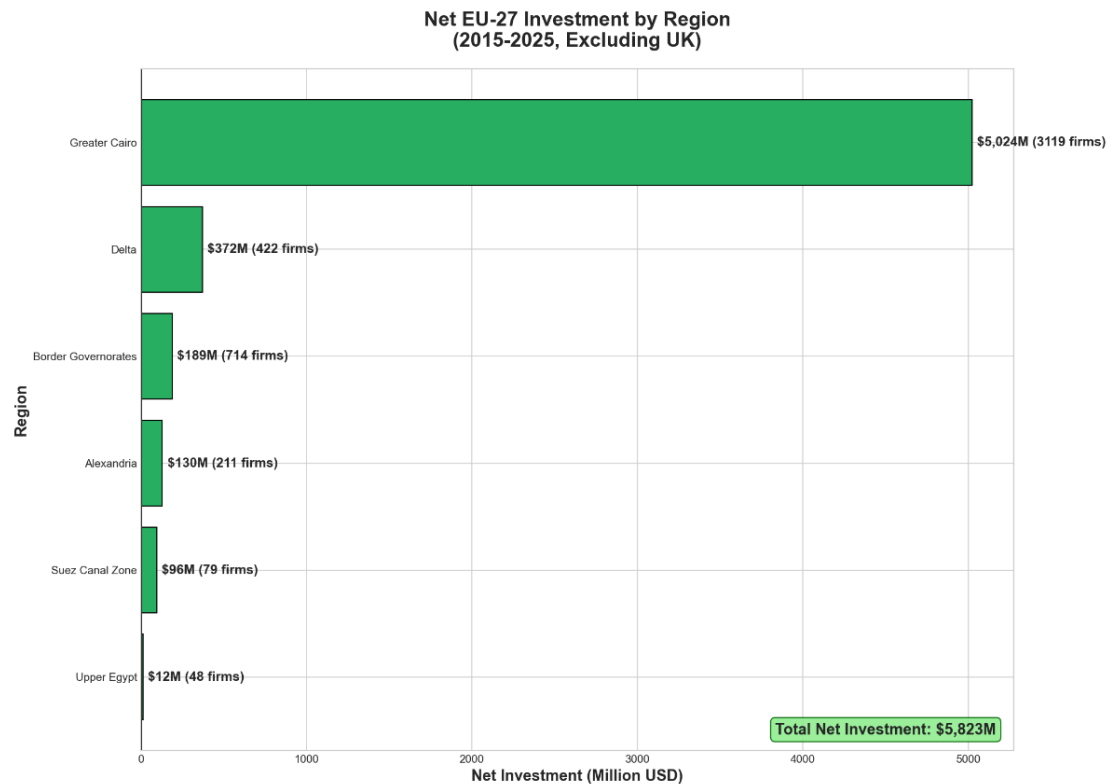


Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.



E) EU investments by Geographical Location

Figure 46 Investments by Geographical Location



Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

EU investment is massively centralized in Greater Cairo, which absorbed over 86% of the total capital (\$5,024M), reflecting a strong investor preference for the administrative and commercial heart of the country. In stark contrast, strategic logistics hubs like Alexandria and the Suez Canal Zone received surprisingly low inflows, while Upper Egypt was virtually neglected with only 0.2% of the total investment. Notably, the Border Governorates host the second-highest number of firms (714) yet attracted modest capital, suggesting a prevalence of small-scale operations rather than major industrial projects in those regions.

Who invests outside Cairo?

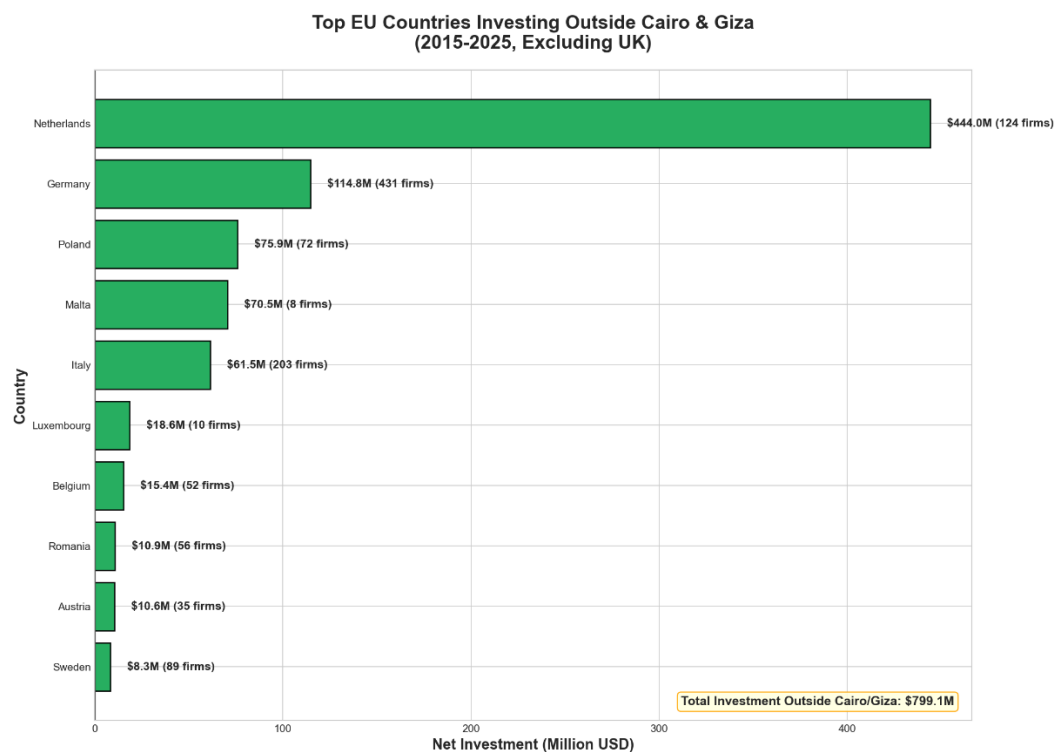
The Netherlands dominates investment outside the capital, contributing \$444 million (over 55% of the regional total), confirming its status as the primary source of large-scale capital for Egypt's provinces. In contrast, Germany maintains the largest operational footprint with 431 active firms—



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more than triple any other country—but contributes a modest \$114.8 million, suggesting a widespread network of smaller enterprises rather than mega-projects. Meanwhile, Malta appears as a unique outlier, delivering high-value capital (\$70.5 million) through just 8 firms, indicating a highly concentrated investment strategy.

Figure 47 EU Countries Investments in Egypt in Regions Outside Cairo (2015-2025)



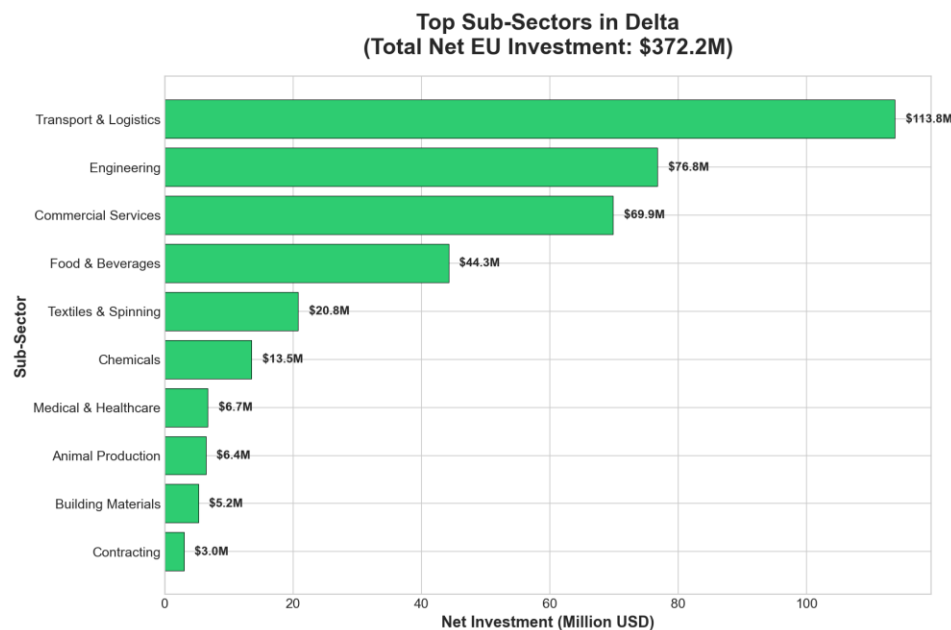
Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.



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Investments in Delta by Sector

Figure 48 Top Sub-Sectors in Delta (Total net EU Investment: \$372.2m)



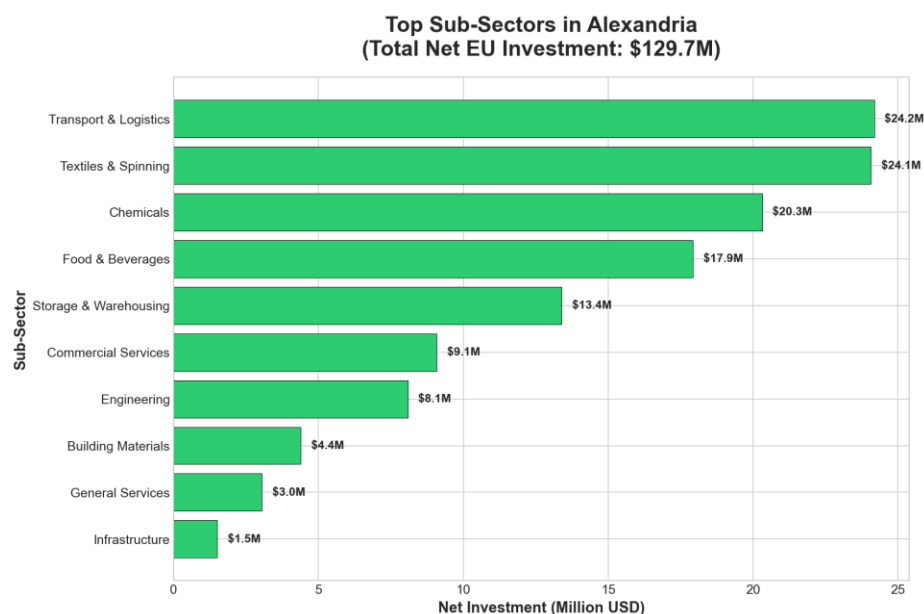
Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

The Delta region serves as a critical logistical and industrial hub, with Transport & Logistics accounting for nearly 31% (\$114M) of total EU investment. Engineering and Commercial Services follow closely, highlighting the region's role in supporting supply chains and infrastructure. While the Food & Beverages sector attracted \$44M, it also saw some divestures, suggesting a consolidation of market players. Overall, the investment profile reflects the Delta's strategic importance as a connectivity link between Cairo and the northern ports.



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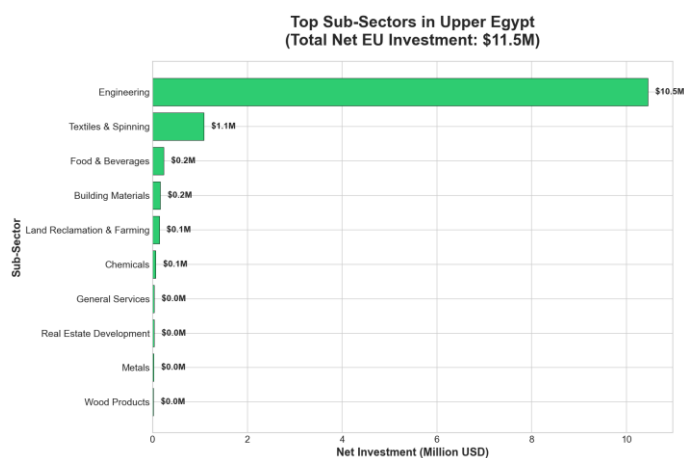
Figure 49 Top Sub-Sectors in Alexandria (Total Net EU Investment: \$129.7 m)



Source: ECES' analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

Alexandria's investment profile is incredibly balanced, reflecting its dual identity as a major industrial city and the country's primary port. Transport & Logistics and Textiles are neck-and-neck (both around \$24M), followed closely by Chemicals and Food industries. This diversity makes Alexandria one of the most resilient regions, with EU capital spread evenly across manufacturing, trade, and logistics rather than relying on a single dominant sector.

Figure 50 Top Sub-Sectors in Upper Egypt (Total Net EU Investment: \$11.5 m)



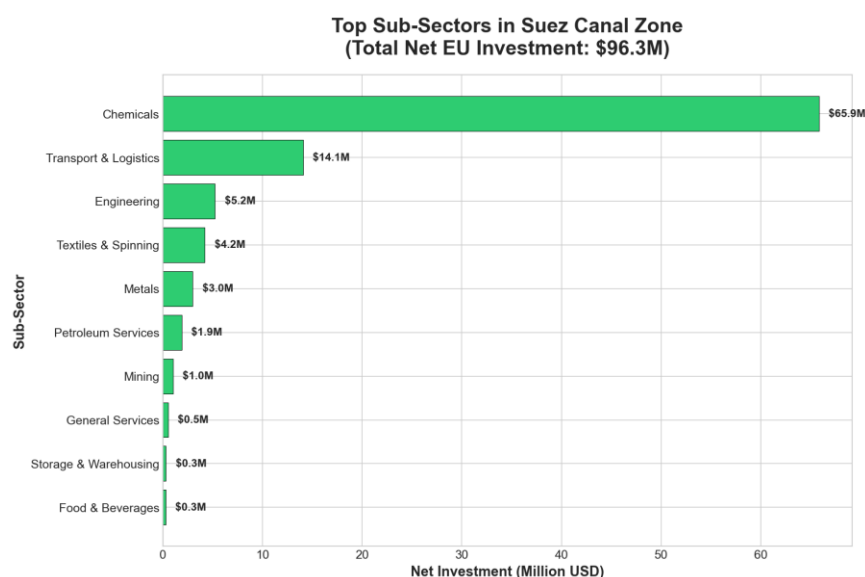
Source: ECES' analysis of Egyptian Ministry of Investment and Foreign Trade datasets.



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Upper Egypt remains the most underserved region, attracting only a fraction of the capital seen elsewhere. The investment landscape is almost entirely dependent on the Engineering sector, which commands over 90% (\$10.5M) of the region's total inflows. Traditional industries like Textiles and Agriculture received negligible amounts, and there was a small net outflow from Tourism, highlighting a critical need for diversified development incentives in the south.

Figure 51 Top Sub-Sectors in Suez Canal Zone (Total Net EU Investment: \$96.3 m)

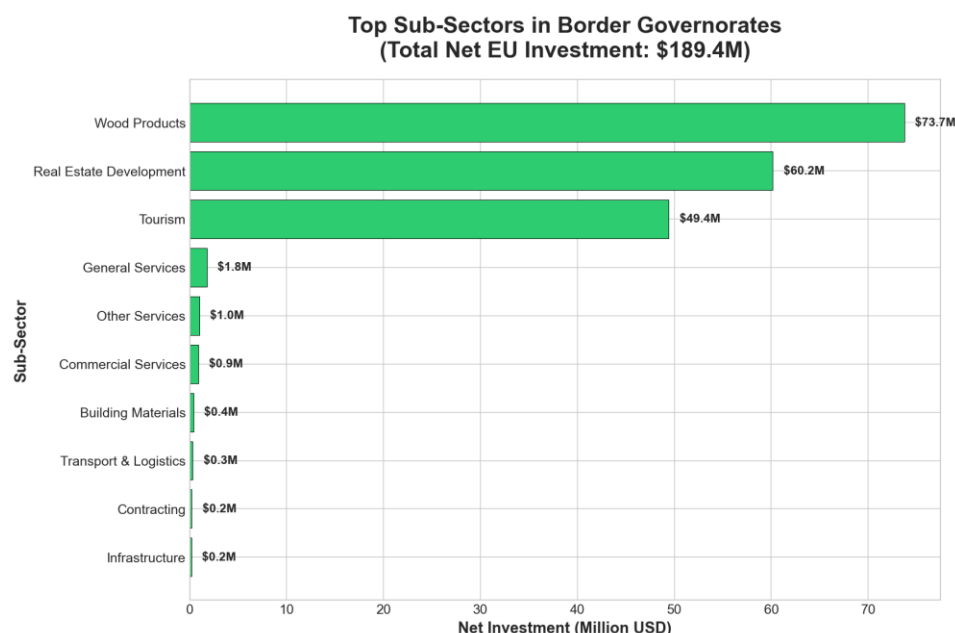


Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

The Suez Canal Zone is overwhelmingly defined by heavy industry, with the Chemicals sector alone driving nearly 68% (\$66M) of total positive investment. However, this region also experienced significant volatility, recording the largest divestments (-\$131M), primarily within that same Chemicals sector, pointing to major restructuring or exit of specific large entities. Beyond chemicals, Transport & Logistics plays a supporting role, leveraging the strategic value of the Canal corridor.



Figure 52 Top Sub-Sectors in Border Governorates (Total Net EU Investment: \$189.4 m)



Source: ECES’ analysis of Egyptian Ministry of Investment and Foreign Trade datasets.

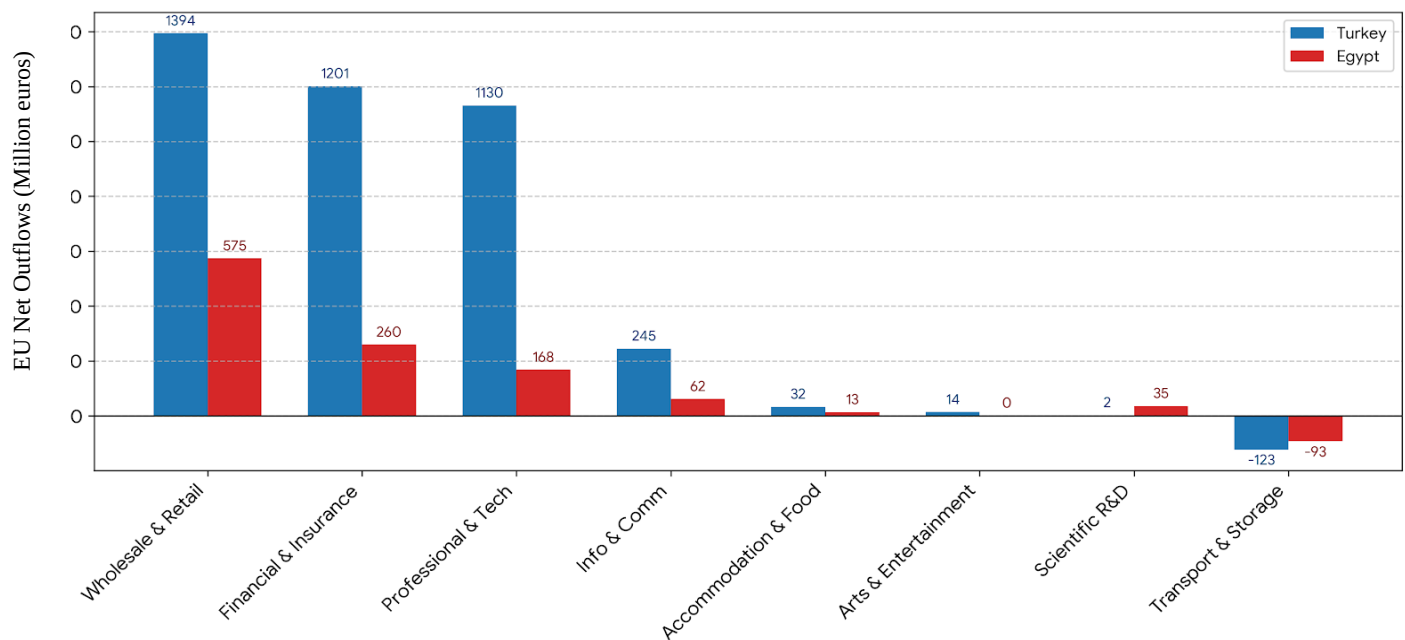
Investment in the Border Governorates (Red Sea, South Sinai, etc.) is highly specialized, dominated by Wood Products (\$74M) and Real Estate Development (\$60M). the tourism sector ranks third at \$49M, indicating a shift towards construction and resource processing. This concentrated portfolio shows a clear focus on developing ample land resources and supporting infrastructure for new urban communities.

3.3. EU FDI Outflows in Services Sector: A Comparison Between Egypt and Turkey

The following analysis examines recent European Union investment patterns across key service sectors with a particular focus on the comparative positioning of Egypt and Turkey in 2023, as shown in the figure below. Turkey is used as a comparator given its strong integration with EU markets, relatively advanced regulatory alignment, and proven capacity to attract EU investment across diversified services sectors. As such, it provides a relevant benchmark for identifying opportunities for Egypt to strengthen its competitiveness and attract a greater share of European investment flows.



Figure 53 EU FDI Net Outflows in Services by Subsector to Egypt and Turkey in 2023



Source: ECES’ analysis based on Eurostat database

The 2023 bar chart shows that European capital is currently favoring Turkey over Egypt by a massive margin across almost every major service sector:

- The most immediate takeaway is the magnitude difference:
 - In **Wholesale & Retail**, Turkey attracts ~€1.4bn vs. Egypt’s ~€575m
 - In **Financial & Insurance**, ~€1.2bn vs. ~€260m
 - In **Professional & Tech**, ~€1.13bn vs. ~€168m

This is not a marginal difference—it shows that Turkey is attracting two to five times the amount of EU investments compared to Egypt.

- Turkey attracts nearly 5x more investment in financial services. This gap signals that Turkey is perceived as a more mature and reliable financial ecosystem for European investors.
- The most striking difference on the graph is in Professional & Tech services. Turkey captured over €1.1 billion, while Egypt secured only €168 million. This clearly illustrates



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that European businesses are choosing Turkey as their preferred destination for high-skill, knowledge-based hubs.

- Scientific R&D is the only sector where Egypt outperforms Turkey.

Looking at the 2023 data, the most important takeaway isn't just the comparison between the two countries—it's the clear proof that European investors have a strong, active appetite for the services sector in the region.

This presents a distinct opportunity. The capital is there, and the European intent to invest in these specific sectors is proven. The EU is already actively spending in these categories.

The disparity is most pronounced in high-value, knowledge-intensive sectors, suggesting that the core challenge for Egypt is not attracting investment per se, but enhancing its competitiveness in sectors that drive productivity, innovation, and long-term economic transformation.

This subsection concludes that there is not a demand problem, but it is a competitiveness and positioning problem. The EU is clearly willing to invest heavily in the region and Turkey is already capturing that demand.

Egypt's opportunity lies in redirecting existing European investment appetite, not creating new demand.

Key Findings

The empirical evidence presented in this part of the report confirms that **European Union investments in Egypt has remained stable in stock but weak in momentum**, reflecting consolidation rather than renewed expansion. Total EU FDI stock increased from €32.0 billion in 2016 to €36.6 billion in 2024, equivalent to a compound annual growth rate of approximately 1.7 percent, a pace that falls well below Egypt's investment needs and lags behind EU capital expansion in peer emerging markets. **This modest growth trajectory suggests that while European investors continue to maintain existing assets, they have largely refrained from launching new large-scale investment cycles.**

The structure of EU investment further reinforces this conclusion. Equity has consistently accounted for over 90 percent of EU investment capital throughout the period 2016–



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2024, declining only marginally to 89 percent in 2024, while debt instruments and intra-company lending remain limited. **This capital composition indicates a preference for long-term ownership and balance-sheet resilience but also signals investor caution** and limited willingness to leverage or scale operations under prevailing macroeconomic uncertainty.

Analysis of EU market activity in Egypt reveals a strong correlation between capital allocation and economic performance, particularly within the manufacturing sector. The data suggests that investment strategies are well-aligned with output: the manufacturing sector, which has secured approximately €3 billion in real foreign direct investment from 2016 to 2023, successfully generated the highest net turnover in 2023, reaching €5.4 billion. In comparison, the services sector received a narrower share of investment at €1.6 billion throughout the same period in net real inflows, yet still posted substantial revenues of €4.7 billion. This underscores the manufacturing sector's dominant role in driving tangible economic value from EU capital.

The data also confirm that EU investment in Egypt is predominantly operational rather than financial. Special Purpose Entities represented only 5.4 percent of EU investment in 2016, rising gradually to 12.9 percent by 2024, a level far below that observed in international financial hubs. This indicates that most EU capital is embedded in physical assets, production facilities, and service operations within Egypt. While this enhances developmental impact, it also increases investor exposure to domestic constraints, particularly those related to foreign exchange availability and import regulation.

Macroeconomic shocks are shown to be the primary driver of volatility in EU investment flows. Periods of exchange-rate adjustment and foreign currency scarcity correspond closely with sharp sectoral inflow reversals. The most striking example is manufacturing, which recorded a net EU investment outflow of –€822 million in 2023, despite strong turnover performance and existing production capacity. This contraction coincided with severe foreign exchange shortages that disrupted firms’ ability to import raw materials and intermediate inputs, confirming that operational constraints—rather than declining competitiveness or demand—were the dominant factors behind divestment.

Employment data reinforce this diagnosis. EU manufacturing firms employed 34,328 workers, making manufacturing the single largest employer among EU-invested sectors. However,



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employment in EU manufacturing declined by 16 percent between 2021 and 2023, equivalent to a loss of approximately 6,700 jobs. This decline occurred despite rising revenues, indicating capacity underutilization and investment retrenchment rather than structural weakness. **The trend signals mounting deindustrialization risks if operational barriers persist.**

In contrast, **mining and quarrying illustrate the limitations of capital-intensive investment models.** This sector absorbed 57 percent of total EU capital expenditure, amounting to €920 million, and recorded the highest average remuneration at €87,873 per employee, yet employed only 2.3 percent of the EU-firm workforce. **While strategically important for energy and resource security, the sector’s low labor absorption constrains its contribution to inclusive growth and limits its spillover effects across the broader economy.**

Spatial distribution data reveal a pronounced geographic imbalance. More than 86 percent of EU investment capital in the past 10 years, equivalent to approximately €5.0 billion, is concentrated in Greater Cairo, while Upper Egypt receives only 0.2 percent. Other strategically significant regions, including Alexandria and the Suez Canal Economic Zone, attract disproportionately low levels of EU investment relative to their logistical and export potential. This concentration reinforces regional disparities and limits the role of EU investment in supporting balanced territorial development.

At the country level, it is shown that that EU investment statistics are heavily skewed by financial routing. The Netherlands alone accounts for over 50 percent of reported EU inflows, largely reflecting its role as an investment conduit rather than the scale of Dutch operational activity in Egypt. When real economic presence is considered, a smaller group of EU economies—primarily France, Germany, and Italy—accounts for most productive investment. These countries exhibit distinct profiles: France demonstrates the greatest sectoral diversification, Germany delivers the highest productivity and revenue growth in manufacturing, while Italy remains heavily concentrated in energy, alongside a 60 percent contraction in employment over the review period.

In comparative terms, Egypt’s position within the EU’s global investment portfolio has weakened. Real EU FDI in Egypt amounted to €488 million, compared with levels 10 to 13 times higher in regional peers such as Saudi Arabia and Turkey, and far below allocations to major emerging markets like India and Brazil. This divergence indicates that Egypt is increasingly



sidelined in EU capital allocation decisions, not due to market size constraints but because of perceived operational and macroeconomic risks.

As a result, **EU investment in Egypt has taken on an increasingly defensive character.** Capital is concentrated in sectors such as telecommunications, banking, pharmaceuticals, food, and energy, which offer relatively protected market positions and stable returns, while technology-intensive and export-oriented manufacturing sectors—including electronics and automotive components—remain marginal. This pattern limits the impact of EU investment and constrains Egypt’s integration into higher-value segments of global value chains.

The comparison of EU investment patterns in key service sectors between Egypt and Turkey indicates that the issue is not demand-driven. European investors are already allocating significant capital to the region, as evidenced by Turkey's strong performance in attracting EU investment. **The central challenge for Egypt therefore lies in improving its competitive position and value proposition,** enabling it to attract a greater share of an already existing pool of European investment.

Taken together, the evidence demonstrates that **the central challenge is not the withdrawal of EU investors, but the persistence of constraints that prevent investment deepening.** Without improvements in foreign exchange liquidity, import facilitation for industrial inputs, regulatory predictability, and regional investment dispersion, EU capital will remain locked in a low-growth equilibrium characterized by asset maintenance rather than expansion.

In conclusion, revitalizing EU investment in Egypt requires shifting from stabilization to structural upgrading. Manufacturing stands out as the sector with the highest potential to deliver employment, productivity gains, and export integration, yet it is also the most constrained by current macro-financial conditions. Addressing these constraints is essential if EU investment is to move beyond resilience and toward transformation, enabling it to play a more decisive role in Egypt’s long-term economic development.



4. QUESTIONNAIRE’S RESULTS: ANALYTICAL SYNTHESIS OF EU MEMBER STATES INVESTMENTS IN EGYPT

This part presents a mapping of selected EU Member States’ investment in Egypt, building on primary data collected through a questionnaire (Annex 1) distributed to EU Member States’ embassies in Egypt and consolidated inputs covering investment scale, sectoral distribution, firm characteristics, operational challenges, and forward-looking opportunities. The analysis captures both quantitative indicators (number of companies, estimated investment value, investment trends) and qualitative assessments (regulatory constraints, institutional bottlenecks, and reform priorities).

By examining investment patterns across eleven EU member states that had responded to the questionnaire during the reporting period; France, Czech Republic, Denmark, Malta, Netherlands, Poland, Sweden, Ireland, Austria, Germany and Spain, the mapping provides a comparative perspective that highlights common cross-sectoral constraints as well as country-specific dynamics. It also identifies sectors with the highest growth potential and synthesizes investor recommendations for improving the business environment.

The findings below therefore serve as an evidence-based foundation for understanding the current structure of EU investments in Egypt and for informing targeted policy and institutional reform measures aimed at strengthening bilateral economic cooperation and attracting further high-quality European investment. The key results are presented below, with the full compilation of the questionnaire responses included in Annex 2.

Key Findings

4.1. Overview of EU investments in Egypt

A) Scale and investment value

- Largest investors by value:
 - France, Denmark and Germany: Each exceeding EUR 1 billion in current investments.
 - Spain and Netherlands: Between EUR 500 million – 1 billion.
- Mid-level:



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- Sweden: EUR 100–500 million.
- Smaller-scale investors:
 - Czech Republic, Malta, Poland and Austria: each below EUR 100 million.

B) Number of companies operating

EU investment presence in Egypt is highly concentrated among a few Member States (France and Germany (more than 100), Spain (70), Denmark (36), Netherlands (51-100), Sweden (23-25)), with strong dominance of large enterprises.

4.2. Sectoral Distribution of EU Investment

Dominant sectors across member states

- *Manufacturing (Most Common Sector)*

Present in France, Germany, Czech Republic, Spain, Malta, Poland, Sweden and Austria, Includes:

- Chemicals and pharmaceuticals (Germany)
- Electric equipment, rail, pharmaceuticals (France)
- Textiles, ceramics and chemicals (Spain)
- Nonwoven fabric and chemicals (Czech Republic)
- Electronics (Malta)
- Furniture (Poland)
- Packaging, industrial equipment, home appliances (Sweden)

Manufacturing remains the core entry point for EU FDI, particularly for large industrial players.

- *Energy (Traditional & Renewable)*

Present in France, Germany, Czech Republic, Netherlands, Sweden, Malta and Spain:

- Oil & gas (France, Czech Republic)
- Renewables (France, Netherlands – W2E, Sweden – grid solutions, Spain)
- Power transmission & energy efficiency (Sweden)

Renewable energy emerges as a cross-cutting growth sector, particularly in Sweden, France and Germany.



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- *Agriculture & Agri-Business*

Present in France, Denmark, Netherlands and Spain

- Dairy and food processing (France)
- Aquaculture feedstock (Denmark)
- Horticulture, greenhouse farming, animal feed (Netherlands)
- Fertilizers and seeds (Spain)

Agriculture is both a traditional and high-potential expansion area.

- *ICT & Digital Services*

Present in Germany, France, Denmark, Malta, Sweden, Spain and Austria

- Telecom operations (France)
- Outsourcing (Denmark)
- Cybersecurity (Malta)
- AI, telecom infrastructure, innovation hubs (Sweden)
- Data centers (Spain)

Digitalization is a growing sector.

- *Logistics & Transport*

Present in Germany, France, Denmark, Sweden, Spain

- Port and shipping operations (France)
- Suez Canal Container Terminal (Denmark)
- Commercial vehicles & transport solutions (Sweden)
- Trains (Spain)

Egypt’s geographic advantage continues to attract EU logistics investments.

4.2. Investment Characteristics

A) Firm size

- Predominantly large enterprises (250+ employees).



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- Spain, Czech Republic and Ireland are the only Member State primarily represented by medium-sized firms.

Egypt currently attracts mostly established multinational firms rather than SMEs.

B) Modes of investment

Common across most Member States, three modes of investments:

- Greenfield investments
- Joint ventures
- Expansion of existing operations

Denmark shows more joint investment structures, often with Egyptian or third-country partners.

Most investments are predominantly independent, except Denmark where joint structures are common.

Unlike several other EU Member States, German investment in Egypt is not primarily driven by greenfield projects, but rather by the expansion of existing operations and joint ventures, while, Acquisitions appeared only with France, Spain and Ireland.

C) Investment trends

- Increasing: Germany, France, Czech Republic, Denmark, Malta, Netherlands, Poland, Spain and Ireland.
- Stable: Sweden and Austria.

Despite macroeconomic challenges in 2023–2024, EU investment trends are generally resilient and upward.

4.3. Cross-Sectoral Constraints Identified

• Regulatory Complexity (Universal Concern)

Mentioned by all the eleven respondents. Includes:

- Ambiguity in legislation and the lack of consistent enforcement of the law
- Overlapping authorities.
- Lengthy procedures.



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- ***Customs and Trade Procedures***

Mentioned by Germany, France, Spain, Malta, Netherlands, Sweden and Austria. Issues:

- Lengthy clearance processes.
- Documentation burden.
- Delays affecting supply chains.
- Variations in the interpretation and implementation of customs regulations across customs officers.
- Frequent regulatory changes

- ***Foreign Exchange & Profit Repatriation***

- Profit repatriation remains a central investor concern.
- Austria notes that the problem of foreign exchange existed especially during the years 2022-2023, outstanding amounts of Austrian investors reached EUR 150+ million.
- Sweden notes improvement after March 2024 EGP float.

- ***Licensing & Permits***

Mentioned by most Member States. Issues include:

- Delays
- Lack of transparency
- Land allocation bottlenecks

- ***Legal Dispute Resolution***

Concerns about:

- Lengthy processes
- Legal uncertainty
- Risk exposure

4.4. Investment disruptions

Countries reporting delays/downsizing:

- Denmark
- Malta



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- Poland
- Sweden

However, Sweden notes that challenges were primarily pre-March 2024 and have been improving.

4.5. Sectors of Highest Future Potential:

- **Agriculture & Agri-Business** (France, Denmark, Netherlands and Spain)
- **Renewable Energy** (Sweden, France, Netherlands and Spain), **Energy in general** (Germany)
- **ICT & Digitalization** (Germany, France, Denmark, Sweden and Spain)
- **Healthcare** (France, Sweden, Czech Republic)
- **Logistics & Transport** (Denmark, Sweden and Austria)
- **FinTech** (Netherlands)
- **Automotive** (Germany)
- **Pharmaceuticals** (Germany)
- **Tourism** (Spain)

According to the received responses, **future growth potential** is strongly aligned with:

- Green transition
- Digital transformation
- Agri-value chains
- Healthcare
- Transport & logistics

CHOICE OF SECTORS

The following Sections 5 to 7 provide the analytical basis for identifying high-potential sectors for future EU investment in Egypt. This is achieved through an examination of industrial migration trends from the EU, an assessment of Egypt’s national investment priorities, and the application of ECES’ quantitative tools, including the Normalized Weighted Composite Index and the Export and Investment Model. Together, these analyses form the foundation for the selection and prioritization of investment opportunities presented in the subsequent sections.



5. INDUSTRIES MIGRATING FROM THE EU TO OTHER COUNTRIES AND REGIONS: INSIGHTS FROM LITERATURE

In an attempt to better capture the EU’s investment appetite, this section examines trends in migrating and relocating industries from the European Union. It also explores the drivers influencing industrial relocation decisions, including cost dynamics, regulatory environments, market access considerations, and resilience strategies.

The data presented in the table in **Annex 3** reveal a structural and multi-sectoral reallocation of industrial capital away from Europe. **The phenomenon is most pronounced in chemicals, automotive, pharmaceuticals, and energy-intensive industries**, where competitiveness pressures have become systemic rather than cyclical.

Several key conclusions emerge:

- ***Structural Energy Cost Disadvantage***

High and volatile energy prices—particularly in Germany—have significantly eroded the competitiveness of European energy-intensive industries. This has resulted in plant closures, declining capacity utilization, and relocation to jurisdictions with cheaper and more stable energy supply, notably the United States and China.

- ***Industrial Policy Asymmetry***

The U.S. Inflation Reduction Act (IRA) and CHIPS (Creating Helpful Incentives to Produce Semiconductors) Act have created powerful investment incentives that European policy frameworks have struggled to match. European firms are reallocating capital expenditure to benefit from tax credits, subsidies, and predictable regulatory frameworks.

- ***Erosion of Strategic Manufacturing Capabilities***

Europe’s share of global Active Pharmaceutical Ingredients (API) production has fallen dramatically (from 42% in 2000 to 10% in 2023), while the automotive sector has shifted from trade surplus to deficit in key components such as batteries.

- ***Employment and Social Impact***

The cumulative job losses—over 76,000 in automotive alone (2024–H1 2025), more than



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500,000 manufacturing jobs since 2019, and substantial layoffs in chemicals—point to a structural contraction in industrial employment across major EU economies, particularly Germany, France, and Italy.

- ***Geographic Reorientation of Capital***

Investment flows are consolidating around:

- The United States (energy, automotive, pharmaceuticals)
- China (chemicals, Electric Vehicle manufacturing)
- Mexico (nearshoring for North American markets)
- Southeast Asia (labor-intensive manufacturing)

Overall, the findings indicate that Europe is undergoing a gradual industrial reconfiguration driven by competitiveness gaps, policy incentives abroad, and global supply chain restructuring. The migration is selective but concentrated in high-value and strategically important sectors.

Lessons for Egypt from EU Industrial Migration Trends

The relocation of industries from Europe carries both opportunities and risks for Egypt. The net impact will depend on Egypt’s ability to strategically position itself within shifting global value chains.

1) Potential Opportunities for Egypt

A. Nearshoring Alternative for European Firms

As European firms diversify away from China and seek cost-efficient production bases closer to Europe, Egypt could position itself as:

- A manufacturing extension for the EU market.
- A competitive platform under existing trade agreements (EU–Egypt Association Agreement).
- A logistics hub linking Europe, Africa, and the Middle East.



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Sectors with potential spillover:

- Automotive components
- Chemicals (particularly downstream processing)
- Pharmaceuticals (formulation and packaging)
- Textiles and light manufacturing

B. Green Transition Alignment

Europe’s green industrial shift and decarbonization agenda may generate:

- Investment in renewable energy production in Egypt.
- Hydrogen and green ammonia partnerships.
- Export-oriented green industrial projects targeting the EU market under CBAM frameworks.

C. Supply Chain Diversification Strategy

European firms seeking to reduce overexposure to China may consider Egypt as part of a “China+1”.

2) Competitive Positioning Relative to Other Destinations

Compared to:

- USA: Egypt cannot compete on subsidies but can compete on cost.
- Southeast Asia: Although EU has or in the process of having FTAs with SE Asian countries, but Egypt still offers geographic proximity to Europe and shorter shipping times and can widely improve its position if Egypt works on modernizing and upgrading its association agreement with the EU to include other areas such as services sector. In addition, EU and Egypt are currently engaged in technical discussions with a view to launching negotiations on a Sustainable Investment Facilitation Agreement (SIFA) which will greatly enhance Egypt’s transparency and good governance standing.



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- China: Egypt offers political alignment with Europe and lower geopolitical risk.

Egypt’s strategic advantage lies in geographic location, trade integration with Europe, and potential energy partnerships.

In a nutshell, the migration of industries from the EU is not a short-term reaction but part of a broader restructuring of global industrial geography. While the United States and China currently capture the largest share of reallocated capital, emerging markets with strategic positioning and reform momentum may absorb segments of this shift.

For Egypt, the phenomenon represents a strategic window of opportunity. However, converting this opportunity into measurable investment inflows requires targeted institutional reform, sector prioritization, and alignment with European supply chain transformation dynamics.

6. ANALYTICAL ASSESSMENT OF NATIONAL INVESTMENT PRIORITIES

Following the diagnostic mapping of existing EU investments presented in the two previous parts of the report, this part examines the national investment priorities (list of 152 products). It first reviews these priorities based on 2022 imports’ data as adopted by the Government. It then presents a more advanced analytical reassessment conducted by ECES, which applies multiple quantitative techniques based on: national priorities (2022), current import values (2024), and the Normalized Weighted Composite Index to refine and rank investment priorities in a more robust, reliable and forward-looking manner.

The analysis applies both quantitative and qualitative methods to assess sectoral performance, structural gaps, and emerging areas of economic potential across sectors and subsectors. It aims to develop a data-driven ranking of national investment priorities using quantitative indicators and a composite index reflecting import size, economic importance, and evolving demand patterns. This approach moves beyond reliance on single-year import data, ensuring a more comprehensive and forward-looking assessment than methodologies based solely on recent import patterns.



6.1. Comparison Between the Status of the 152 National Investment Priorities for 2022 (as announced by the Egyptian Government) versus 2024 (Latest data)

Table 3 Rankings of the 152 National Priorities in 2022 and 2024

Legend

Top 8 Groups

Examples of priorities that have become significantly more prominent compared to 2022

Examples of priorities that have declined significantly in importance compared to 2022

Name of national investment priority	Ranking according to 2022 imports (as announced by the Government)	Ranking according to 2024 imports (based on ECES analysis)
Manufacturing medicines for human medicine	1	1
Manufacturing passenger cars with engine capacities exceeding 1500cc ^r	2	2
Manufacturing polyethylene with a specific gravity less than 0.94 - LDPE	3	7
Manufacturing non-alloy iron or steel sheets that are hot-rolled	4	3
Manufacturing yarn from polyesters	5	5
Manufacturing polypropylene polymers - PP	6	6
Manufacturing passenger cars with an engine capacity not exceeding 1500cc ³	7	4
Manufacturing pharmaceutical raw materials	8	8
Manufacturing of electronic glass panels (Open Cell)	9	66
Manufacturing polyvinyl chloride in its primary forms	10	26
Manufacturing polyethylene with a specific gravity greater than 0.94 – HDPE	11	16



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Dairy and cream manufacturing project for dairy product factories	12	10
Manufacturing woven fabrics from synthetic yarns	13	13
Manufacturing non-alloy iron or steel sheets that are rolled, coated, painted, or covered	14	20
Manufacturing food preparations and emulsifiers	15	15
Mobile phone manufacturing and assembly	16	91
Wood pulp (paper pulp) manufacturing	17	23
Manufacturing writing and printing paper	18	14
Manufacturing woven fabrics from synthetic fibers	19	47
Manufacturing knitted or crocheted fabrics	20	12
Manufacturing metal construction parts from cast iron, iron, or steel	21	9
Manufacturing of industrial valves	22	18
Ethylene propylene copolymer (EPDM) manufacturing	23	35
Plywood	24	37
Manufacturing rubber tires for buses and trucks	25	17
Manufacturing of engineered wood panels - Fiberboard	26	39
Manufacturing electrical control or distribution panels	27	19
Manufacturing of human vaccines and serums	28	139
Manufacturing electrical transformers for charging batteries, UPS systems, and their components.	29	22
Manufacturing acrylic polymers in their primary forms	30	32
Manufacturing cotton yarn	31	21
Manufacturing electrical medical instruments and devices	32	29
Manufacturing seamless pipes and tubes	33	30



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Manufacturing and assembling laptops and tablets	34	52
Project for the production of butter and milk-derived fats for dairy product factories	35	50
Manufacturing of stainless steel sheets [rolled]	36	38
Centrifugal pump manufacturing	37	33
Manufacturing of home air conditioning units	38	40
Manufacturing self-propelled circuit breakers and electrical panel components	39	25
Soda ash (sodium carbonate) manufacturing	40	55
Manufacturing refrigerators and freezers for home use and for retail stores	41	34
Manufacturing cold-rolled non-alloy iron or steel sheets	42	48
Manufacturing fertilizers containing phosphate or phosphorus	43	126
Manufacturing of goods transport vehicles - light transport	44	46
Manufacturing angles and sections from iron or steel	45	51
Manufacturing household washing machines	46	43
Railway carriage manufacturing	47	44
Manufacturing denim (jeans) fabrics	48	27
Polystyrene (PS) manufacturing	49	62
Manufacturing rubber tires for passenger cars	50	24
Manufacturing unpainted and unprinted electrical tinplate for food packaging containers	51	59
Manufacturing speedometers for vehicles.	52	49
Manufacturing dyes and colors for the textile industry	53	58
Manufacturing of packaging machinery and equipment	54	36



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Manufacturing electric motors - Industries supplying household appliances	55	53
Manufacturing lubricant additives containing petroleum or mineral oils	56	45
Manufacturing compressors for home refrigeration and air conditioning equipment	57	42
Manufacturing sheets and films from polypropylene polymers	58	56
Manufacturing LED (Light Emitting Diode) electrical lighting units and their components	59	104
Methylene diamine (MDI) manufacturing	60	69
Cheese manufacturing project	61	75
Manufacturing reagents prepared for diagnostic or laboratory use	62	57
Manufacturing artificial parts, joints, and prosthetic body organs	63	60
Manufacturing piston pumps (compressors) for air or gases and vacuum pumps for various applications.	64	76
Manufacturing non-woven fabrics	65	72
Manufacturing electrical equipment (switches, lighting bases, sockets, transformers, fuses, switches, plugs, outlets)	66	73
Polyether manufacturing	67	54
Manufacturing cleaning and washing preparations for the detergent industry	68	109
Manufacturing electric motors	69	77
Coaxial cable manufacturing	70	68
Manufacturing of electrical transformers, both oil-filled and dry-type.	71	28
Manufacturing lead-acid electric batteries	72	65
Manufacturing door fittings, accessories, and locking systems	73	74



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Chillers Manufacturing for Central Air Conditioning	74	63
Valve manufacturing - Gas stove component industries	75	70
Mold and die manufacturing - Plastic and rubber	76	82
Manufacturing gaskets for vehicles and other technical applications	77	78
Production of cast fittings for pipes and tubes	78	83
Printing ink manufacturing	79	84
Manufacturing condensers or evaporators for the refrigeration and air conditioning industries	80	67
Manufacturing road tractors for semi-trailers	81	11
Manufacturing solar cells and light-sensitive semiconductors	82	31
Electric metro train assembly	83	111
Manufacturing machines and equipment for water filtration and purification	84	71
Manufacturing screws, bolts, rings, and nuts	85	81
Manufacturing ready-made women's clothing - suits, ensembles, jackets, blazers, dresses, skirts	86	93
Manufacturing air filters, fuel and oils for cars	87	80
Manufacturing paints and varnishes dissolved in a non-aqueous medium	88	79
Ready-made clothing manufacturing - pullovers and sweaters	89	86
Dried fruit production	90	110
Manufacturing tanks, silos and vessels for compressed or liquefied gas, from cast iron or steel	91	85
Manufacturing stretchable yarns - elastomer	92	97
Lithium battery manufacturing	93	64
Polyethylene terephthalate (PET) manufacturing	94	114



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Chinese clay [kaolin]	95	87
Valve manufacturing - Feeder industries for household appliances	96	90
Cosmetics manufacturing	97	92
Manufacturing tubular filters for dialysis filters	98	61
Manufacturing ready-made men's clothing – shirts	99	119
Manufacturing of veterinary vaccines and serums	100	41
Manufacturing X-ray imaging equipment	101	94
Manufacturing resinous raw materials used in chemical industries such as insulation and adhesives	102	96
Manufacturing and assembling small household appliances	103	88
Manufacturing aluminum cookware, tableware and kitchen utensils (household appliances)	104	107
Manufacturing cooking pots, tableware and kitchen utensils (household utensils) from stainless steel	105	108
Manufacturing industrial thermostats	106	89
Children's toy manufacturing	107	113
Manufacturing ready-made women's clothing - blouses and shirts	108	143
Manufacturing fiber optic cables	109	95
Manufacturing glass household tableware	110	103
Manufacturing MRI machines	111	136
Manufacturing silicones in their primary forms	112	105
Manufacturing bogies and axles for railway locomotives and carriages	113	147
Manufacturing copper wire for winding coils	114	117
Whey production project for dairy product factories	115	116



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Manufacturing agricultural tractors	116	99
Manufacturing furniture supplies and accessories	117	101
Manufacturing devices for connecting, disconnecting, or protecting electrical circuits - Junction Box	118	98
Manufacturing metal hinges	119	115
Manufacturing rubber pipes and hoses	120	122
Manufacturing rubber transmission belts	121	106
Manufacturing compound rubber in its primary forms	122	128
Manufacturing plug-in hybrid cars	123	121
Manufacturing polyamide in its primary forms	124	124
Manufacturing ultrasonic scanning devices	125	127
Printed circuit boards (PCBs)	126	129
Manufacturing thermostats for household appliances	127	123
Manufacturing ozone and oxygen therapy devices	128	120
Manufacturing medical supplies - intravenous cannulas and medical catheters	129	102
Hearing aid manufacturing	130	131
Manufacturing perfumes and beauty waters	131	125
Spices and Seasonings Manufacturing and Packaging Project	132	112
A project for manufacturing oils and pastes from plants for the food, medical and aromatic industries.	133	132
Flute glass manufacturing	134	100
Manufacturing metal prosthetics used in dental treatment	135	130
Manufacturing pacemakers	136	140
Boiler and boiler manufacturing	137	133
Manufacturing medical syringes	138	142



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Manufacturing rubber tires for bicycles	139	118
Manufacturing medical syringe needles	140	134
Manufacturing yarns from nylon polyamides	141	138
Manufacturing molds and dies - for glass	142	137
Manufacturing ready-made men's clothing - suits, jackets, blazers, trousers	143	148
Manufacturing tableware and kitchen utensils (household utensils), from cast iron or steel	144	144
Manufacturing an electronic ballast current choke	145	152
Mold and die manufacturing - Sheet metal work	146	141
Manufacturing gamma scan equipment	147	151
Manufacturing electric generators	148	135
Mold and die manufacturing - for metals	149	146
LED bulb manufacturing	150	145
Nickel-cadmium battery manufacturing	151	150
Manufacturing elbows and joints from stainless steel	152	149

Source: ECES' analysis of International Trade Center (ITC) datasets.

Given the evolution of Egypt's import structure **during 2024 and compared to 2022**, it is clear that **eight commodity groups topped the list of imports**, representing about 10% of Egypt's total imports in 2024, and accounting for about 39.6% of total investment opportunity imports during the same year. The eight commodity groups are:

- Manufacturing medicines for human medicine
- Manufacturing passenger cars with engine capacities exceeding 1500cc3
- Manufacturing polyethylene with a specific gravity less than 0.94 - LDPE
- Manufacturing non-alloy iron or steel sheets that are hot-rolled
- Manufacturing yarn from polyesters
- Manufacturing polypropylene polymers - PP



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- Manufacturing passenger cars with an engine capacity not exceeding 1500cc³
- Manufacturing pharmaceutical raw materials

It is remarkable that some commodity groups from the 2022 investment opportunities list advanced their ranking in 2024, as a result of the relative increase in the volume of their imports, such as:

- Manufacturing metal construction parts from cast iron, iron, or steel
- Manufacturing of electrical transformers, both oil-filled and dry-type.
- Manufacturing road tractors for semi-trailers
- Manufacturing solar cells and light-sensitive semiconductors
- Manufacturing of veterinary vaccines and serums

In contrast, seven commodity groups have declined in the rankings of the investment priorities list, driven by a decrease in the volume of its imports during 2024.

These results indicate that prioritizing national investment priorities remains highly sensitive to annual changes in import values, which underscores the risks of relying on data from only one year in setting investment priorities, without taking into account long-term time trends.

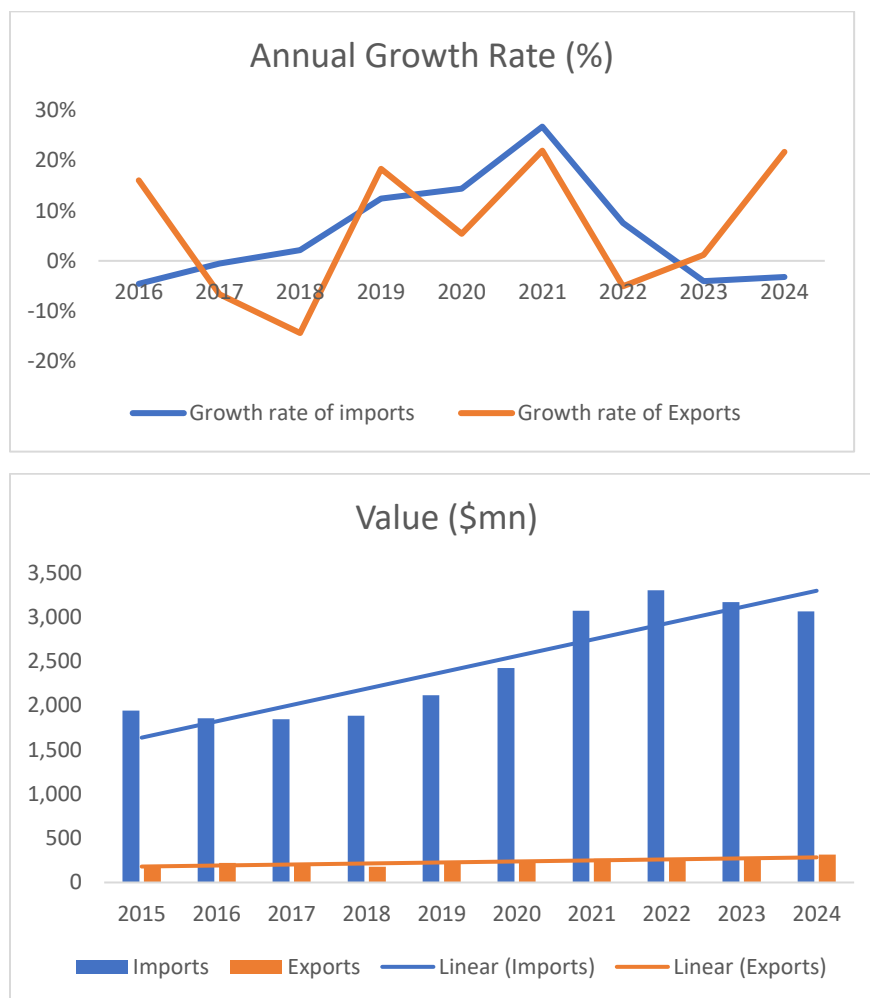
In what follows, a detailed analysis of the eight commodity groups, which remained in the list of top eight commodity groups in 2022 and 2024, taking into consideration more indicators other than the value of imports in one single year, which are the value and growth rates of both imports and exports.



6.2. Detailed Analysis of the Eight Commodity Groups (of same rankings in 2022 and 2024)

1. Manufacturing human medicines

Figure 54 Annual Growth Rates and Values of Imports and Exports of Human Medicines



Source: ECES' analysis of International Trade Center (ITC) datasets.

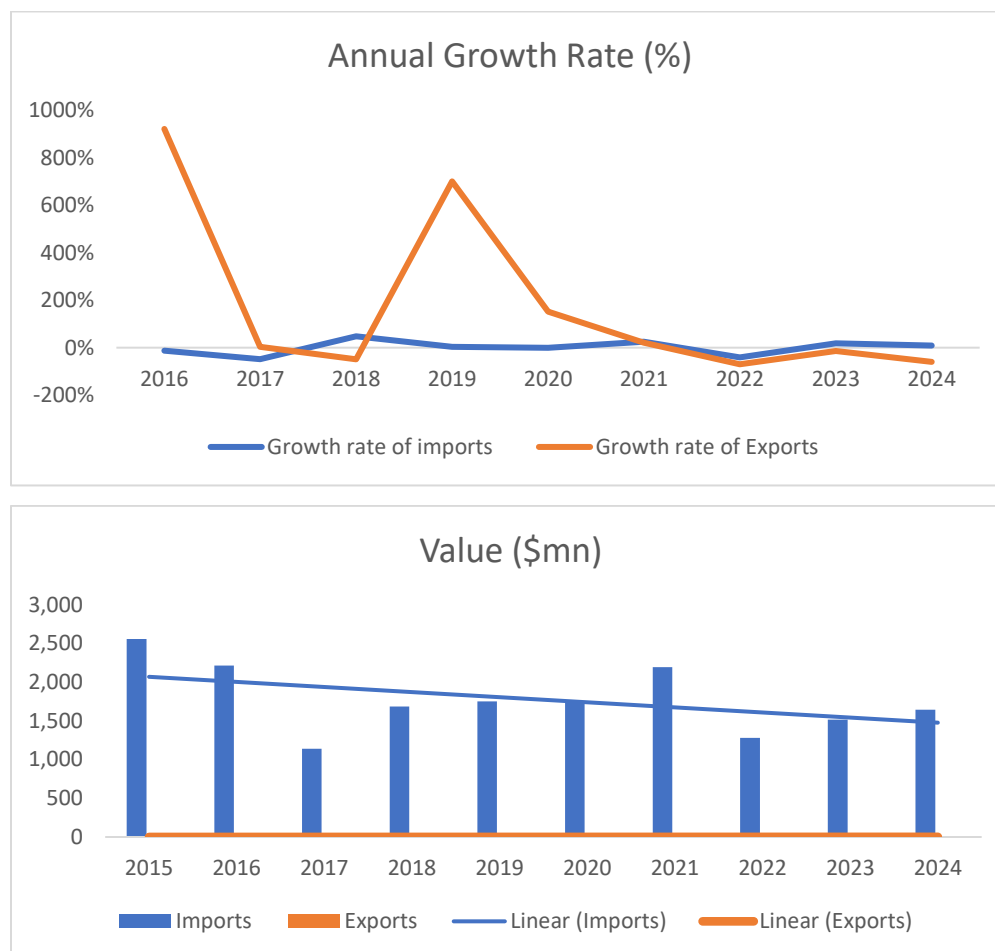
- Medicines group is a strategic commodity that is not affected by crises and the demand for them is constantly increasing, which makes the large increase in their imports (which exceeds \$3 billion) a very secure and safe investment opportunity.
- Since local production is insufficient to bridge this growing gap, investing in local manufacturing is the solution to meet essential market needs and reduce reliance on costly imports.



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2. *Manufacturing passenger cars with engine capacities exceeding 1500cc*

Figure 55 Annual Growth Rates and Values of Imports and Exports of Manufacturing passenger cars with engine capacities exceeding 1500cc



Source: ECES' analysis of International Trade Center (ITC) datasets.

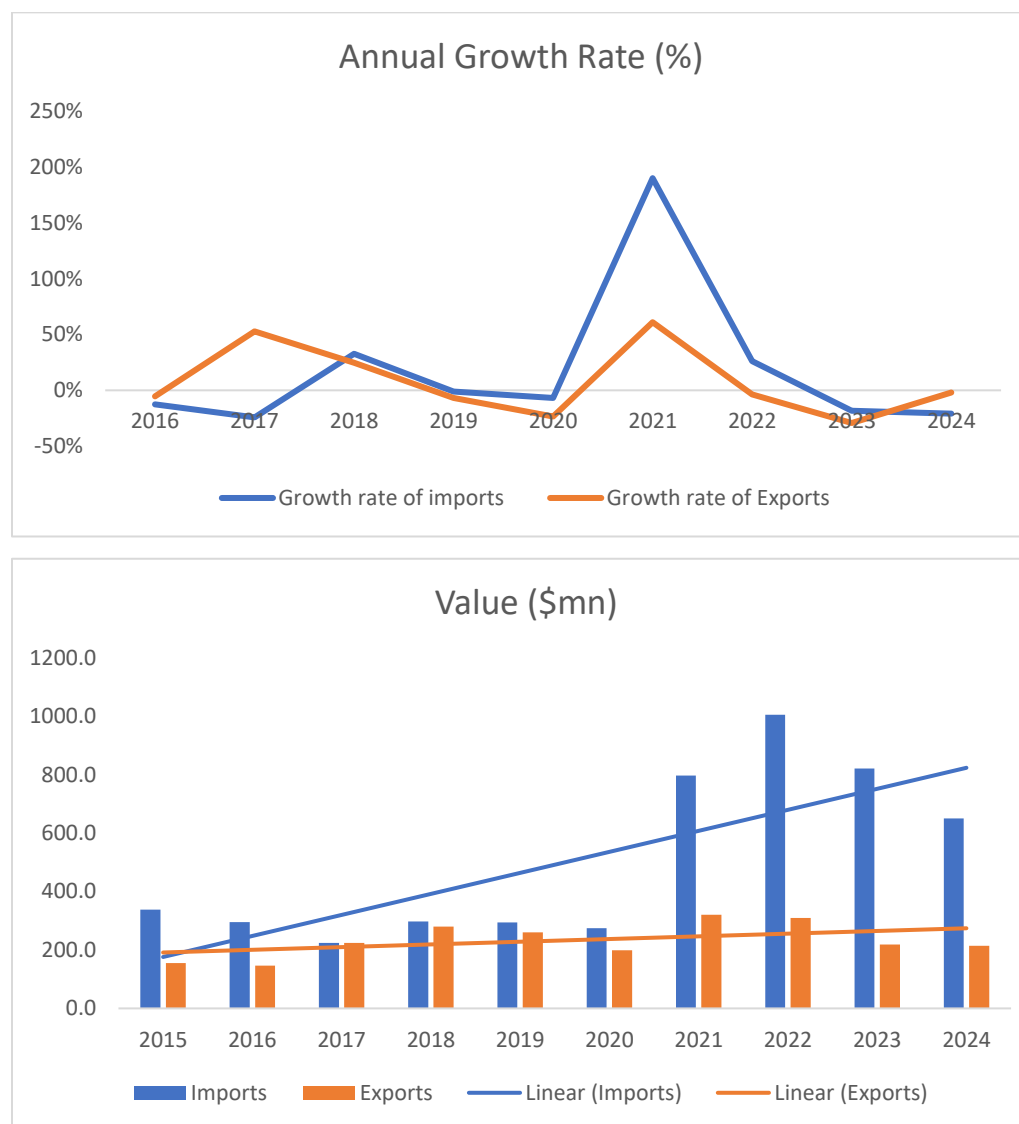
Investing in this strategic commodity is a strong opportunity **to fill the huge gap in the local market** (\$1.6 billion), which clearly shows the current lack of export capacity and the difficulty of competing externally.

Although localizing this industry requires **very large investment cost** to equip the infrastructure and factories, continuous and stable local demand makes local production the only guaranteed alternative to meet market needs away from import crises.



3. *Manufacturing polyethylene with a specific gravity less than 0.94 – LDPE*

Figure 56 Annual Growth Rates and Values of Imports and Exports of polyethylene with a specific gravity less than 0.94 – LDPE



Source: ECES’ analysis of International Trade Center (ITC) datasets.

- LDPE is a strategic commodity in which Egypt already has an established manufacturing and export base, making investment in it an ideal opportunity to expand production with the aim of reducing the huge import gap that exceeds \$650 million annually.

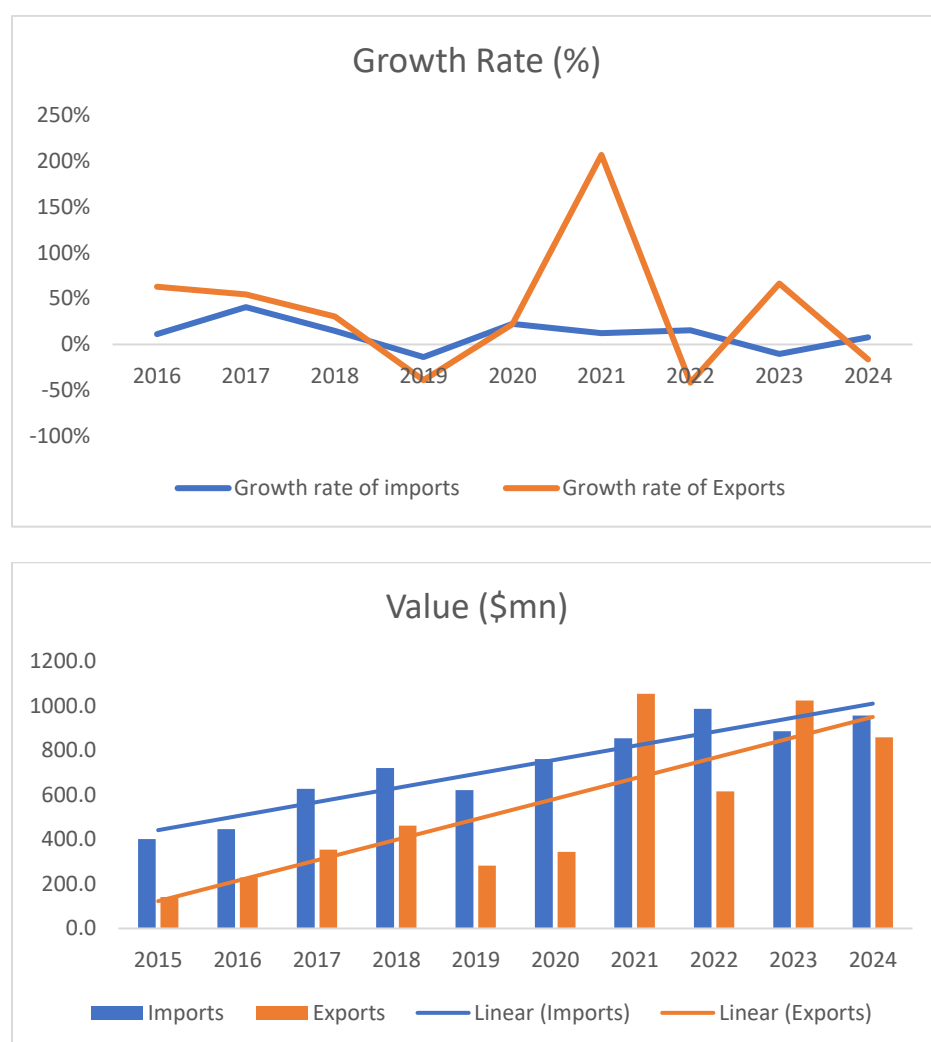


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- The continued export activity confirms the readiness of the infrastructure and the competitive advantage of the product, while the high volume of imports reflects the existence of broad and unmet domestic demand, especially given the recent decline in imports due to the hard currency drop and import regulation decisions, not because of a decrease in the actual need for this basic raw material.

4. *Manufacturing non-alloy iron or steel sheets that are hot-rolled*

Figure 57 Annual Growth Rates and Values of Imports and Exports of non-alloy iron or steel sheets that are hot-rolled



Source: ECES' analysis of International Trade Center (ITC) datasets.



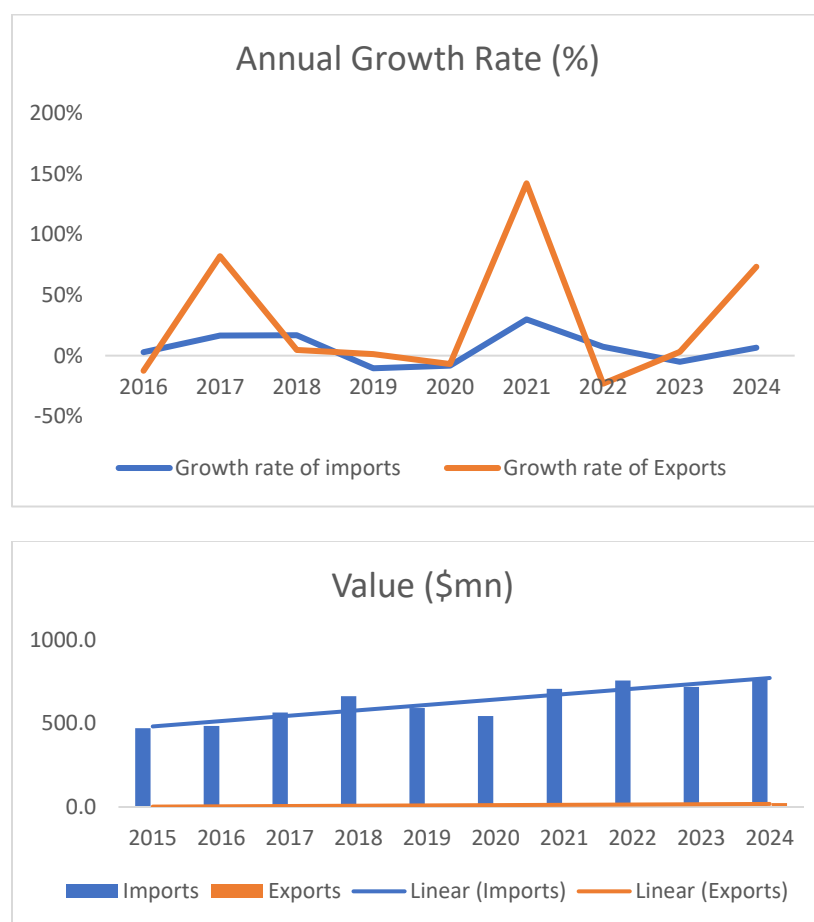
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Iron sheets are a key strategic commodity in which Egypt possesses strong infrastructure and major manufacturing capabilities, as clearly demonstrated in the **export leaps** that have exceeded one billion dollars in some years, proving their quality and global competitiveness.

Despite the strength of exports, the upward trend in imports (approaching one billion dollars) confirms that **current production does not fully cover the needs of the local market**. This makes expansion in this sector a golden opportunity to bridge the local gap and avoid the fluctuations in imports resulting from the currency crisis and import regulation decisions.

5. *Manufacturing yarn from polyesters*

Figure 58 Annual Growth Rates and Values of Imports and Exports of yarn from polyesters



Source: ECES’ analysis of International Trade Center (ITC) datasets.

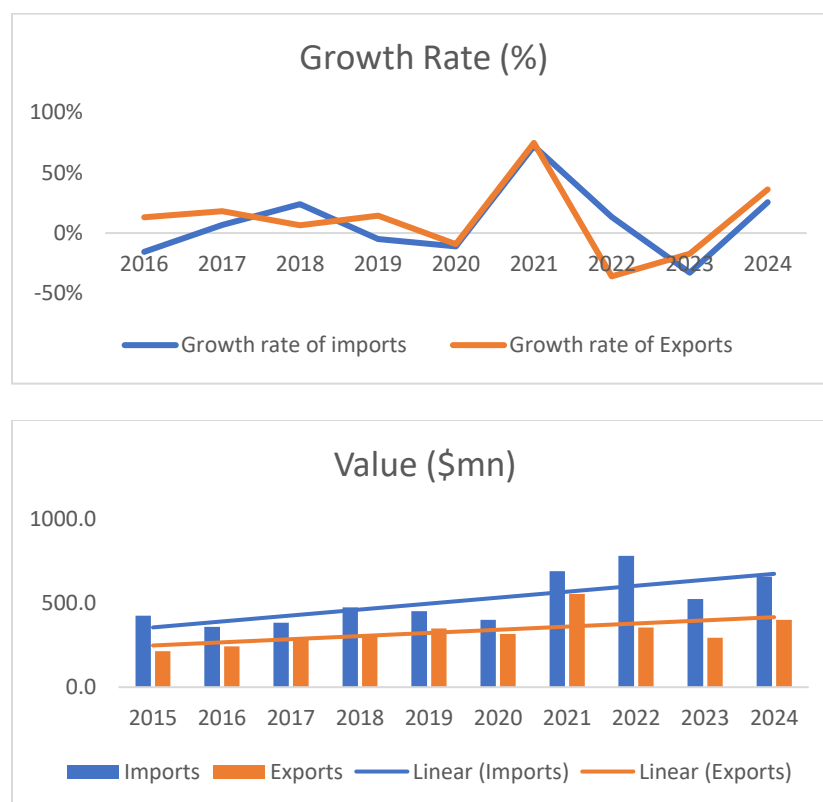


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- The continued rise in polyester yarn imports (which exceeded \$760 million) shows that it is an indispensable strategic raw material for the Egyptian clothing and textile industry, making its local manufacturing a major investment opportunity to fill a gap in an "intermediate commodity" that the market desperately needs.
- Despite the small size of exports compared to the huge volume of imports, the resilience of demand and the continued growth of imports despite the currency crisis and import regulation decisions confirm that the local market is suffering from a real shortage, and that any local production will represent an immediate and necessary alternative to imports to secure the needs of national factories.
- The investment here aims to secure the textile industry, and the opportunity lies in replacing imports, whose price and shipping costs are constantly rising, with an industrial base (textiles) ready to absorb any new local production.

6. *Manufacturing polypropylene polymers – PP*

Figure 59 Annual Growth Rates and Values of Imports and Exports of polypropylene polymers – PP



Source: ECES' analysis of International Trade Center (ITC) datasets.

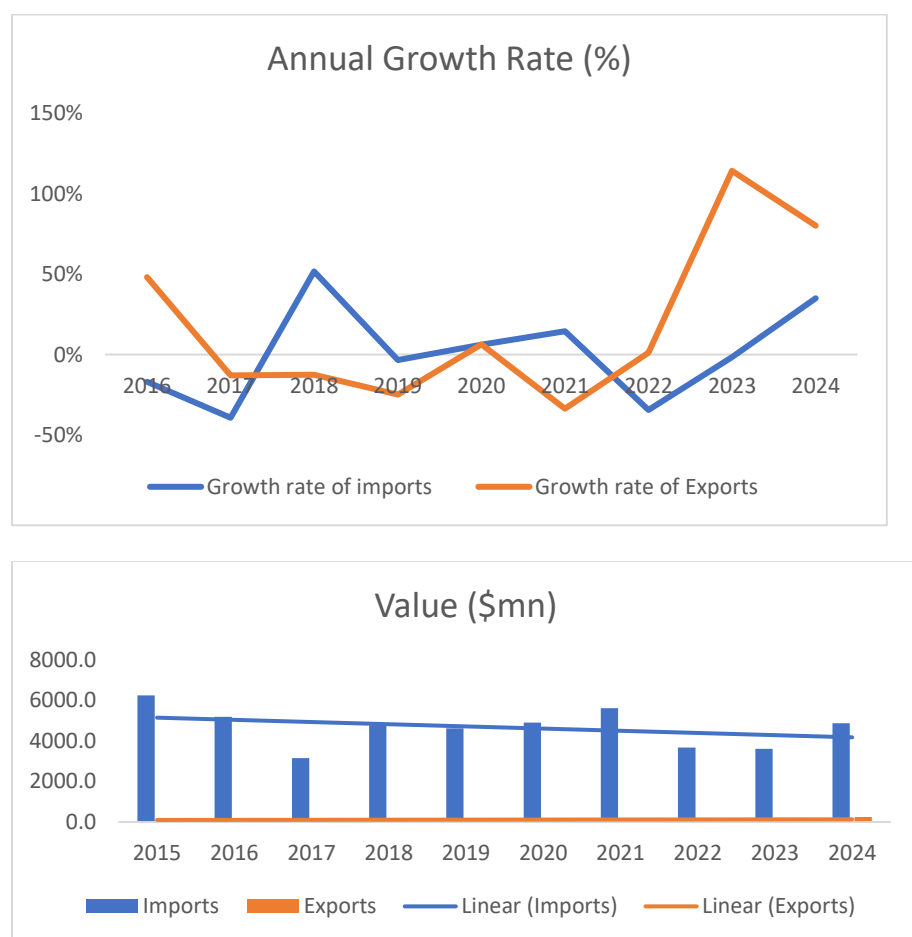


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- Propylene polymers are strategic commodities and essential raw materials in which Egypt has a strong production and export base, making expanding their investments a major opportunity to reduce the gap between imports (\$657 million) and exports, which have proven to be globally competitive.
- The recovery in import growth in 2024, following its temporary decline due to the currency crisis and import regulation decisions, confirms the huge size of domestic demand, providing an opportunity for local products to replace imports by relying on the ready infrastructure, while ensuring a high capacity to increase export revenue.

7. *Manufacturing passenger cars with an engine capacity not exceeding 1500cc*

Figure 60 Annual Growth Rates and Values of Imports and Exports of passenger cars with an engine capacity not exceeding 1500cc



Source: ECES' analysis of International Trade Center (ITC) datasets.



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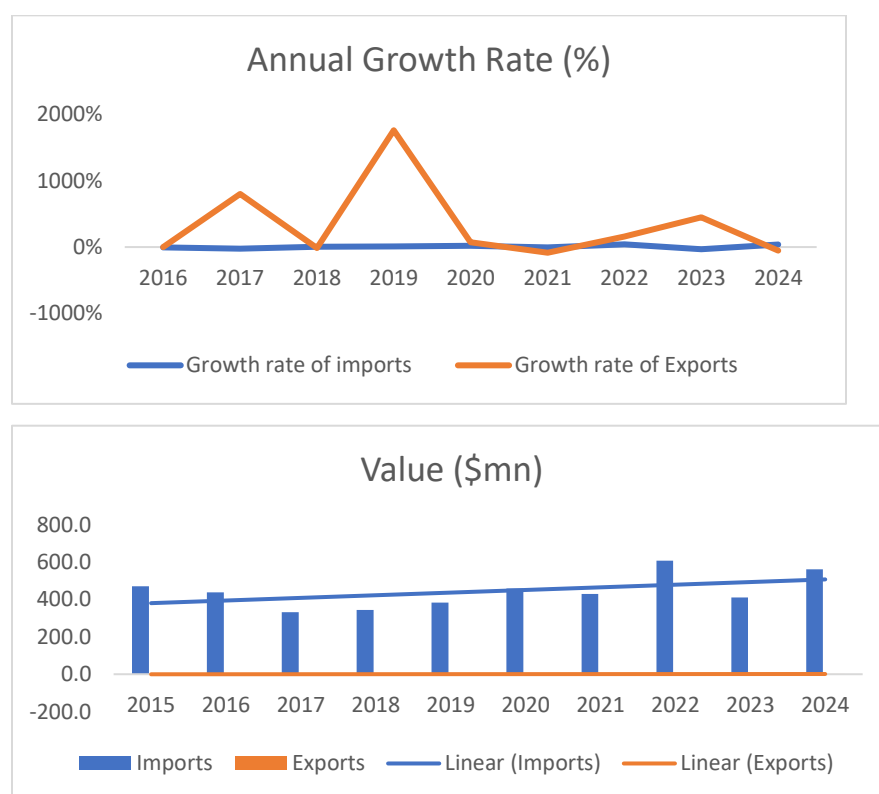
This category of cars is a strategic commodity that represents a huge investment opportunity to bridge a massive import gap approaching \$5 billion, which puts it at the top of the industrial localization priorities in Egypt.

The significant increase in imports during 2024, after their forced decline as a result of the currency crisis and import regulation decisions, reflects the existence of an "explosive" and unmet domestic demand, while the 80% jump in exports confirms the readiness of the existing infrastructure and the ability of local manufacturing to compete internationally in addition to meeting domestic needs.

The investment here is based on a guaranteed-size local market and an export base that has already begun to grow, and the opportunity lies in converting billions of imports into sustainable local manufacturing.

8. *Manufacturing pharmaceutical raw materials*

Figure 61 Annual Growth Rates and Values of Imports and Exports of pharmaceutical raw materials



Source: ECES' analysis of International Trade Center (ITC) datasets.



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- Pharmaceutical raw materials are the "nerve" of the pharmaceutical industry and a strategic commodity par excellence. Their importation, exceeding \$560 million annually, with no exports, represents a huge investment opportunity to bridge the gap in local manufacturing and secure the needs of national factories.
- The rapid recovery of imports in 2024, after their forced decline as a result of the currency crisis and import regulation decisions, confirms the urgent local need and the continuous growth in demand, making investment in localizing this raw material an economic and security necessity for the pharmaceutical sector, away from the risks of importing.

6.3. Evaluation of National Investment Priorities using the Normalized Weighted Composite Index

To ensure a more accurate and objective ranking of investment priorities, the Normalized Weighted Composite Index was calculated as a quantitative tool to reassess and rank the list of priorities.

This index was calculated according to the methodology described below, including:

- Annual import data for each investment priority was used during the period from 2019 to 2024.
- The relative weight of imports for each investment priority in each year was calculated by dividing the value of the opportunity's imports by the total imports in the same year.
- Import values were normalized for each year separately to make the values comparable between different investment priorities.

The relative weights for each year were normalized to ensure uniformity of scale and to avoid amplifying the effect of any one year or opportunity.

An annual index was calculated for each investment priority by combining the normalized value of imports with a relative weight of 0.7 and the normalized relative weight of 0.3.

The annual indicators for each investment priority were compiled during the study period to obtain the final score. The investment priorities were arranged in descending order according to the final valuation value to determine investment priorities.



Based on the results of this indicator, investment priorities were rearranged and compared with Egypt’s import structure for 2024, in order to measure the extent to which the arrangement of opportunities is consistent with the actual reality of imports.

This Index is going to be further developed by adding an “export” dimension. Results associated with such change will be presented in the next part of the report.

Results of applying the new methodology to the ranking of national investment opportunities:

Upon deeper analysis of the opportunity structure, it is clear that five national investment opportunities maintained their same high ranking and importance, ranking among the top eight products in all evaluation scenarios, whether according to the 2022 import ranking (reflecting the country's priorities), the 2024 import ranking, or the new methodology used. This reflects a structural stability in these opportunities regardless of the different valuation bases (as shown in table 4).

Table 4 Five National Investment Opportunities Maintaining Their High Ranking

Investment Opportunity Name
Manufacturing medicines for human medical care
Manufacturing passenger cars with engine capacities exceeding 1500cc
Manufacturing non-alloy iron or steel sheets that are hot-rolled
Manufacturing passenger cars with engine capacities not exceeding 1500cc
Manufacturing yarn from polyesters

Source: ECES’ analysis of International Trade Center (ITC) datasets

6.4. Results of the Refinement of the Results of the ECES Normalized Weighted Composite Index by Incorporating An “Export” Dimension

To refine the 152 investment opportunities identified by the Egyptian government, ECES developed a data-driven ranking index based on recent trade dynamics. The index was constructed in two versions. The first version, presented in the progress report, was based directly on the list



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of opportunities identified by the government, which led it to rely more heavily on the import side. The second version, presented in this report, incorporates an export dimension alongside imports, recognizing the importance of export performance as a key indicator of competitiveness, scalability, and integration into global value chains. By moving beyond a predominantly import-based approach, this refinement allows for a more balanced assessment of opportunities, capturing not only domestic demand gaps but also sectors with strong potential to compete in international markets. **The methodology underlying the construction of the Index is described in detail in Annex 4.**

The results are the following top 10 group of products:

1. Manufacturing medicines for human medical care (HS: 30)
2. Copper winding wires for coils (HS: 85,74)
3. Dried fruits (HS: 08)
4. Passenger cars with engine capacity exceeding 1500 cc (HS: 87)
5. Molds and dies – sheet metal works (HS: 82,84)
6. Polypropylene (PP) (HS: 39)
7. Passenger cars with engine capacity not exceeding 1500 cc (HS: 87)
8. Structural metal components from cast iron, iron, or steel (HS: 73)
9. Low-density polyethylene (LDPE) with a density of less than 0.94 (HS: 39)
10. X-ray imaging equipment (HS: 90)

Key Findings

First, **it is methodologically unsound to rely on a single year of data—particularly one that has already become outdated (2022)—to determine Egypt’s investment priorities.**

Second, the results confirm **the existence of a core group of structurally stable investment opportunities** that remain highly ranked regardless of whether assessment is based on national priorities (2022), current import volumes (2024), or the Normalized Weighted Composite Index. These include human medicines, passenger cars (both above and below 1500cc), hot-rolled iron and steel sheets, and polyester yarns. The persistence of these sectors at the top of all rankings reflects genuine and sustained domestic demand, deep integration with national production chains,



and strong sensitivity to macroeconomic shocks such as currency shortages and import restrictions. Their stability signals that they are not cyclical or opportunistic investments, but rather foundational pillars for industrial localization and import substitution.

Third, the comparison between 2022 and 2024 imports highlights that **changes in opportunity rankings are driven less by shifts in real demand than by temporary distortions in trade flows**. Several sharp movements—both upward and downward—are shown to be the direct consequence of the foreign currency crisis, regulatory interventions, and the accumulation or release of suppressed demand. This is particularly evident in sectors such as road tractors, electronic glass panels, mobile phones, and electrical equipment, where sudden import surges or collapses do not reflect structural competitiveness or sustainable market trends. The analysis therefore confirms that import volatility should not be interpreted mechanically as evidence of either success or failure in localization. Declines in imports do not automatically indicate successful localization. **In multiple cases, import compression was accompanied by parallel declines in exports, confirming that some sectors experienced market contraction rather than true import substitution.**

Fourth, **the application of the Normalized Weighted Composite Index proves critical in correcting ranking distortions and exposing structural priorities that are masked by short-term fluctuations**. By incorporating multi-year data and weighting both import size and relative importance, **the index reveals that some sectors previously perceived as declining—such as HDPE, PVC, and woven synthetic fabrics—are in fact strategic opportunities for expansion**, based on existing industrial infrastructure, export readiness, and stable domestic absorption capacity. At the same time, the methodology downgrades sectors with weak sustainability, high technological barriers, or demand driven by exceptional events, such as vaccines linked to the COVID-19 period or laptops driven by temporary government programs.

Fifth, the analysis confirms that **Egypt’s most effective investment opportunities lie in intermediate goods and industrial inputs**. Polymers, pharmaceutical inputs, steel products, textile yarns and fabrics, and chemical intermediates repeatedly emerge as high-impact sectors capable of reducing import dependency, stabilizing domestic supply chains, and supporting downstream industries. These opportunities offer immediate local absorption, lower marketing



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risk, and stronger resilience to external shocks compared to final consumer goods, which are more vulnerable to income compression and demand volatility. This implies that Egypt should pay more attention to medium-size and to SMEs which are traditionally the supplier of such goods. These companies are much more sensitive to weaknesses in the investment framework and would be the beneficiaries of stronger disciplines on transparency, good governance and stability of the regulatory environment. Hence, the Sustainable Investment Facilitation Agreement (SIFA) will likely benefit SMEs more than big multinationals which have the resources to address issues through their legal and government-relations departments.

Sixth, the study distinguishes clearly between **true investment opportunities** and **false signals created by forced import compression**. In a number of cases—such as detergents, LED lighting units, and phosphate fertilizers—the decline in imports reflects genuine local self-sufficiency and, in some cases, strong export capacity. These sectors no longer represent priority import-substitution opportunities, but rather candidates for upstream deepening, technological upgrading, or export diversification. Conversely, sectors such as pharmaceutical raw materials, polymers (LDPE, HDPE, PP), and intermediate textile inputs reveal persistent and economically costly import gaps¹ that have merely been postponed, not resolved, by import regulation measures.

Seventh, the findings underscore **a crucial distinction between localization for market security and localization for export competitiveness**. Some sectors—most notably veterinary vaccines and complex medical equipment—do not currently offer attractive export prospects due to technological gaps and global competition. However, they remain strategically important from a food security or health security perspective. Investment decisions in these areas should therefore be state-led or state-supported, with objectives centered on supply stability rather than commercial profitability. Treating such sectors as conventional investment opportunities risks misallocating private capital and underestimating technological risk.

¹ The import gap represents the share of domestic demand that is satisfied through imports due to insufficient local production, and therefore indicates the potential scope for import substitution through domestic manufacturing.



In conclusion, the evidence strongly supports a shift away from static, import-snapshot-based investment prioritization toward a dynamic, data-driven framework that accounts for time trends, structural demand, and production readiness. The Normalized Weighted Composite Index provides a more credible foundation for this shift, enabling policymakers to distinguish between temporary trade distortions and genuine investment opportunities. Aligning investment strategy with these findings is essential not only for saving foreign currency, but for building a more resilient, integrated, and shock-resistant industrial base capable of sustaining long-term economic growth.

7. INTEGRATION OF ECES’ EXPORT AND INVESTMENT MODEL OUTPUTS WITH THE FINDINGS OF ECES COMPOSITE INDEX

The objective of this section is to pinpoint the sectors and products with high potential for EU investments in Egypt by identifying the common Egypt’s most promising sectors according to the Index and the Model developed by ECES and ending by the top 10 products by level of sophistication extracted from the Model’s outcomes. **The methodology of ECES’ Export and Investment Model is described in detail in Annex 5.**

7.1. Top Ten Common High-Potential Products Identified by Both the Index and Model (HS 4-Digit Level) (Tier 1)

Table 5 below highlights the ten key products that consistently emerge as high-potential opportunities across both the Index and the Model with its two scenarios at the HS 4-digit level². The overlap between the two approaches strengthens the reliability of these findings and underscores priority sectors for targeted investment.

² The top ten common products were selected from the overlap between the top 50 products identified by the ECES Composite Index and those identified by the Export and Investment Model.



Table 5 Top Common Products Identified by Index and Model

HS Code (2 digits)	Chapter Description	HS Code (4 digits)	Product
39	Plastic & plastic products	3921	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported or similarly combined with other materials, or of cellular plastic, unworked or merely surface-worked or merely cut into squares or rectangles (excl. self-adhesive products, floor, wall and ceiling coverings of heading 3918)
54	Man-made filaments; strip and the like of man-made textile materials	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of ≥ 67 decitex and with a cross sectional dimension of ≤ 1 mm
72	Iron and Steel	7208	Flat-rolled products of iron or non-alloy steel, of a width ≥ 600 mm, hot-rolled, not clad, plated or coated
73	Articles of Iron or Steel	7308	Structures and parts of structures "e.g., bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns", of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel (excl. prefabricated buildings of heading 9406)
74	Copper and articles thereof	7408	Copper wire (excl. surgical sutures, stranded wire, cables, plaited bands and the like and other articles of heading 7413, electrically insulated wires and strings for musical instruments)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	8481	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, incl. pressure-reducing valves and thermostatically controlled valves; parts thereof
85	Electrical machinery and	8506	Primary cells and primary batteries, electrical; parts thereof (excl. spent)



HS Code (2 digits)	Chapter Description	HS Code (4 digits)	Product
	equipment and parts thereof; sound recorders and reproducers, television . . .	8507	Electric accumulators, incl. separators therefor, whether or not square or rectangular; parts thereof (excl. spent and those of unhardened rubber or textiles)
		8517	Telephone sets, incl. smartphones and other telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, incl. apparatus for communication in a wired or wireless network, parts thereof (excl. transmission or reception apparatus of heading 8443, 8525, 8527 or 8528)
		8544	Insulated "incl. enamelled or anodised" wire, cable "incl. coaxial cable" and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors

Source: ECES' analysis

7.2. Top Ten Highly Sophisticated Products Identified by the ECES Export and Investment Model (Tier 2)

Although the ECES Composite Index incorporates both import and export dimensions, it relies primarily on the import side, as it is largely based on government-identified opportunities that are import-driven. Therefore, it is particularly useful to examine the model's results independently, focusing on its identification of top products by sophistication. This provides a complementary perspective and highlights high-potential sectors that may not be fully captured by the Index alone. ECES extracted from the results of the Model op 50 products that could present an opportunity for Egypt to achieve structural transformation and create opportunities to transition toward growth and exports in high-value-added, technologically advanced, and higher-skill sectors. Furthermore, these sectors create new, locally demanded opportunities that face growing global demand, such as products contributing to emission reduction and the global energy transition.as shown in the table below, of the top 10 of the list of 50. **A full list of the top 50 Products (Ranked by Priority Based on ECES Model) is in Annex 6.**



Table 6 Top 10 Sophisticated Products (Identified by ECES Model)

HS Code (2 digits)	Chapter Description	HS Code (4 digits)	Product Description	Score in Baseline SC	Score in Alternative SC
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	'8415	Air conditioning machines comprising a motor-driven fan and elements for changing the temperature and humidity, incl. those machines in which the humidity cannot be separately regulated; parts thereof	0.9	0.9
		'8417	Industrial or laboratory furnaces and ovens, non-electric, incl. incinerators (excl. drying ovens and ovens for cracking operations)	0.9	0.9
		'8421	Centrifuges, incl. centrifugal dryers (excl. those for isotope separation); filtering or purifying machinery and apparatus, for liquids or gases; parts thereof (excl. artificial kidneys)	0.9	0.9
		'8428	Lifting, handling, loading or unloading machinery, e.g. lifts, escalators, conveyors, teleferics (excl. pulley tackle and hoists, winches and capstans, jacks, cranes of all kinds, mobile lifting frames and straddle carriers, works trucks fitted with a crane, fork-lift trucks and other works trucks fitted with lifting or handling equipment)	0.9	0.9
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	'8504	Electrical transformers, static converters, e.g. rectifiers, and inductors; parts thereof	0.9	0.9
		'8537	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 8535 or 8536, for electric control or the distribution of electricity, incl. those incorporating instruments or apparatus of chapter 90, and numerical control apparatus (excl. switching apparatus for line telephony or line telegraphy)	0.9	0.9
		'8538	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, n.e.s.	0.9	0.9
		'8543	Electrical machines and apparatus, having individual functions, n.e.s. in chapter 85 and parts thereof	0.9	0.9



HS Code (2 digits)	Chapter Description	HS Code (4 digits)	Product Description	Score in Baseline SC	Score in Alternative SC
72	Iron and steel	'7218	Stainless steel in ingots or other primary forms (excl. remelting scrap ingots and products obtained by continuous casting); semi-finished products of stainless steel	0.8	0.9
73	Articles of iron or steel	'7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers, incl. spring washers, and similar articles, of iron or steel (excl. lag screws, stoppers, plugs and the like, threaded)	0.8	0.9

Source: ECES' analysis

Key Findings

First, **Products that appear in both approaches can be considered the most reliable candidates for attracting future EU investment**, as they satisfy both market-demand and competitiveness criteria.

Second, **the integration of the ECES Composite Index and Export and Investment Model reveals that Egypt's strongest opportunities for attracting future EU investment are concentrated in advanced manufacturing, electrical equipment, machinery, metals, and industrial inputs**. The high level of convergence between the two methodologies strengthens confidence in these findings and suggests that industrial upgrading, technological manufacturing, and integration into European value chains should form the core of Egypt's future investment attraction strategy. Such integration implies that Egypt must make greater efforts to align with EU technical regulations and standards and one of the main options to achieve this is through the modernization of the EU- Egypt Association Agreement.



SECTORS OF HIGH POTENTIAL AND POLICY REFORMS

Sections 8 and 9 present the high-potential sectors and products identified based on the integrated results of the study and propose the policy and regulatory reforms required to enhance their competitiveness of these sectors and strengthen their ability to attract future investment.

8. COMBINED RESULTS (INDEX, MODEL, MIGRATING INDUSTRIES AND SERVICES)

Based on all the above studied approaches employed to identify the most attractive sectors for EU investment in Egypt, the prioritization of sectors and products of high potential is as follows:

First, the products listed in Subsection 7.1 of Section 7 represent the top tier (Tier 1), as they are common to both the Composite Index and the ECES Export and Investment Model, reflecting convergence between the two methodologies. The top five are:

- Plates, sheets, film, foil and strip, of plastics (Plastic & plastic products)
- Woven fabrics of synthetic filament yarn (Man-made filaments; strip and the like of man-made textile materials)
- Flat-rolled products of iron or non-alloy steel (Iron and Steel)
- Structures and parts of structures "e.g., bridges and bridge-sections, lock-gates, towers (Articles of Iron or Steel)
- Copper wire (Copper and articles thereof)

Second, Subsection 7.2 of Section 7 (Tier 2) presents products with high value added and strong potential for Egypt's development, irrespective of the Egyptian Government-selected opportunities (basis of ECES Composite Index). The top five are:

- Air conditioning machines comprising a motor-driven fan and elements for changing the temperature and humidity (Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof)
- Industrial or laboratory furnaces and ovens, non-electric, incl. incinerators (Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof)



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- Centrifuges, incl. centrifugal dryers (excl. those for isotope separation); filtering or purifying machinery and apparatus, for liquids or gases (Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof)
- Lifting, handling, loading or unloading machinery, e.g. lifts, escalators, conveyors, teleferics (Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof)
- Electrical transformers (Electrical machinery and equipment and parts thereof)

In addition to these two product-focused lists, four services subsectors are highlighted for their investment potential: Wholesale and Retail, Financial Services and Insurance, Professional Services and Technology, as well as Information and Communication.

A fourth category is derived from trends in EU industrial migration, encompassing five sectors—Automotive Components, Chemicals, Pharmaceuticals, Textiles and Energy Intensive Industries—that consistently emerged across different stages of the analysis, but not part of Tier 1 and Tier 2.

9. TOWARDS AN IMPROVED INVESTMENT CLIMATE: CONSTRAINTS AND POLICY RECOMMENDATIONS FOR EU INVESTMENT IN EGYPT

While significant reforms have been undertaken in recent years to enhance the attractiveness of the Egyptian market, a number of structural and regulatory challenges continue to influence investment decisions. These reform efforts have been supported, among other initiatives, by the European Union through the EU–Egypt Strategic and Comprehensive Partnership concluded in March 2024. In particular, the Macro-Financial Assistance (MFA) package decision adopted in June 2025, forms a key pillar of the Partnership, supporting Egypt's economic reform agenda, macroeconomic stability, and efforts to improve the business and investment environment. Since the Partnership was signed, the EU and Egypt have made notable progress in its implementation,

Investments of the EU are not fundamentally different from those from other regions; all face similar challenges. For this reason, the analysis is structured in three steps: first, an overview of the legislative and institutional framework governing investment, highlighting the main laws and regulatory pillars that define the business environment; second, the principal legal and



regulatory constraints affecting FDI attraction in general and third, the cross-cutting and sector-specific constraints where the previous parts of the study found a potential for future investments for the EU and their respective solutions and measures for reform.

Cross-cutting constraints refer to systemic challenges that affect multiple sectors—such as regulatory complexity, administrative inefficiencies, and access to finance—while sector-specific constraints relate to issues unique to particular industries. Together, these dimensions provide a comprehensive understanding of the investment climate, identifying the overarching bottlenecks and then suggest the needed policy recommendations.

9.1. Legal Framework Governing Investors in Egypt

A well-defined and coherent legal framework underpins the investment environment in Egypt, shaping both the incentives and constraints faced by domestic investors. Egyptian investors operate within a broad legislative architecture composed of interrelated laws that collectively regulate investment activities, market conduct, and financial transactions. This framework can be systematically categorized into **three main pillars: investment and business laws, regulatory and trade laws, and financial laws.**

First, **investment and business laws** constitute the core legislative foundation governing the establishment, operation, and restructuring of enterprises. These laws define the legal forms of business entities, regulate labor relations, set environmental compliance requirements, and establish the overarching investment regime. Notably, the *New Investment Law No. 72 of 2017* serves as a cornerstone in this category, aiming to promote investment by offering guarantees, incentives, and streamlined procedures. Complementary legislation—such as the Companies Law, the Economic Zones Law, and the Bankruptcy Law—further strengthens the institutional framework by facilitating business formation, supporting distressed firms, and enhancing investor protection.

Second, **regulatory and trade laws** play a critical role in governing market entry, competition, and commercial transactions. These laws regulate key operational aspects, including import and export activities, customs procedures, intellectual property rights, and consumer protection. They also ensure fair competition through anti-monopoly and anti-dumping provisions,



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thereby fostering a level playing field for investors. In addition, laws such as the Commercial Registry Law and the Commercial Agencies Law contribute to formalizing business activities and enhancing transparency in market operations.

Third, **financial laws** regulate the financial ecosystem within which investors operate. These laws cover a wide range of areas, including capital markets, banking, insurance, public finance, and anti-money laundering measures. By establishing rules for financial transactions, access to credit, and fiscal management, this category ensures macroeconomic stability and financial integrity. Instruments such as the Capital Market Law, the Banking Laws, and the Unified Public Finance Law are central to maintaining investor confidence and facilitating efficient capital allocation.

Taken together, these three categories of laws form an integrated legal and institutional framework that governs investor behavior in Egypt. While this framework provides a comprehensive basis for regulating economic activity, its effectiveness ultimately depends on the consistency of implementation, regulatory coherence, and the ability to adapt to evolving economic challenges. Strengthening coordination across these legal domains remains essential to enhancing the overall investment climate and supporting sustainable economic growth.

For reference and completeness, the full list of relevant laws is presented in Table (7) below.

Table 7 Governing Laws for Investment in Egypt

Investment and Business Laws	Regulatory and Trade Laws	Financial Laws
Investment Law No. 72 of 2017	Law Regulating Import and Export	Tenders and Auctions Law
Environmental Law	Commercial Registry Law	Mortgage Finance Law
Mining Law	Commercial Agencies Law	Anti-Money Laundering Law
Income Tax Law	Customs Law	Unified Insurance Law
Labor Law	Competition Protection and Anti-Monopoly Law	Unified Public Finance Law
Economic Zones Law	Anti-Dumping Law	Law No. 192 of 2009
Microfinance Law	Intellectual Property Rights Law	Capital Market Law



Investment and Business Laws	Regulatory and Trade Laws	Financial Laws
Law Regulating Financial Leasing and Factoring Activities	Personal Data Protection Law	Banking Laws
Companies Law No. 159 of 1981	Consumer Protection Law	Export Development Law
Law on Restructuring, Preventive Composition, and Bankruptcy	—	—

Source: Prepared by ECES

9.2. Main Legal Restrictions in Egypt that might affect the ease of Attracting FDI

Although Egypt generally maintains an open regime toward foreign investment, **certain regulatory conditions and sector-specific restrictions remain in place**. In 2017, Egypt introduced major reforms through the **Investment Law No. 72 of 2017**, which aimed to improve the investment climate by offering additional incentives and legal guarantees, addressing administrative barriers to both domestic and foreign investment, strengthening investor protection against bureaucratic practices and corruption, and simplifying procedures related to project establishment and licensing.

Despite this liberalized framework, **some entities continue to impose requirements related to Egyptian participation or ownership**. For instance, activities such as **commercial agency services and certain security-related operations** may require **minimum levels of Egyptian shareholding or involvement**, thereby limiting full foreign ownership in these areas.

In addition, **foreign investors are generally required to obtain a security clearance** as part of the process of establishing a company or undertaking an investment in Egypt. This procedure typically involves submitting a standardized form containing personal and business-related information. While the submission of this form does not normally delay or prevent investment, **investors of certain nationalities may not proceed with investment activities until the relevant security approval has been granted**.

Furthermore, **foreign ownership and investment in the Sinai Peninsula are subject to additional security-related controls**. Under regulations governing development in that region, foreign investors must obtain **prior approval from the Sinai Development Authority** before



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engaging in investment activities or acquiring real estate there. These requirements reflect the strategic and security sensitivities associated with the area.

Apart from the limited exceptions noted above, **foreign investment in Egypt generally does not face significant legal barriers**. The **Investment Law No. 72 of 2017** establishes the principle of **national treatment**, ensuring that foreign investors are treated on an equal footing with Egyptian investors in a way intended to encourage investment.

The law also provides a number of **key guarantees and incentives**, including:

1. **The right to establish and operate projects using foreign currency transferred from abroad**, without restrictions on its use.
2. **The ability to freely dispose of assets**, including liquidating investment projects and converting proceeds in Egyptian pounds into foreign currency through registered banks without limitations.
3. **The right of investment projects to export their products freely**, without the need to obtain an export license or register in the official exporters' registry.

Other Regulatory or Government Approvals

In general, no additional overarching approvals are required beyond the standard procedures. However, depending on the **nature of the sector in which the investment operates**, investors may need to obtain **specific approvals from the relevant regulatory authorities**.

For instance, transactions within the **healthcare sector** may require authorization from the **Ministry of Health and Population**. Similarly, investments related to the **banking sector** may require approval from the **Central Bank of Egypt**, while activities in the **non-banking financial sector** fall under the supervision of the **Financial Regulatory Authority** and may require its consent.

Additionally, investments involving **pharmaceutical production or medical technology manufacturing** must obtain **prior approval from the Egyptian Drug Authority** before proceeding.



Egyptian law provides **equal treatment to both foreign and domestic parties**, meaning that **domestic courts are legally empowered to uphold and enforce the contractual rights of foreign investors**. The legal framework guarantees several core protections, including **non-discriminatory treatment, safeguards against expropriation, and the right to repatriate profits**. In addition, Egyptian courts generally recognize **foreign governing-law provisions and arbitration agreements**, as long as these do not contradict mandatory Egyptian legislation or public policy principles.

Nevertheless, **practical enforcement through the court system can be lengthy and procedural**. Litigation in domestic courts may take substantial time due to factors such as **high case volumes, repeated adjournments, and strict documentation requirements**, which can lead to delays in resolving disputes.

9.3. Cross-Cutting and Sector-Specific Constraints to EU Investment in Egypt and Proposed Reform Measures

a) Cross-Cutting Constraints and Proposed Reforms

The following section outlines the key cross-cutting constraints that affect investment across multiple sectors, rather than being confined to a specific industry. In the context of EU investment in Egypt, these constraints shape the overall business environment and influence investor decisions at all stages of the investment cycle—from market entry to operation and expansion.

- ***Constraints***

- **Complex and fragmented investment procedures and licensing processes**

Investors face lengthy administrative procedures, overlapping institutional mandates, and burdensome licensing requirements, increasing transaction costs and creating uncertainty during project establishment and operation.

- **Changes in laws and regulations are done haphazardly**

There is no place where all the laws exist other than the Official Gazette and there is no explanation for laws and no grace period to reconcile the situation.



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- **Slow judicial processes and weak contract enforcement mechanisms**

Lengthy dispute resolution procedures and delays in the enforcement of judicial and arbitral decisions undermine investor confidence and increase legal and operational risks.

- **Limited incentives for green and sustainable industrial investment**

The current regulatory framework provides insufficient targeted incentives for green industrial investments, particularly in sectors with high potential for EU partnership and sustainable industrial transformation.

- **Ministry of Finance vs. Trade Development Misalignment**

A significant portion of all trade process problems stems from the Ministry of Finance's primary objective of revenue collection, which conflicts with the trade development goals of the Ministry of Investment and Foreign Trade. The limited coordination between these two ministries perpetuates policies that restrict trade while failing to achieve export promotion targets.

- **Government Orientation: Import Restriction vs. Export Promotion**

Current industrial and trade policies rely heavily on restricting imports to reduce pressure on foreign exchange reserves. While such measures may temporarily reduce import demand, they can also disrupt industrial supply chains, increase production costs, and constrain access to essential production inputs, thereby undermining industrial competitiveness and export capacity.

- **Inconsistency Between Ports**

Procedures, costs, and durations for the same product's imports vary significantly between different Egyptian ports. This lack of standardization makes it impossible for importers to accurately estimate the total cost or duration of an import shipment, and creates incentives for port congestion at ports perceived as having 'easier' procedures.

- **Skills Shortages and Labor Turnover**

Despite the presence of numerous vocational training centers, firms continue to face a shortage of qualified workers. This challenge is compounded by a high rate of labor turnover, as workers



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frequently leave in search of better-paying opportunities, prompting some firms to recruit skilled workers from abroad. In addition, a significant information gap exists between the supply of trained workers and labor market demand, as many enterprises are unaware of the availability of graduates from vocational and technical education institutions.

○ **Distrust of the Private Sector**

The study observes that a prevailing government belief that the private sector is corrupt — unless proven otherwise — has led to surveillance-heavy, documentation-intensive procedures that burden all importers based on the assumption of bad faith. Reversing this default assumption and building institutional trust is identified as a key precondition for improving trade facilitation.

○ **Lack of Stakeholder Consultation**

Systems such as Advance Cargo Information (ACI)/NAFEZA were implemented without adequate involvement of affected stakeholders in the design and testing phases.

● ***Recommended Reform Measures***

The table below summarizes the key challenges discussed in the preceding sections and presents a set of proposed policy recommendations to address them. These recommendations are derived from the analysis of the identified constraints and are intended to provide practical and actionable measures for improving the investment climate. By linking each challenge to specific policy responses, the table serves as a roadmap for reform efforts, highlighting areas where targeted interventions could help remove bottlenecks, enhance the business environment, and strengthen Egypt’s attractiveness as a destination for foreign direct investment, including investment from the European Union.

Table 8 Summary of Key Cross- Cutting Constraints and Proposed Policy Recommendations

Problem	Recommended Reform Measure
Complex and fragmented investment procedures and licensing processes	○ Establish and strengthen a real “one stop shop” to obtain all required licenses and permits. ○ Convert the one stop shop procedures for permits into a fully digital, legally binding single system, with explicit timelines and published failure tracking metrics.



Haphazard changes in laws and regulations and without a grace period	○ Issuing or amending any legislations twice a year in specific dates. ○ Conducting a community dialogue before issuing any law so that it is compatible with reality and does not require adaptation. ○ Information about new regulations must be made available to companies for a sufficient period.
Slow judicial processes and weak contract enforcement mechanisms	○ Fast track commercial and investment dispute resolution, targeting enforcement of arbitral awards within 12 months and online case tracking.
Limited incentives for green and sustainable industrial investment	○ Create a Green Industrial Investment Code that offers tax incentives for EU backed clean energy and water efficiency projects, or any investments in the highly potential sectors.
Ministry of Finance vs. Trade Development Misalignment	○ Strengthen institutional coordination mechanisms between the Ministry of Finance and the Ministry of Investment and Foreign Trade. ○ Align customs, taxation, and trade policies with Egypt’s broader industrial and export promotion strategy. ○ Establish joint policy committees to evaluate the trade and industrial impact of fiscal measures before implementation. ○ Introduce performance indicators linked to export growth and trade facilitation alongside revenue targets.
Government Orientation: Import Restriction vs. Export Promotion	○ A fundamental policy shift — from an orientation of 'import prohibition' toward ‘export promotion’ is recommended. Both approaches have equivalent positive effects on foreign exchange, but export promotion generates additional productive capacity, employment, and international competitiveness without disrupting industrial supply chains.
Inconsistency Between Ports	○ Standardize customs and import procedures across all Egyptian ports through unified operating guidelines. ○ Digitize and integrate port systems to ensure consistent application of regulations and fees. ○ Establish transparent benchmarks for processing times and service standards. ○ Enhance coordination among customs authorities, port operators, and regulatory agencies to reduce procedural discrepancies.
Skills Shortages and Labor Turnover	○ Enabling government training centers and offering specialized courses aligned with industry needs through regular employer consultation; expand apprenticeships and work-based learning. ○ Improve wages and benefits where feasible, provide clear career progression, invest in employee retention strategies, improve working conditions, and offer continuous professional development. ○ Adopting the model, where firms pay a minimal share of their profits, with the state undertaking the training, provided that firms request the type of training needed for their workers. ○ Creating accurate descriptions for all jobs.



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	○ Providing accredited licenses to different jobs with level definition. ○ Develop integrated labor market information systems (LMIS), and establish online job-matching platforms
Distrust of the Private Sector	○ Shift toward a risk-based compliance and inspection framework that differentiates between compliant and high-risk firms. ○ Simplify documentation requirements and reduce redundant inspections for firms with strong compliance records. ○ Strengthen public–private dialogue mechanisms to improve institutional trust and transparency.
Lack of Stakeholder Consultation	○ Institutionalize stakeholder consultation mechanisms before introducing major trade or customs reforms. ○ Conduct pilot testing phases with private sector participation prior to nationwide implementation. ○ Establish permanent feedback channels between government agencies and businesses to identify operational bottlenecks. ○ Increase transparency regarding policy/ measure/ regulation objectives, implementation timelines, and technical requirements.

Source: ECES’ previous studies

b) Sector-Specific Constraints and Proposed Reforms

The following part presents the sectors identified in the previous sections of the report as having significant investment potential. For each sector, a brief overview is provided of the key challenges affecting its development, together with the corresponding reform measures and policy recommendations that could help address these constraints and enhance its attractiveness to investors. The level of detail provided for each sector reflects the availability of sector-specific information and evidence. Consequently, some sectors are discussed in greater detail where sector-specific challenges and policy needs could be clearly identified, while others are presented more briefly, with emphasis placed on the most salient issues and corresponding reform priorities.

• **Iron and Steel**

○ **Industry Structure**

The basic metals sector accounts for 2% of total manufacturing employment in Egypt (2019), heavily concentrated in two governorates:

- Qalubiya and Cairo together host 53% of establishments and 55–56% of workers.
- Alexandria, Giza, and Sharqia collectively account for roughly 25–26%.



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- Upper Egypt and border governorates represent less than 6% of enterprises and just 1% of total employment.

Total production capacity of iron and steel factories in Egypt stands at approximately 14.1 million tons per year, against annual consumption of only 7.5–8 million tons — resulting in roughly 50% idle capacity.

○ **Key Problems Facing Iron and Steel Import in Egypt**

▪ ***CBE's Mandatory Documentary Credit Decision***

In early 2022, the Central Bank of Egypt (CBE) issued a decision requiring all imports to be settled exclusively through Letters of Credit (LC), abolishing cash-against-documents (CAD) payments. This caused severe disruption: importers must now deposit the full import value at banks up to three months before goods arrive. The banking system's shortage of hard currency further delays LC issuance — sometimes by 1 to 3 months. As a result, production lines are disrupted, suppliers lose confidence in Egyptian buyers, and the import pipeline is severely constrained.

Additionally, although scrap iron (a key raw material under HS 7207) was exempted from the CBE decree, all upstream and downstream supply chain partners — including logistics companies and banks — are still subject to the decree, creating cascading disruptions throughout the entire production chain.

▪ ***Extremely Long Import Processing Time: 103 Days Average***

The total time to complete all import procedures for iron and steel in Egypt averages 103 days. Two processes alone consume more than 87% (about 90 days) of this time: applying for a Letter of Credit (45 days) and the bank-to-importer document transfer (45 days). In contrast, best international practices achieve the same process in 11 days (first-best scenario) or 27 days (second-best scenario). This means Egypt's import process is approximately 4–9 times slower than global standards.

▪ ***Escalating Port Detention Charges***



Due to the high volume and heavy weight of iron and steel shipments, delays in the import process result in progressive storage fines at ports. In the first week, fines are EGP 2 per ton; they escalate by approximately 50% each subsequent week (EGP 3/ton in week 2, and so on). Additionally, container emptying penalties reach USD 80 per ton per day. If documents are unavailable, goods stored on the pier cost EGP 500 per ton per day. These costs severely burden Egyptian importers, especially small and medium enterprises.

- ***Risk of Goods Being Auctioned Due to Customs Delays: Two-Month Temporary Storage Limit***

Under Article 137 of the executive regulations of the new Customs Law, goods may remain in temporary port storage for a maximum of two months. If banking delays prevent timely clearance, the imported goods risk being sold at public auction by customs. This leads to financial losses, reputational damage with foreign suppliers, inability to fulfill export contracts, and permanent loss of foreign markets — which are very difficult to recover once lost. The Minister of Finance extended this period to four months as a temporary measure, but the underlying currency problem remains unresolved.

- ***Customs Valuation and Price Re-Assessment Problems: Arbitrary Customs Price Re-Evaluation***

Egyptian Customs sometimes recalculates duties using international stock exchange prices rather than the contractual invoice price — or relies on the most recent import price on record. This practice can significantly increase the customs duties payable, and the criteria used are neither transparent nor consistent. Customs officers may also rely on their own judgment or local prices rather than verified market studies, leading to unpredictability for importers and effectively constituting a non-tariff barrier to trade.

- ***NAFEZA System Design Failures: Non-Integrated Digital Platform with Multiple Flaws***

The NAFEZA platform — Egypt's advance cargo information system — was designed to unify all import dealings in a single interface. In practice, it is automation rather than true digitization: each institution involved in the import process (customs, port authority,



inspection authorities) still operates separately under its own procedures. Key deficiencies include: inability to edit previously entered information such as the bank or port of shipment; system not accepting photocopies; no automatic data extraction from uploaded documents; complex registration for foreign exporters; frequent technical errors requiring re-submission of all data; and lack of timely communication to users about regulatory changes.

- ***Radiation Detection Bottleneck — Egyptian Atomic Energy Authority (EAEA):
Absence of EAEA Representatives at Ports***

Iron and steel shipments require mandatory radiation detection by the Egyptian Atomic Energy Authority (EAEA). However, EAEA typically does not have a permanent representative at most ports. Inspection results must be physically sent to Cairo for the signature of the responsible manager, then returned to the port in a paper envelope. This manual, paper-based process causes significant delays in an otherwise digital chain, and represents a major procedural bottleneck unique to iron and steel imports. It is worth noting that Egypt's nuclear regulatory framework is broadly based on and aligned with the International Atomic Energy Agency (IAEA) safety standards; however, there are some areas where further enhancements are recommended to achieve closer alignment with international best practices.

- ***CargoX Monopoly for Shipping Document Upload: : Forced Use of a Single, Costly
Digital Corridor***

All foreign exporters shipping to Egypt must register and upload shipping documents exclusively on the CargoX platform, which is linked to NAFEZA. Foreign suppliers report that CargoX registration is complex, not user-friendly, requires excessive detail, and costs approximately USD 165 per transaction. Many foreign suppliers have reduced or stopped supplying to Egypt as a direct result. This amounts to government interference in business-to-business commercial relationships and narrows Egypt's supplier base.

- ***Multiple Uncoordinated Inspection Authorities: 38 Separate Inspection Bodies with
No Risk-Based System***



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Egyptian imports are subject to inspection by approximately 38 different inspection bodies. Each operates independently, without a centralized risk management framework. The new Customs Law mentions a risk assessment system, but it has not been implemented. Currently, every shipment from the same supplier imported by the same Egyptian company undergoes full inspection — with no credit given for a clean compliance history. This is contrary to international best practices (applied in the USA, Canada, Turkey, UAE, Brazil) where colored-track risk categorization (green/yellow/red) is used to streamline low-risk imports.

- ***GOEIC Registration Barriers — Decree 43/2016: Burdensome Foreign Supplier Registration Requirements***

Ministerial Decree No. 43 of 2016 (amended in 2022) requires foreign factories to register with the General Organization for Export and Import Control (GOEIC) before they can supply Egypt. The process involves lack of transparency, complex procedures, extended durations, and reports of informal payments. As no other country applies such a procedure to foreign suppliers, it has caused many international suppliers to exit the Egyptian market, weakening Egypt's import supply chain and reducing competition among suppliers.

- **Key Problems Facing Iron and Steel Export from Egypt**

- ***High Production Costs Making Exports Uncompetitive: Energy-Intensive Production with High Input Costs***

Iron and steel production is highly energy-intensive. Egyptian producers face high energy and raw material costs — particularly since Egypt imports 70–80% of its production inputs (scrap, chemicals, refractory bricks). These costs make Egyptian iron and steel products significantly more expensive than competing products from countries such as Turkey, China, and Ukraine, and prevent Egyptian producers from penetrating or retaining foreign markets.

- ***Anti-Dumping Duties in Foreign Markets: Inability to Access Foreign Markets Due to Trade Barriers***



Many countries impose anti-dumping duties on imports of iron and steel, citing unfair pricing. Egypt's producers face these barriers and are additionally unable to customize their product specifications to meet market-specific standards — a capability that competitors such as Turkey have developed. As a result, approximately 40% of production capacity sits idle, with no viable domestic or export outlet.

- ***Export Subsidy Delays and Drawback System Problems: Liquidity Crisis from Delayed Export Incentives***

Exporters of iron and steel face severe liquidity constraints due to: (a) delays in receiving export subsidy payments, caused by complex administrative procedures and the requirement to submit original hard-copy Bills of Lading; (b) the requirement to clear company dues against Ministry of Finance obligations before receiving subsidies; and (c) problems with the new customs drawback system, which requires companies to issue letters of guarantee covering 100% of value-added taxes for 3 years (reduced to 30% thereafter) — compared to the old law which required 100% only in year one then reduced to 25%. These conditions lock up significant working capital and undermine export competitiveness.

- ***Production Overcapacity and Domestic Demand Weakness: Structural Imbalance Between Capacity and Demand***

Egypt's iron and steel sector has a total production capacity of 14.1 million tons per year against domestic consumption of only 7.5–8 million tons — a surplus of approximately 50%. The construction sector (the primary consumer) has been struggling due to declining demand, sharp rises in raw material prices, and global supply chain disruptions, especially following COVID-19. This surplus cannot be exported at competitive prices, leaving factories operating well below capacity.

- ***COVID-19 Impact and Incomplete Recovery: Import-Export Contraction Since 2020***

Iron and steel imports contracted sharply in 2020 due to COVID-19. While the broader iron and steel sector showed some recovery in 2021, imports of semi-finished products



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(HS Code 7207) specifically continued to decline and had not recovered by the end of the study period. CBE decisions, construction sector weakness, and global supply chain disruptions were identified as contributing factors preventing a full recovery.

Table 9 Summary of Key Constraints and Proposed Policy Recommendations for Iron and Steel

Problem	Recommended Reform Measure
Mandatory use of Letters of Credit (LCs) and foreign currency shortages	○ Ensure stable access to foreign currency for productive sectors, expand alternative trade finance instruments, and establish priority financing mechanisms for strategic industrial inputs.
Excessive import processing time (103 days on average)	○ Streamline import procedures through greater inter-agency coordination, process automation, and the introduction of clear service-level timelines for approvals and document processing.
Escalating port detention and storage costs	○ Accelerate customs clearance procedures, introduce fast-track channels for industrial inputs, and review storage and demurrage policies to reduce the financial burden caused by administrative delays.
Risk of goods being auctioned due to customs and banking delays	○ Extend temporary storage periods for strategic industrial imports and introduce automatic extensions when delays arise from government or banking procedures rather than importer non-compliance.
Arbitrary customs valuation practices	○ Establish transparent customs valuation guidelines, strengthen appeal mechanisms, and ensure consistent application of valuation rules across customs offices.
Operational shortcomings of the NAFEZA platform	○ Upgrade NAFEZA into a fully integrated digital single-window system, improve system functionality, allow data amendments, and strengthen technical support for users.
Radiation inspection bottlenecks and manual approval procedures	○ Digitize radiation clearance procedures, decentralize approval authority, and ensure the permanent presence of inspection personnel at major ports. ○ Further align Egypt's nuclear regulatory framework with IAEA Safety Standards and evolving international best practices.
Mandatory use and high cost of CargoX	○ Review platform fees and procedures, simplify supplier registration requirements, and improve interoperability with other trade facilitation systems.
Multiple uncoordinated inspection authorities	○ Introduce a unified risk-based inspection system, strengthen coordination among inspection bodies, and reduce duplicate inspections for compliant importers.



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GOEIC foreign supplier registration requirements	○ Simplify registration procedures, increase transparency, reduce administrative burdens, and adopt internationally recognized compliance and certification mechanisms.
High production costs and dependence on imported inputs	○ Improve access to production inputs, encourage local production of key intermediate goods, and support energy efficiency and productivity-enhancing investments.
Anti-dumping measures and limited compliance with foreign market requirements	○ Strengthen export promotion services, support compliance with international standards, and assist producers in adapting products to market-specific requirements.
Delays in export subsidy payments and drawbacks	○ Accelerate reimbursement procedures, digitize claims processing, and simplify customs drawback requirements to improve exporters' liquidity.
Production overcapacity and weak domestic demand	○ Expand export market access, support trade promotion initiatives, and encourage diversification into higher-value products and new export destinations.
Incomplete post-COVID recovery and persistent supply chain disruptions	○ Enhance supply chain resilience through trade facilitation reforms, improved logistics efficiency, and policies that support industrial recovery and export competitiveness.

Source: ECES' previous studies

• **Plastics**

Egypt's plastics industry — comprising roughly 1,273 factories, a market value of approximately USD 4 billion, and 415,000 employees — is heavily dependent on imported polyethylene as a primary raw material.

▪ **Sector Overview and Strategic Importance**

Egypt's plastics and chemical products sector is one of its most strategically significant manufacturing industries. Key facts include:

- The chemical industry accounts for 3% of total manufacturing employment in Egypt.
- Egypt consumed approximately 3 million tons of plastic materials annually, with demand expected to grow at 10% per year for at least the next five years.
- Polyethylene imports (HS 3901) were valued at nearly USD 1 billion in 2021, representing 25% of all plastics imports (HS 39).



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- Egypt's exports of polyethylene products reached USD 545.6 million in 2021, with key export destinations including Belgium (24%), Spain (12%), the UK (9%), and Italy (7.5%).
- Chemical industries are heavily concentrated in lower Egypt — Greater Cairo, Alexandria, Sharqia, and Gharbia account for 70% of enterprises and 73% of employment.
- Only two local public producers (SIDPEC and ETHYDCO) supply polyethylene domestically, covering only 16% of market needs.
- **Import Process Problems**

The import of polyethylene involves 13 core business processes spread across three process areas: Buy, Ship, and Pay. More than 11 organizations are involved, and the entire process takes an average of 113 days, with just four steps consuming 95% of that time. The main problems at each stage are detailed below.

- ***Pre-Import Registration Requirements***
 - Before the import process even begins, importers face a multi-layered registration burden:
 - Registration is required with multiple bodies — GOEIC, IDA (Industrial Development Authority), GAFI, and the Customs Authority — yet these organizations do not coordinate with each other, resulting in repetitive submission of the same documents.
 - IDA is identified as a major bottleneck for industrial license issuance, especially for small enterprises. Law 15/2017, which should simplify this, is not being effectively implemented.
 - Information on required procedures, fees, and timelines is not consistently available in updated formats on official websites, creating uncertainty.



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- Failure to renew any prerequisite document — such as an import license or production requirements card — halts the import process entirely at any stage.
- MTI Decree No. 43/2016 requires foreign suppliers to register with GOEIC, creating ambiguity, high informal costs, and deterring foreign exporters from supplying Egypt.

▪ ***ACID Number and NAFEZA System***

Since October 2021, all imports require an Advance Cargo Information (ACID) number obtained through the NAFEZA platform. This system has introduced significant problems:

- The platform is not user-friendly and requires excessive detail during registration.
- Only original documents are accepted; photocopies are rejected.
- The system does not allow corrections or edits after submission — any error requires complete resubmission of all data.
- Weak technological infrastructure causes frequent system interruptions.
- The system cannot automatically extract data from uploaded documents, forcing manual re-entry.
- Users are not informed of procedural or legislative changes in a timely manner.
- The ACI system was implemented without proper stakeholder consultation or a testing phase.

▪ ***Letter of Credit — Banking Delays***

Applying for a letter of credit (LC) represents the single largest time bottleneck in the import process, taking 45 days on average (and up to 3 months for smaller importers):

- The Central Bank of Egypt (CBE) decree issued in March 2022 required all imports to be financed through LCs, creating a severe shortage of foreign currency allocation and causing significant delays in LC issuance.



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- Although polyethylene as a raw material was eventually exempted from the CBE decree, all other parties across the supply chain remained affected, disrupting the entire plastics manufacturing supply chain.
- The banking system does not prioritize intermediate industrial inputs, further slowing the process for manufacturers.
- The same documents already uploaded to NAFEZA must be resubmitted again to the bank when applying for the LC, creating redundant paperwork.

▪ ***Shipping Documents and CargoX***

Foreign exporters are required to upload all shipping documents to the CargoX platform, which is linked to NAFEZA. This arrangement has generated significant friction:

- The CargoX platform is expensive — approximately USD 165 per transaction — which deters foreign suppliers, especially smaller ones.
- The registration process on CargoX is described as complicated, not user-friendly, and requiring extensive information.
- Egypt is the only country in the world requiring foreign suppliers to use a specific, government-mandated digital platform, constituting direct interference in B2B commercial relationships.
- Form 4, which confirms bank approval, is still often issued manually rather than automatically through NAFEZA.

▪ ***Customs Detection and Inspection***

Egypt's customs inspection system is inefficient and lacks risk-based differentiation:

- Egyptian Customs applies 100% physical inspection to every shipment, regardless of the supplier's track record or the importer's history — even when the same importer uses the same supplier repeatedly.
- The risk assessment framework referenced in the new Customs Law (No. 207 of 2020) has not been implemented, and no clear risk criteria exist.



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- In cases of disagreement over HS classification, disputes are referred exclusively to the Chemistry Administration, which may take 15–20 days or more to resolve, during which storage costs accumulate at the importer's expense.
- The Chemistry Administration handles all disputes centrally, creating a backlog of unresolved cases.

▪ ***Sample Taking and Security Approvals***

The sampling and security approval process for chemical products is particularly burdensome, consuming an average of 10 days:

- Samples must be sent to the Criminal Investigation Department (CID) in Cairo for analysis, regardless of which port the shipment enters — even for ports far from Cairo.
- The General Security Authority (Al Amn El Aam) does not maintain a representative at each port, requiring physical travel to deliver samples to Cairo.
- Fees must be paid in person at the Cairo office: EGP 5,200 for urgent requests, EGP 2,400 for non-urgent.
- After General Security Authority approval, importers must obtain a separate approval from the Civil Defense Authority — a redundant step with no added value.
- The NAFEZA platform is not reliably integrated with inspection authorities, meaning inspection requests are not always received electronically, requiring manual follow-up.
- The timeline for sample results is unpredictable and frequently delayed when ports are congested (e.g., Ain Sokhna port).

▪ ***Customs Valuation — Price Re-evaluation (Process 2.10)***

A particularly damaging problem for polyethylene importers is the arbitrary price re-evaluation by customs employees:

- Customs officials re-evaluate invoice prices, ostensibly to correct undervaluation in invoices — particularly from Chinese suppliers.



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- However, this revaluation is not based on market studies or reliable international price references. Customs employees use local prices or personal judgment, with the sole apparent objective of maximizing customs revenue for the Ministry of Finance.
- This practice imposes unpredictable costs on importers and has no transparent or binding appeal mechanism.
- The valuation step may not be conducted at the port of arrival, adding unnecessary delay while the shipment remains in storage.
- The unified invoice presented to importers excludes certain fees (port authority, shipping agent), meaning actual costs remain unknown until the final stage.

▪ ***Offloading and Port Procedures (Process 2.5)***

The offloading process operates entirely outside the NAFEZA platform:

- Procedures, durations, and costs for offloading are not unified across Egyptian ports, creating unpredictability for importers.
- Lack of transparency regarding these costs means importers cannot accurately forecast total import costs.
- Heavy port traffic at certain facilities (particularly Ain Sokhna) causes significant delays in inspection scheduling.

▪ ***Obtain 46 and Examination Numbers***

This administrative step involves the Central Manifest and the NAFEZA platform:

- Egyptian importers frequently pay additional charges to the Central Manifest to modify items in import documents — and actual costs are determined through informal negotiation with employees, enabling corruption.
- Many modifications are required due to technical limitations in NAFEZA itself (e.g., container cell numbers require 19 digits, but NAFEZA only accepts 9).



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- This step creates unnecessary cost and delay for importers and is a source of informal payments.

Table 10 Summary of Key Constraints and Proposed Policy Recommendations for Plastics

Problem	Recommended Reform Measure
Multiple and uncoordinated pre-import registration requirements across GOEIC, IDA, GAFI, and Customs, requiring repeated submission of the same documents.	Establish a unified registration system based on a single-window approach and enable data sharing among government entities to eliminate duplicate submissions.
Industrial licensing delays at IDA , particularly for SMEs, despite the provisions of Law 15/2017 intended to simplify industrial licensing.	Accelerate the implementation of Law 15/2017, simplify licensing procedures, and establish expedited approval mechanisms for industrial projects.
Lack of transparency regarding import procedures, fees, required documents, and processing timelines.	Publish updated procedural guidelines, fees, and service standards on official digital platforms and require agencies to disclose processing timelines.
Mandatory sample testing and security approvals for chemical products , requiring samples to be physically sent to Cairo regardless of the port of entry. This process takes approximately 10 days on average.	Decentralize testing and security approval functions, establish accredited laboratories at major ports, and digitize the transmission of test results and approvals.
Absence of permanent representatives of security authorities at ports , requiring physical movement of samples and documents between ports and Cairo.	Ensure permanent representation of relevant authorities at major ports or implement fully electronic approval mechanisms.
Redundant approvals from multiple authorities , including separate approvals from the General Security Authority and the Civil Defense Authority.	Consolidate overlapping approvals into a single integrated clearance process and eliminate duplicative requirements.
Delays and bottlenecks in customs classification disputes , which may take 15–20 days or longer to resolve due to centralized decision-making by the Chemistry Administration.	Decentralize classification decisions, establish technical committees at major ports, and introduce time-bound dispute-resolution procedures.
Lack of standardization across Egyptian ports , with different procedures, costs, and service levels for offloading and cargo handling.	Harmonize port procedures, charges, and service standards across all ports to improve predictability and reduce transaction costs.



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Problem	Recommended Reform Measure
Heavy congestion at certain ports (particularly Ain Sokhna) resulting in inspection and clearance delays.	Expand inspection capacity, improve port logistics management, and invest in infrastructure upgrades to reduce congestion.
Informal payments associated with document amendments and administrative procedures , particularly in relation to manifest modifications.	Increase automation, reduce discretionary decision-making, strengthen transparency, and implement effective monitoring and grievance mechanisms.
Technical limitations within NAFEZA generating unnecessary document amendments and additional administrative costs (e.g., data field restrictions that do not match shipping documentation requirements).	Upgrade the technical architecture of NAFEZA to align with international shipping and customs documentation standards and reduce the need for manual corrections.

Source: ECES’ previous studies

• Automotive Parts & Accessories

○ Industry Structure

The motor vehicle industry contributes 0.8% of total manufacturing employment in Egypt. The sector is heavily concentrated geographically:

- Greater Cairo and Dakahliya together account for 68% of total enterprises and over 90% of total employment in motor vehicles manufacturing.
- Within the parts and accessories subsector (HS 8708) specifically: Greater Cairo accounts for 45% of enterprises and 64% of employment; Sharqia accounts for 21% of enterprises and 20% of employment.
- Upper Egypt governorates combined contribute only 10% of enterprises and 12% of employment in this subsector.

Egypt currently has 12 automotive producers with assembly lines. The three largest — GB Auto, Mansour Automotive, and Nissan — dominate production capacity. There are 500 automobile feeding companies serving 16 assembly plants, producing components such as exhaust systems, air conditioning units, radiators, windshields, and seats. Two major Tier 1 global suppliers (Valeo and Brightskies Technologies) are present in Egypt.



- **Sector-Specific Structural Problems**

Beyond general import procedural issues, the automotive parts sector faces unique structural challenges that are not present in other commodities.

- ***Highly Heterogeneous Product Category with Different Treatment Per Item***

HS Code 8708 covers an extremely wide range of products — from airbags and brake pads to GPS devices and electronic systems — each subject to different customs procedures, regulatory bodies, and inspection requirements. Customs treatment also varies based on the purpose of import: importing for manufacturing requires IDA approval for each individual shipment, whereas importing for trading requires GOEIC pre-approval. This complexity multiplies procedural burden and unpredictability for importers.

- ***No Technical Specifications for Fully Imported Vehicles***

Imported complete vehicles enter Egypt with no auditing of their components or parts. This creates a structurally unfair competitive environment: local producers must comply with Egypt's applicable technical standards at additional cost, while importers of assembled vehicles face no equivalent obligation. This amounts to reverse discrimination against domestic manufacturers, suppresses local production investment, and offers no assurance of quality to consumers.

- ***Weak Internal Market Controls Enabling Document Manipulation***

The weak internal control environment over automotive parts markets in Egypt enables manipulation of documents concerning the origin of goods. Counterfeit or lower-quality products are sold to consumers at the prices of genuine, original components. This results in: (a) loss of customs and tax revenue to the state, (b) consumer fraud and safety risks, and (c) unfair competition against legitimate importers who bear full compliance costs.

- ***Underdeveloped Local Testing and Certification Infrastructure***



Despite joining the WP29 agreement in 2012, Egypt has not invested in building laboratories capable of conducting tests and granting product certification locally. Egyptian producers are therefore compelled to have their products tested in other countries — adding cost, time, and complexity to the production and export process. Egypt's failure to develop this capability means the WP29 membership provides little tangible benefit to local manufacturers.

▪ ***Assembly-Dominated Industry with Informal Micro-Workshops***

Egypt's automotive industry is dominated by assembly-based supply chains, with hundreds of feeding companies consisting mostly of informal, micro-scale workshops. This structure limits the depth of Egypt's automotive value chain integration, reduces quality consistency, and makes it nearly impossible to build the export-grade production capabilities needed to compete with Morocco, South Africa, or Turkey in international vehicle component markets.

○ **Key Problems Facing Automotive Parts Import in Egypt**

▪ ***IDA License Bottleneck for Manufacturing Importers: Per-Shipment Industrial Development Authority (IDA) Approval Required***

Importers bringing in parts and accessories for manufacturing purposes must obtain approval from the Industrial Development Authority (IDA) for each individual shipment — not just as a one-time registration. This requires submission of an ABC Study (technical feasibility document prepared by the parent company abroad), along with the IDA license and tax card. The IDA review process takes approximately one week per transaction and frequently becomes a bottleneck due to inadequate staffing, poor digitization, and requirements that do not align with international norms. Any failure to renew pre-requisite documents halts the entire import process at any stage.

▪ ***Foreign Currency and Letter of Credit Constraints: CBE Mandatory Documentary Credit Requirement***

The Central Bank of Egypt's March 2022 decision requiring all imports to be settled through Letters of Credit (LC) — replacing cash-against-documents — caused an acute



crisis in the automotive parts sector. Importers must deposit the full value of imports at banks up to three months before goods arrive, while the banking system's hard currency shortage means LC issuance itself takes 1–3 months. For car assemblers, any delay in securing one component part can bring an entire production line to a halt. The resulting spare parts shortage has caused price surges and disrupted vehicle maintenance and repair services nationwide.

- ***Extremely Long Import Processing Time — 120.5 Days Average: Overall Import Duration Far Exceeds Global Standards***

The total time to import automotive parts into Egypt averages 120.5 days — with four processes alone accounting for over 90% of this time: the IDA license (7 days), the Letter of Credit (45 days), bank-to-importer document transfer (45 days), and container emptying and multi-agency sample inspection (10 days). By comparison, the first-best reform scenario would reduce this to 16.5 days and the second-best scenario to 41.5 days. Egypt's current import timeline is 7–10 times slower than international best practice.

- ***Multi-Agency Sample Inspection — 10-Day Process: Multiple Inspection Bodies Without Coordination or Predictability***

Automotive parts require inspection by numerous authorities depending on the product type: GOEIC for general conformity, NTRA (National Telecommunications Regulatory Authority) for audio, electronic, GPS, and Bluetooth-enabled components, General Security Authority (Al Amn El Aam) for safety-sensitive items such as airbags, and Civil Defense Authority for further approvals after General Security. Each authority operates independently, has no permanent representative at most ports, and communicates results via paper to a central Cairo office — creating serial (not parallel) delays. Importers cannot predict inspection timelines, and the entire process takes 10 days on average, often longer at congested ports such as Ain Sokhna.

- ***General Security Authority Delays — No Port Representatives: Clearance Handled Centrally Without Port Presence***



For automotive components flagged for security review (such as airbags), the General Security Authority (Al Amn El Aam) typically has no permanent representative at the port. Samples must be physically transported to the Central Investigation Directorate (CID) in Cairo, inspected, and results returned to the port. Importers must also travel to Cairo to pay inspection fees in person. After General Security approval, importers must separately obtain Civil Defense Authority approval — adding further sequential delay. This paper-based, centralized process is a major procedural bottleneck unique to this product category.

- ***NAFEZA System Design Failures: Non-Integrated Platform with Multiple Usability Deficiencies***

The NAFEZA platform — intended to unify all import dealings in a single digital interface — fails to deliver true integration in practice. Key problems specific to automotive parts include: the system cannot accommodate the heterogeneous nature of HS 8708 products (each requiring different treatment); any small data entry error requires re-submission of all data from scratch; edits to bank details or port of shipment are not permitted after initial entry; NAFEZA container cell fields allow only 9 digits while standard container references contain 19; and the platform does not automatically draw data from uploaded documents, requiring manual re-entry of the same information multiple times. Offloading procedures remain entirely outside the NAFEZA platform, with no linkage to port authority or shipping agent fees.

- ***CargoX Mandatory Platform for Foreign Exporters: Single Costly Digital Corridor Deterring Foreign Suppliers***

All foreign exporters shipping automotive parts to Egypt must register exclusively on the CargoX platform (linked to NAFEZA) to upload shipping documents. CargoX registration is described by suppliers as complex, not user-friendly, requiring excessive detail, and carrying a cost of approximately USD 165 per transaction. Many foreign suppliers have reduced or ceased exports to Egypt as a direct result. This requirement constitutes government interference in business-to-business commercial relationships and has narrowed Egypt's supplier base for critical automotive components.



▪ ***Customs Valuation Inconsistency: Arbitrary Price Re-Assessment Without Transparent Methodology***

Customs appraisals for automotive parts are sometimes conducted away from the port of arrival, adding time and logistical cost. The unified customs invoice excludes fees owed to port authorities and shipping agents, so importers cannot know their total cost obligations in advance. In cases where customs authorities disagree with the importer's HS classification, disputes are referred exclusively to the Chemistry Administration — which handles all such disputes for all product categories and typically takes 15–20 days or more to resolve each case, during which the importer bears escalating storage and inspection costs.

▪ ***Decree 43/2016 — Foreign Factory Registration Burden: Mandatory GOEIC Registration for Foreign Suppliers Creates Barriers***

Ministerial Decree No. 43 of 2016 (amended March 2022) requires all foreign factories supplying Egypt to register with GOEIC before they can export to Egypt. The process is opaque, involves high informal fees, and has led many international automotive component suppliers to exit the Egyptian market entirely. No peer country applies such a requirement. Corruption was identified in this process: Ministry of Industry employees have discretionary power over how quickly registrations are processed, creating incentives for unofficial payments.

▪ ***Port Inconsistency in Procedures and Costs: No Standardization Across Egyptian Ports***

Procedures, durations, and costs for automotive parts imports differ significantly between Egyptian ports. There is no unified, publicly accessible tariff or timeline for importers to reference before selecting a port of entry. This opacity makes it impossible for businesses to accurately plan supply chains or estimate total landed costs, and creates congestion at ports perceived as having simpler procedures.

○ **Key Problems Facing Automotive Parts Export from Egypt**



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Egypt's automotive parts export performance is dramatically below its potential and far behind comparable countries. Several structural and policy barriers prevent the sector from developing meaningful export capacity.

- ***Negligible Export Base Relative to Peers: Egypt Exports USD 4 Million vs. South Africa's USD 700+ Million***

Egypt's automotive parts exports were only USD 4 million in 2021. South Africa and Morocco each exported more than USD 700 million worth of vehicle components in the same year. Egypt's entire motor vehicle sector (HS 87) exports were just USD 53.5 million, compared to South Africa's USD 10.6 billion and Morocco's USD 5 billion. This performance gap reflects deep structural barriers to export competitiveness rather than a short-term cyclical issue.

- ***Informal, Assembly-Focused Industry Cannot Compete Globally: Hundreds of Micro-Workshop Suppliers Lack Export-Grade Capabilities***

The majority of Egypt's automotive feeding companies are informal micro-workshops producing basic components. Egypt's greater comparative advantage lies in the secondary parts market (maintenance and repair) rather than Original Equipment Manufacturer (OEM) supply chains for vehicle assembly. Breaking into export OEM markets requires sustained investment in quality systems, certifications, and scale that the current cottage-industry structure cannot support.

- ***No Export Subsidy Mechanism for Automotive Parts: Liquidity Constraints and Drawback System Weaknesses***

Egyptian exporters of automotive parts face liquidity constraints related to delays in receiving export subsidies, requirements to submit original hard-copy Bills of Lading, and problems with the customs drawback system. The new customs law requires letters of guarantee covering 100% of value-added taxes for three years (reduced to 30% thereafter), locking up substantial working capital that small and medium producers cannot afford — further stunting export growth.



- **Lack of Local Testing and Certification for Export Markets: Components Must Be Tested Abroad Due to Absent Local Infrastructure**

Because Egypt has not developed local laboratories certified under WP29 or other international frameworks, Egyptian manufacturers must send components abroad for testing and certification before they can be exported to international markets. This adds significant cost and lead time to every export transaction and makes Egyptian suppliers structurally uncompetitive against producers in countries that have built this capability (such as Turkey, Morocco, and South Africa).

- ***Limited Domestic Market Fails to Create Export-Scale Production: Small Car Market Cannot Drive Volume for Export Competitiveness***

Egypt's annual car sales are approximately 270,000 units (roughly 170,000 imported and 100,000–120,000 locally assembled), against a population exceeding 100 million. This low vehicle penetration rate limits domestic demand for automotive parts, preventing local manufacturers from achieving the production volumes needed to reduce unit costs and become competitive in export markets. The low volume also reduces the commercial incentive for global Tier 1 and Tier 2 suppliers to invest in deeper Egyptian manufacturing partnerships.

- **Recommended Corrective Actions**

The study proposes corrective actions in two categories: (A) First-best — radical changes based on international best practices; and (B) Second-best — improvements to the existing system. Actions are classified by urgency: Immediate (I), Short-term 2–5 months (S), and Medium-term 6–12 months (M).

Table 11 Summary of Key Constraints and Proposed Policy Recommendations for Automotive Parts and Accessories

Problem	Recommended Reform Measure
IDA Per-Shipment Approval	Streamline IDA licensing; implement Law 15/2017 for low-risk activities; expand digital capabilities of IDA staff
Letter of Credit / Currency	Cancel CBE mandatory LC decree; prioritize hard currency for intermediate goods



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NAFEZA Platform	Make system user-friendly; allow edits; accept photocopies; auto-fill from documents; fix field size limitations
CargoX Monopoly	Allow alternative digital corridor services for foreign suppliers; reduce per-transaction cost
Security/NTRA Inspection	Assign permanent representatives at major ports; enable electronic fee payments; set firm time-frames
Decree 43/2016 — GOEIC	Cancel Decree 43 entirely; no comparable country applies such a supplier registration requirement
Risk Management	Implement risk-based customs clearance (green/yellow/red tracks) from new Customs Law
Local Testing Infrastructure	Invest in certified WP29-compliant testing laboratories to enable local certification for export
Full Digitization (4IR)	Deploy AI, machine learning, and big data for end-to-end automated, intelligent trade process
Stakeholder Consultation	Institutionalize regular private sector consultation in trade policy design and system updates
Market Controls	Strengthen internal market surveillance to combat counterfeit and mis-declared automotive parts

Source: ECES' previous studies

The analysis of the following sectors is comparatively less detailed, reflecting the limited availability of sector-specific evidence. The discussion focuses on the most prominent challenges and corresponding policy measures that could be clearly identified. Other constraints and recommendations are largely consistent with the cross-cutting issues affecting multiple sectors and should therefore be considered within the broader framework of investment climate reforms outlined in the preceding sections.

- **Man-Made Filaments; Strip and The Like of Man-Made Textile Materials**

Table 12 Summary of Key Constraints and Proposed Policy Recommendations for Man-Made Filaments



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Problem	Recommended Reform Measure
Obsolescence of machinery and equipment and the lack of technological upgrading	• Introduce tax incentives for machinery renewal. • Establish dedicated industrial upgrading funds targeting SMEs and priority sectors. • Promote EU–Egypt partnerships and joint ventures to facilitate technology transfer.
Frequent increases in energy bills, with the price per kilowatt rising by 36% in a single adjustment—far exceeding the profit margins achievable by industrial firms.	• Adopt gradual and predictable energy pricing frameworks with clear multi-year roadmaps. • Introduce differentiated or preferential tariffs for strategic and energy-intensive industries. • Provide financial incentives for energy efficiency investments (concessional loans, tax rebates). • Facilitate access to renewable energy solutions (e.g., net metering, a power purchase agreement PPAs, ...). • Enhance transparency and communication of future energy pricing policies.

Source: Prepared by ECES.

• Copper And Articles Thereof

Table 13 Summary of Key Constraints and Proposed Policy Recommendations for Copper and Articles

Problem	Recommended Reform Measure
Heavy reliance on imported copper inputs and lack of a domestic raw material base. This makes the sector highly vulnerable to fluctuations in global metal prices, with limited capacity for hedging or cost control.	• Promote investment in upstream activities, including exploration and recycling of copper scrap to reduce import dependence. • Develop strategic reserves or procurement mechanisms to mitigate international price volatility. • Encourage long-term supply agreements with international suppliers to stabilize input costs. • Support financial instruments and hedging mechanisms to manage global price risks.
The copper sector, like other energy-intensive industries, faces relatively high energy costs compared to competitor	• Introduce predictable and competitive energy pricing schemes for energy-intensive industries. • Promote energy efficiency and cleaner production



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Problem	Recommended Reform Measure
countries. These costs escalate further during periods of regional tensions or disruptions in maritime transport, increasing both energy prices and raw material shipping costs, thereby raising the final cost per ton and weakening export competitiveness.	technologies through financial incentives. • Facilitate access to renewable energy solutions for industrial users. • Improve logistics infrastructure and reduce port and shipping costs. • Establish contingency mechanisms to support firms during external shocks (e.g., freight or energy price spikes).
Challenges in the copper sector extend beyond direct manufacturers, affecting a wide range of downstream industries that rely on copper as a key input, including electrical wires and cables, electrical equipment, copper pipes, and electronics. Any increase in raw copper prices is quickly transmitted to final consumer goods, placing cumulative pressure on firm profitability and competitiveness.	• Strengthen value chain integration to improve coordination between upstream and downstream industries. • Provide targeted support to downstream sectors during periods of input price surges. • Encourage local production of intermediate copper products to reduce cost pass-through. • Enhance industrial clustering to improve efficiency and reduce production costs. • Support export-oriented downstream industries through incentives and trade facilitation measures.

Source: Prepared by ECES

• Machinery and Equipment; and Parts

Table 14 Summary of Key Constraints and Proposed Policy Recommendations for Machinery and Equipment

Problem	Recommended Reform Measure
Tariff asymmetry disadvantaging local manufacturing as customs duties—averaging around 5%—are imposed on the import of capital machinery and equipment required for domestic production, while fully manufactured imported products often enter the Egyptian market duty-free or at lower tariff rates, creating a price advantage for imported goods at the expense of locally manufactured products.	• Rationalize the tariff structure to ensure a level playing field between imported finished goods and locally manufactured products. • Reduce or eliminate tariffs on capital goods used in domestic production, particularly in priority industrial sectors. • Introduce temporary protective measures for nascent industries, consistent with international trade commitments. • Implement local content incentives to encourage domestic manufacturing and assembly.
Available financing initiatives are predominantly directed toward funding the	• Redirect financing schemes to support local manufacturing of machinery and intermediate goods.



Problem	Recommended Reform Measure
import of machinery rather than supporting its domestic production. This reinforces structural dependence on foreign inputs and limits local value addition	• Establish dedicated credit lines and incentives for firms investing in domestic capital goods production. • Promote joint ventures and technology partnerships with international firms to localize production. • Provide fiscal incentives (tax breaks, subsidies) for domestic producers of machinery and equipment.
Frequent changes in industrial policy—where initiatives to localize specific industries are launched and then reversed or replaced—create uncertainty. This prevents industries from reaching the necessary scale required for maturity and sustainability. Weak local supply chains and high import dependence, as the share of imported components in many products exceeds 60%. Egypt currently lacks local production for key components such as refrigerator and air conditioner filters, despite annual domestic demand of around 5 million units, which are fully imported. Similarly, microwaves are almost entirely imported, with local content below 10%, and household appliances heavily rely on cold-rolled steel sheets imported from China and South Korea.	• Establish a stable, long-term industrial strategy with clearly defined priority sectors and consistent policy direction. • Ensure policy continuity by committing to multi-year frameworks with limited discretionary changes. • Strengthen institutional coordination to avoid overlapping or conflicting initiatives. • Enhance transparency and stakeholder consultation in policy design and implementation. • Provide long-term guarantees or policy assurances for strategic investments in capital-intensive sectors. • Promote the development of local supplier industries through investment incentives, tax breaks, and grants for component manufacturing. • Establish industrial clusters or supplier parks focused on electrical and household appliance components. • Provide capacity-building programs and technical support for SMEs entering upstream supply chains.
High cost of lending as industrial loan interest rates in Egypt ranges from 15–20% or higher, compared to 2–3% in China and lower rates in Turkey and Europe. Banks often require high prepayments or collateral, while international competitors benefit from extended grace periods.	• Introduce low-interest credit lines and concessional loans for domestic appliance and supplier manufacturers. • Develop risk-sharing mechanisms between public financial institutions and private banks to reduce collateral requirements. • Facilitate export credit and supplier financing schemes to improve liquidity. • Encourage financial institutions to provide grace periods and flexible repayment terms aligned with production cycles.
Difficulty accessing industrial land and bureaucratic delays, despite that the sector	• Streamline industrial land allocation and permit procedures, particularly for strategic supplier industries.



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Problem	Recommended Reform Measure
faces a growing need to expand capacity to meet domestic and export demand. Declining domestic purchasing power, local sales have declined by 20–50% during periods of high exchange rates, prompting some consumers to purchase second-hand products. Many companies have had to reduce production or accept lower profit margins to remain in the market.	• Prioritize industrial zones for component manufacturing with pre-approved infrastructure and utilities. • Implement targeted demand-support measures, such as consumer financing schemes or subsidies for essential appliances. • Support market development programs, including awareness campaigns and after-sales services, to sustain demand.

Source: Prepared by ECES

As a final remark, it is important to acknowledge that Egypt is currently undertaking a series of significant economic and institutional reforms aimed at improving the business environment, enhancing trade facilitation, and strengthening fiscal governance. These efforts are particularly evident in the ongoing modernization initiatives led by the Ministry of Finance in the areas of taxation and customs, including the digitalization of customs procedures, the reduction of customs clearance times, and broader tax administration reforms. The Ministry of Investment and Foreign Trade has also been advancing measures to address trade-related constraints and improve Egypt’s integration into regional and global markets.

The European Union has been a key partner in supporting these reform efforts. Through its strategic partnership with Egypt, the EU has provided technical assistance, financial support, and capacity-building programs targeting trade facilitation, customs modernization, public economic governance, and investment climate enhancement. Recent examples include continued EU–Egypt customs cooperation to support customs digitalization and procedural simplification, as well as EU-funded programs such as the Trade and Domestic Market Enhancement Programme (TDMEP) and the EU Support to Trade, Industry, Growth and Rapid Market Access (TIGARA) initiative, both of which aim to strengthen trade competitiveness, improve market access, and support institutional reforms. These initiatives reflect the EU’s broader commitment to supporting Egypt’s economic transformation and fostering a more efficient, transparent, and investment-friendly trade environment.



10. CONCLUSION

This report set out to assess the current landscape of European Union investments in Egypt, identify priority sectors with strong potential for future investment, and formulate evidence-based recommendations to enhance Egypt’s attractiveness as a destination for European capital. Through a combination of literature review, investment mapping, stakeholder consultations, comparative analysis, and quantitative prioritization tools, the findings provide a comprehensive picture of both the opportunities and the constraints shaping EU investment prospects in Egypt.

The analysis of global industrial migration trends demonstrates that **the European Union is undergoing a gradual restructuring of its industrial base, driven by rising production costs, energy price volatility, geopolitical considerations, supply chain diversification strategies, and increasingly competitive investment incentives offered by other regions.** While a significant share of relocating industries has been absorbed by destinations such as the United States, China, Mexico, and Southeast Asia, **these developments also create opportunities for strategically positioned economies capable of integrating into evolving European value chains.** Egypt possesses several advantages in this regard, including its geographic proximity to Europe, extensive trade agreements, growing industrial base, and strategic location connecting European, African, and Middle Eastern markets.

At the same time, **the mapping of existing EU investments reveals that Egypt has not yet fully capitalized on these opportunities.** EU investment in Egypt remains substantial in stock terms and continues to demonstrate resilience despite periods of economic uncertainty. However, the evidence suggests that European investors are largely maintaining existing operations rather than undertaking major new expansion cycles. Investment activity remains concentrated in a limited number of sectors and geographic locations, with Greater Cairo accounting for most EU investment flows. Moreover, while manufacturing emerges as the sector with the strongest potential to generate employment, productivity gains, and export expansion, it is also among the sectors most affected by foreign exchange shortages, import restrictions, and operational uncertainty.



The findings from EU Member States’ responses reinforce this conclusion. Across countries, **investors continue to express confidence in Egypt’s long-term potential and identify promising opportunities in renewable energy, agriculture and agribusiness, ICT and digital services, healthcare, logistics, and transport.** At the same time, **there is remarkable consistency regarding the challenges facing investors, particularly regulatory complexity, customs procedures, licensing delays, legal uncertainty, and foreign exchange constraints.** The persistence of these concerns across Member States suggests that investment promotion efforts alone will not be sufficient to attract additional capital unless accompanied by meaningful improvements in the business environment.

The analytical assessment of Egypt’s investment priorities further demonstrates the importance of adopting a dynamic and evidence-based approach to investment decision-making. The results show that reliance on a single-year snapshot of imports can lead to misleading conclusions and distorted prioritization. Instead, **the application of the Normalized Weighted Composite Index reveals a set of structurally important opportunities that remain consistently attractive across different time periods and economic conditions.** These opportunities are concentrated in sectors characterized by strong domestic demand, significant import dependency, existing industrial capabilities, and potential for downstream linkages.

The integration of the Composite Index with the ECES Export and Investment Model provides additional validation of these findings. The strong convergence between the two methodologies **identifies a clear group of high-potential sectors and products capable of attracting future EU investment.** These opportunities are concentrated in advanced manufacturing activities, particularly electrical equipment, machinery, industrial components, metals, plastics, technical textiles, and other intermediate goods. The results indicate that Egypt’s most promising investment prospects are not primarily in final consumer products, but rather in production inputs and manufacturing activities that can strengthen domestic value chains, support export growth, and facilitate deeper integration into European and global production networks.



Taken together, the evidence leads to **a central conclusion**: Egypt possesses significant untapped potential to attract additional EU investment, particularly in manufacturing and industrial activities linked to regional and global value chains. However, realizing this potential will depend on both identifying opportunities, and on addressing the structural constraints that limit investment expansion. The challenge is therefore the existence of operational, regulatory, and macroeconomic barriers that prevent Egypt from fully converting its strategic advantages into investment inflows.

Looking ahead, the most effective strategy for attracting greater EU investment will be one that combines macroeconomic stability, regulatory predictability, efficient trade and customs procedures, reliable access to production inputs, and targeted support for sectors with demonstrated competitive potential. Such an approach would not only strengthen Egypt’s position as an investment destination for European firms but would also support broader national objectives related to industrial development, export diversification, job creation, technological upgrading, and economic resilience.

Ultimately, the findings of this report suggest that Egypt stands at a strategic crossroads. Global industrial restructuring, European supply chain diversification, and the growing emphasis on resilience and sustainability are creating a window of opportunity. Capturing a meaningful share of future EU investment flows will require decisive reforms and a clear focus on sectors where Egypt possesses genuine competitive advantages. If these conditions are met, Egypt will be well positioned to move from being primarily a destination for established investments to becoming a preferred location for the next generation of industrial and productive investment.



ANNEXES

Annex 1: Questionnaire: EU Member States' Investments in Egypt

Purpose:

This questionnaire supports analytical work on the scale, structure, and constraints of EU investments in Egypt, with a focus on both qualitative and quantitative dimensions.

Section A: Investment Presence

1. Does your country currently have active investments or operating companies in Egypt?

☐ Yes ☐ No

If yes, please indicate the **main sectors** of investment (multiple answers possible):

☐ Manufacturing, *please specify the subsector:* _____

☐ Energy (including renewables), *please specify the subsector:* _____

☐ Agriculture & agri-business, *please specify the subsector:* _____

☐ ICT & digital services, *please specify the subsector:* _____

☐ Construction & infrastructure, *please specify the subsector:* _____

☐ Financial services, *please specify the subsector:* _____

☐ Logistics & transport, *please specify the subsector:* _____

☐ Other (please specify): _____

Section B: Scale of Investments (Estimates)

2. Approximately how many **companies from your country** are currently operating or investing in Egypt?

☐ Fewer than 10, *please specify the number if possible:* _____

☐ 10–50, *please specify the number if possible:* _____



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☐ 51–100, *please specify the number if possible:* _____

☐ More than 100, *please specify the number if possible:* _____

3. What is the **estimated total current value of investments** from your country in Egypt (stock or cumulative flows)?

☐ Less than EUR 100 million

☐ EUR 100–500 million

☐ EUR 500 million – 1 billion

☐ More than EUR 1 billion

☐ Other (please specify): _____

4. How has the **value of investments** evolved over the past 5 years?

☐ Increasing

☐ Stable

☐ Decreasing

☐ Other (*please explain*): _____

Section C: Investment Characteristics

5. What is the **dominant size of investing firms** from your country in Egypt?

(Firm size is defined in accordance with the European Commission definition of SMEs)

☐ Large enterprises (250 employees or more)

☐ Medium-sized firms (50–249 employees)

☐ Small enterprises (Fewer than 50 employees)



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6. What are the most common **modes of investment**? (multiple answers possible)

- ☐ Greenfield investments
- ☐ Joint ventures
- ☐ Acquisitions / mergers
- ☐ Expansion of existing operations

7. Is investment from your country in Egypt typically undertaken independently, or jointly with investors from other countries?

- ☐ Predominantly independent (single-country investment)
- ☐ Predominantly joint investment with partners from other countries, *please specify the partner countries/ countries:* _____

Section D: Constraints and Challenges

8. What are the **main challenges** faced by investors from your country in Egypt? (Select up to three)

- ☐ Regulatory complexity
- ☐ Customs and trade procedures
- ☐ Licensing and permits
- ☐ Foreign exchange / profit repatriation
- ☐ Access to land or industrial zones
- ☐ Legal dispute resolution
- ☐ Skills and labor availability
- ☐ Other (please specify): _____

For each selected challenge, please describe the most serious issue encountered:



9. Have any investments been **delayed, downsized, or cancelled** in recent years due to these challenges?

☐ Yes ☐ No ☐ Not aware

Section E: Opportunities and Outlook

10. Which sectors in Egypt offer the **highest potential** for future investments from your country?

11. What **policy reforms or institutional measures** would most improve Egypt’s attractiveness to investors from your country?



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Annex 2. Overview of EU Investment in Egypt (according to the received responses from eleven member states)

EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
France	√	• Manufacturing (electric equipment, cosmetics, rolling stock and rail related equipment, pharmaceuticals, automotive assembly, household appliances, gas for industry, etc...). • Energy (renewable energy power development and operation, oil & gas exploration and distribution). • Agriculture & agri-business (dairy farm and related products; food processing lines development and installation). • ICT & digital services (telecom operation, software development, IT design) • Construction & infrastructure	Estimated 180	More than EUR 1 billion	Increasing	Large enterprises (250 employees or more)	• Greenfield investments • Joint ventures • Acquisition s / mergers • Expansion of existing operations	Predominantly independent	• Regulatory complexity • Customs and trade procedures • Licensing and permits • Access to land or industrial zones • Legal dispute resolution • Other: skills and labor retention	No	• Agriculture, • Health, • Financial Services and • Technology, ○ Near And Offshoring	• Level playing field improvement, • Stability and predictability of the business environment, • Red tape reduction, • Fiscal, customs and administrative simplification.



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
		(cement, glass, gypsum). • Financial services (banking and insurance). • Logistics & transport (shipping, port operation, metro operation). • Other (HR near and offshoring, engineering)										



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
Czech Republic	√	• Manufacturing: nonwoven fabric, water treatment & chemicals • Energy: oil and gas industry	4 (2 operating, 2 investments underway)	Less than EUR 100 million	Increasing	Medium-sized firms (50–249 employees)	• Joint ventures • Expansion of existing operations	Predominantly independent	• Regulatory complexity: Legislation and functioning of authorities are often ambiguous • Foreign exchange / profit repatriation: Profit repatriation is still a major issue despite the currency devaluation in 2024 • Legal dispute resolution: Legal disputes are perceived lengthy and risky • Complexity of VAT refund system: long lasting and discourages some companies from undergoing the whole process.	Not aware	• Water treatment, • Healthcare, • Automotive, • Defense	• Institutions should focus on removing barriers (above-mentioned, for instance) in order to persuade hesitant investors that Egypt is the right choice.



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
Denmark	√	• Agriculture & agri-business: aquaculture feedstock • ICT & digital services: Outsourcing • Logistics & transport: Container terminal (Suez Canal Container Terminal) and general logistics (DSV)	Danish companies have 36 subsidiaries in Egypt as of 2025.	More than EUR 1 billion	Increasing	Large enterprises (250 employees or more)	• Greenfield investments • Joint ventures • Expansion of existing operations	Predominantly joint investment: often an Egyptian partner, and there is a Chinese partner in SCCT, the largest Danish investment in Egypt, which is done through a Dutch subsidiary of Mærsk.	• Regulatory complexity • Licensing and permits • Foreign exchange / profit repatriation • Access to land or industrial zones • Legal dispute resolution	Yes	• Same answer as Q1: • Agriculture & agri-business: aquaculture feedstock • ICT & digital services: Outsourcing • Logistics & transport: Container terminal (Suez Canal Container Terminal) and general logistics (DSV)	• Long-term FX stability to ensure that it remains possible to expatriate profits, and more open and transparent tender processes, including for use permits.
Malta	√	• Manufacturing: Electronics • Energy (including renewable: Hydrocarbon Sector) • ICT & digital services: Cybersecurity	Fewer than 10	Less than EUR 100 million	Increasing	Large enterprises (250 employees or more)	• Greenfield investments • Joint ventures • Expansion of existing operations	Predominantly independent	• Regulatory complexity • Customs and trade procedures • Licensing and permits • Foreign exchange / profit repatriation	Yes	• Hospitality	• Clear repatriation of profit rules, • Clear import procedures, • Possibility to manage bank accounts remotely, • Foreign managers should be invited to



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
									• Legal dispute resolution • Skills and labor availability • Other: Banking (Online services are limited and physical signatures are required for many decisions)			promote and plan the new industrial revolution.
Netherlands	√	• Energy (including renewables): W2E • Agriculture & agri-business: horticulture (open field, greenhouse), animal husbandry (mainly feed) • Other: FMCG, electronics	51–100	EUR 500 million – 1 billion	Increasing	Large enterprises (250 employees or more)	• Greenfield investments • Joint ventures • Expansion of existing operations	Predominantly independent	• Regulatory complexity • Customs and trade procedures • Licensing and permits • Foreign exchange / profit repatriation • Access to land or industrial zones • Legal dispute resolution	Not aware	• Agriculture • FinTech	• Breeders' rights protection, • Food safety control, • Reduction of role of government in economy & level playing field, • Transparent & predictable regulations and procedures.



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
									• Skills and labor availability			
Poland	√	• Manufacturing: Furniture	6	Less than EUR 100 million	Increasing	Large enterprises (250 employees or more)	• Greenfield investments	Predominantly independent	• Regulatory complexity • Licensing and permits • Access to land or industrial zones	Yes	• Production sector	• Simplify the administrative procedures and make them more transparent.
Sweden	√	• Manufacturing: packaging solutions, industrial equipment, bearings, home appliances • Energy (including renewables): power transmission, grid solutions, energy efficiency • ICT & digital services: telecommunication infrastructure, digital solutions, AI and innovation hubs • Construction & infrastructure: industrial equipment • Logistics & transport: commercial	23-25 companies	EUR 100–500 million	Stable	Large enterprises (250 employees or more)	• Greenfield investments • Joint ventures • Expansion of existing operations	Predominantly independent	• Regulatory complexity • Customs and trade procedures: Lengthy clearance processes and documentation requirements impact supply chains and operational efficiency. • Foreign exchange / profit repatriation	Yes Mostly, these challenges existed primarily before the decision to float the EGP in March 2024. Things have been improving steadily.	• Renewable energy, • ICT & digitalization, • Healthcare and life sciences, • Green transport	• Improved Access To Foreign Currency (Whether Profit Repatriation Or Issuing Lcs), • More Regulatory Transparency, • Less Strict Customs Procedures, and • Less Bureaucracy and Time.



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
		vehicles, transport solutions • Other: healthcare & life sciences (medical equipment, pharmaceuticals)										
Germany	√	• Manufacturing: Chemicals and Pharmaceuticals • Energy • ICT & digital services • Construction & infrastructure • Logistics & transport	More than 100	More than EUR 1 billion	Increasing	Large enterprises (250 employees or more) and Medium-size enterprises (50–249 employees)	• Joint ventures • Expansion of existing operations	Predominantly independent	• Regulatory complexity • Customs and trade procedures • Licensing and permits • Skills and labor availability	Yes	• Energy (but lacks openness for FDI) • Automotive, • Pharmaceuticals • IT services • Business process outsourcing (but contingent on reliable and trusted connectivity / data transfers)	• Increased transparency with regards to procedures; level-playing field including a reduction of state / military players in many markets.
Austria	√	• Manufacturing: Railway, Packaging, Food • ICT & digital services: IT-outsourcing for Austrian service providers/Apps	• Approximately 25 Austrian companies with an active investment in Egypt, 5 of which are manufacturing in Egypt. • around 400-500 Austrian companies regularly operating in	Stock of investments according to the Austrian National Bank: 52 Mio. EUR	Stable	Large enterprises (250 employees or more)	• Joint ventures	Predominantly independent	• Regulatory complexity: Unclear legal regulations, unclear competences between various Authorities and Ministries • Customs and trade: Constant challenges with customs documents; short-time changes in	No	• Transport, • Environment, • Manufacturing	• GAFI should have more power and be able to really help navigate between different Authorities and Ministries. • Authorities in general need to be more investor-friendly, e.g. with information



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
			Egypt through exports of goods, project implementations and provision of services						regulations; application of regulation by respective customs officer sometimes out-of-line. procedures • Foreign exchange / profit repatriation: especially during the challenging years 2022-2023, outstanding amounts of Austrian investors reached EUR 150+ million.			in English and clear point of contacts. A positive example is the Egyptian Tax Authority, that is leading in creating a real platform for exchange between foreign investors and the ETA through their Investor Support Unit.
Ireland	√	• Manufacturing: Food • Energy: interconnectors, power management & distribution grids, solar panel distributors.____ • ICT & digital services: Education technology • Construction & infrastructure: building	•13 companies that the embassy is aware of	Less than EUR 100 million	Increasing	Medium-sized firms (50–249 employees)	• Joint ventures • Acquisition s / mergers	Predominantly independent	• Foreign exchange / profit repatriation (An issue that was resolved)	Not aware	• Food & agriculture, • Medical devices, • Finance and • Energy	• Not mentioned



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
		insulation products • Financial services: banking sector and fintech • Logistics & transport: aircraft maintenance • Other: Medical aerosols, protective workwear, HVAC systems, media										
Spain	√	• Manufacturing: textile, ceramic, chemicals • Energy: renewable energy • Agriculture & agri-business: fertilizers, seeds • ICT & digital services: data centers • Construction & infrastructure: cement, water treatment • Logistics & transport: Trains • Other: health sector	•70 companies	EUR 500 million – 1 billion (stock)	Increasing	Medium-sized firms (50–249 employees)	•Joint ventures •Acquisitions / mergers	•Predominantly independent (single-country investment) •joint ventures with Egyptian partners	• Regulatory complexity • Customs and trade procedures • Licensing and permits • Legal dispute resolution • Other: Past legal issues, particularly expropriations, are the main reason why many companies are reluctant to invest in or enter the country. Today, in addition to bureaucratic	Yes	• Renewable energy • Railway • Water management, • Manufacturing, • Agro industry • Tourism, • Education	To attract foreign investment, Egypt should prioritize : • Legal certainty, regulatory predictability , and a more business-friendly environment. • Strengthening the protection of property rights, • Ensuring consistent enforcement of laws, and • Avoiding discretionary measures



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EU Member State	Status (Active investments and operating companies)	Main Sectors of Investment	No. of operating or investing companies	Estimated total current value of investments	Evolution of value of investments	Dominant size of investing firms	Most common modes of investment	Independent investments or jointly with other countries	Main challenges	Any investments been delayed, downsized, or cancelled	Sectors of highest potential	Suggested policy reforms or institutional measures
									obstacles and administrative delays, the fundamental problem is the lack of consistent enforcement of the law and the adoption of discretionary measures, for example with regard to price controls.			such as ad hoc price controls would help restore investor confidence.



Annex 3. Mapping Industrial Migration from the EU: Sectoral Pressures and Destination Shifts

	Push Factors			Most affected countries	
Sector	Production Impact	Employment Impact	Relocation Examples	Production	Employment
Chemicals	- Over 20 major plants closed across Europe in the past two years - Over 11 million tons of production capacity closed in 2023-2024 - Capacity utilization at 70-75%, well below the long-term average of 81% - Chemical sector forecast to shrink by 10% over the next five years - BASF Ludwigshafen: Closing ammonia, caprolactam, and TDI plants by the end of 2024	- BASF: Plans to eliminate 2,600 jobs - Evonik: Cut 2,000 jobs in early 2024	BASF: €10 billion investment in Zhanjiang, China, effectively relocating production overseas	Germany: 3% decline in chemical production in 2025, plant utilization remains below break-even for the third consecutive year, 8.8 million tons of capacity closures France: 3.9% production decline in 2025, 3.9 million tons of capacity closures Netherlands: 7.2 million tons of capacity closures, 6.2% production decline in 2025	Germany: up to 250,000 manufacturing roles lost since the pandemic
Automotive	Europe's automotive trade position has deteriorated dramatically: - The EU entered a negative trade balance for auto parts in 2025 - H1 2025: Trade deficit of €1.4 billion (from surplus of €4.4 billion in H1 2024) - Exports of traditional components declined 10.5% while imports increased 5.4% - Battery imports doubled to €11 billion in H1 2025	The automotive industry has announced massive job cuts: 2024: 54,000+ job losses announced at suppliers - H1 2025: 22,000 additional job cuts announced - Total 2024-H1 2025: Over	The USA is a safe haven for battery and auto-expansion due to the IRA subsidies	Germany: More than 3/4 of automotive suppliers plan on postponing, relocating, or canceling investments, while shifting to lower-cost regions and China France: 10% decline in production in 2024 compared to 2023. Production levels equivalent to 1960s output Italy:	Germany: - Volkswagen: Threatening thousands of job cuts and potential plant closures in Germany Bosch: 5,500 jobs to be cut by 2032 in computer solutions and



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	from €5.5 billion in H1 2022	76,000 jobs lost • Job creation remains minimal with only 3,500 new roles announced in H1 2025		• 2024: 310,000 vehicles produced (85% decrease from 1989 peak of 2 million) • Stellantis output: Plummeted 32-41% in 2024 (reports vary by timeframe) • First nine months of 2024: Passenger vehicle output down 41% • First nine months of 2025: Production fell 32% to 265,500 vehicles • Electric vehicle production: Only 78,000 units in 2023 (14% of total)	steering divisions • Schaeffler: 4,700 job cuts, with 2,800 in Germany across ten sites • Continental: Thousands of job reductions announced • ZF: Significant workforce reductions • Audi Brussels: 3,000 jobs at risk from plant sale - France: • Since 2020: 86,000 automotive jobs eliminated (including pandemic period) • First half of 2024 alone: 32,000 job cuts announced • Since January 2024: 7,300 jobs eliminated or at risk • Auto component manufacturing: Employment down to 56,000 jobs (17% decline from 2019) • Number of companies: Down 7%
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					between 2009 and 2020 • Employment reduction: 50% compared to 2007 levels - Italy: • Stellantis: 3,597 jobs cut through voluntary incentivized exits • Melfi plant: 1,300 jobs lost in 2023 through buyout packages • Industry-wide: Over 270,000 jobs supported by automotive sector at risk
Pharmaceuticals	• Europe's active pharmaceutical ingredient (API) manufacturing capabilities have decreased dramatically over the past two decades. Europe's share of API Drug Master Files dropped from 42% in 2000 to just 10% in 2023, highlighting a long-term trend of offshoring pharmaceutical production to Asia.		• USA • Eli Lilly: Major manufacturing expansion in the US • Johnson & Johnson: New US production facilities • Merck: Expanding US manufacturing capacity • Novo Nordisk: Announced plans for US facility expansion • Novartis: Increased US manufacturing investment		
Energy-intensive industries	• Basic Metals: Steel and non-ferrous metal production has declined significantly across the EU, particularly in Germany and Italy. The sector faces similar energy cost pressures as chemicals, with electricity prices making European production uncompetitive.			• Germany: - 1050 plant closures among energy-intensive industries	



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	• Paper and Pulp: Production has declined by over 10% since early 2021, with mills facing both high energy costs and weakening demand. • Non-Metallic Minerals (Cement, Glass): These sectors have experienced production declines exceeding 10% in recent years, with particularly severe impacts in Germany.				
Manufacturing	Major brands have shifted production significantly: • Nike: 51% of shoes made in Vietnam, only 21% in China (down from 35% in 2006) • Adidas: Closed 25% of manufacturing partnerships in China • H&M: Shifted sweater production from China to Myanmar • Multiple European retailers: Increasing Vietnam and Bangladesh sourcing • Samsung: Stopped smartphone manufacturing in China in 2019, relocated to Vietnam • Samsung Vietnam: Revenue equals 20-25% of Vietnam's GDP	Over 500,000 direct job losses in manufacturing since 2019	Southeast Asia	- Germany: • 361,000 industrial jobs lost between May 2019 and February 2025 • Production index: 25% below pre-crisis trend (2013-2018) in Q1 2025 • Germany slipped from 9th to 17th place in Industrial Location Index (out of 22 nations) • Heading for third consecutive year of recession	

Destination Country		Sectoral analysis
USA	Europe is the largest regional investor in the United States, comprising 56% of all foreign	The capital flight is most visible in three specific sectors: Clean



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	investment through 2024. This includes investments from the 27 EU countries and others such as the United Kingdom, Switzerland, Norway, and Monaco. Several factors drive European investment to the US: • Lower energy costs, particularly natural gas prices from domestic shale production • Reduced regulatory burden and more business-friendly environment • Access to large consumer market and skilled workforce • Favorable tax treatment and government incentives (CHIPS Act, IRA) • Transparency in regulatory environment and strong IP protection	Energy/Utilities, Automotive, and Pharmaceuticals. A. Energy & Utilities (The Green Drain) European energy giants are heavily reallocating capital expenditure (CapEx) to the US to capture IRA subsidies. • Iberdrola (Spain): Through its US subsidiary Avangrid, the company announced a massive €12 billion investment plan for US networks and renewables for 2025–2028. This represents 33% of the company's <i>total global investment</i>, signaling a major pivot away from European concentration. • Siemens Energy (Germany): To address the US power grid shortage, Siemens is building a major power transformer manufacturing facility in North Carolina, directly benefiting from IRA tax credits (48C program). • Linde (UK/Germany): The industrial gas giant is executing a massive carbon capture and hydrogen project in Texas (partnering with BP), leveraging US tax credits for carbon sequestration that are more lucrative than European equivalents. B. Manufacturing & Automotive
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		European automakers are "Americanizing" their supply chains to qualify for EV tax credits that require North American assembly. • Volkswagen Group (Germany): Has committed heavily to North American production, including a \$2 billion plant for its "Scout" brand in South Carolina and a battery cell factory in Canada (St. Thomas). They are also investing billions in US-based AI and software development centers. • BASF (Germany): The world's largest chemical producer is the poster child for this trend. Citing "structurally high energy costs" in Europe, BASF is "right-sizing" (shrinking) its European footprint while expanding in the US and China. C. Pharmaceuticals European pharma giants are expanding US manufacturing capacity to protect themselves against potential trade tariffs and to be closer to the world's most profitable drug market. • Novo Nordisk (Denmark): Announced a massive \$4.1 billion investment to expand manufacturing in Clayton, North Carolina. This will double their production
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		footprint in the US to meet demand for weight-loss drugs (Wegovy/Ozempic). • Sanofi (France): Committed to investing at least \$20 billion in the US by 2030, covering both R&D and manufacturing capacity.
Southeast Asia	Southeast Asian countries have emerged as major recipients of EU manufacturing investment, particularly as companies seek alternatives to China. Key destinations include: • Vietnam: Primary destination for textile, footwear, and electronics manufacturing • Thailand: Automotive components and industrial manufacturing • Indonesia: Large domestic market attracting consumer goods and EV manufacturing • Philippines: Electronics and business process outsourcing	
China	Despite geopolitical tensions and calls for diversification, China remains an important destination for EU investment, particularly in advanced manufacturing. From January to August 2022, China's actual use of foreign capital increased 20% year-on-year, with high-tech industries growing 33.6%. Germany, the Netherlands, the UK, and France accounted for 87% of European investment in China during recent years.	The flow of capital is overwhelmingly dominated by two sectors: Automotive and Chemicals. <u>Automotive (The Fight for Survival)</u> German automakers are integrating deeply into the Chinese industrial ecosystem to lower costs and access tech. • Volkswagen Group (The "China Speed" Strategy):



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	Major European companies have announced significant Chinese investments: • BASF: €10 billion integrated chemical base in Zhanjiang by 2030 • BMW: Major production base expansion in Shenyang • Various automakers: EV manufacturing facilities to access Chinese market	◦ VW is investing €2.5 billion to expand its innovation hub in Hefei. ◦ Strategic Shift: In a historic move, VW invested \$700 million to buy a stake in Chinese EV startup XPeng. They are effectively paying to use Chinese technology to save their future car lineup, admitting that their own software development was too slow. • BMW: ◦ Expanded its high-voltage battery production in Shenyang (High-Voltage Battery Center II), cementing its reliance on China's battery supply chain rather than importing components from Europe. <u>Chemicals (The BASF Bet)</u> While BASF creates headlines for closing plants in Germany (due to energy costs), it is simultaneously building a massive industrial footprint in China. • BASF (The Verbund Project): ◦ BASF is proceeding with its €10 billion investment in a new "Verbund" site in Zhanjiang (Guangdong province). ◦ Significance: This will be the company's third-largest site globally. It is powered by renewable energy deals within China, effectively swapping
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		expensive German gas for Chinese green energy.
Other Destinations	• Mexico: Manufacturing for USMCA market access • India: Growing destination for pharmaceuticals and technology services	Mexico: The investment landscape is dominated by German Automotive (industrial) and Spanish Banking (services). <u>Automotive (The German Hub)</u> Germany is the third-largest foreign investor in Mexico, but its impact on manufacturing is unrivaled. The goal is clear: Build EVs in Mexico to sell in California. Volkswagen Group: ◦ Puebla & Silao: VW announced a \$1 billion investment to upgrade its massive Puebla plant for electric vehicle production. ◦ Audi: The Audi plant in San José Chiapa is expanding to produce the Q6 e-tron, making it a global export hub for the company’s electric future. • BMW: ◦ San Luis Potosí: BMW is investing €800 million to integrate its "Neue Klasse" (next-gen EV) production into its Mexican plant. Crucially, this includes building a high-voltage battery assembly facility on-site, localizing the most expensive part of the car. • ZF Group (Germany): A major supplier, investing millions in Querétaro and Monterrey to build cameras, sensors, and



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		chassis components for the US market, following their clients (VW/BMW/Mercedes). <u>Banking & Finance (The Spanish Cash Cow)</u> For Spanish banks, Mexico is not an outpost; it is often their most profitable market globally, subsidizing operations back in Europe. • BBVA: The Spanish banking giant derives nearly 50% of its global profits from Mexico. In 2024, it reinvested a significant portion of these earnings into digitizing Mexico’s banking sector to serve the growing middle class. • Santander: Continues to aggressively expand its Mexican portfolio, viewing the country's GDP growth (fueled by US nearshoring) as a safer bet than the stagnant Eurozone economy.
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Annex 4: Methodology of ECES Composite Index

The methodology consisted of the following steps:

1. Data Extraction & Feature Engineering: three core metrics were extracted for each opportunity from the historical trade dataset:

- **Import Weight (2024):** The opportunity's 2024 import value as a percentage of the total 2024 imports across all 152 opportunities. This prioritizes high-demand domestic markets.
- **Import Growth Rate (CAGR 2019-2024):** The 5-year Compound Annual Growth Rate of imports. This identifies markets with consistently accelerating local demand.
- **Export Volume (2024):** The absolute value of exports (in Millions USD) in the most recent year, indicating existing global competitiveness and local production capacity.

2. Data Standardization: Because these three metrics operate on completely different scales (percentages, ratios, and millions of dollars), the values were mathematically standardized (Z-score normalization) so they could be accurately compared without larger numbers skewing the results.

3. Advanced Weighting via Principal Component Analysis (PCA): Rather than assigning arbitrary, subjective weights to the three factors, ECES used Principal Component Analysis (PCA) to determine the optimal weighting. PCA analyzes the variance within the dataset and assigns higher weights to the factors that most strongly differentiate the opportunities from one another.

Based on the variance in our specific dataset, the PCA algorithm assigned the following objective weights:

- **Import Weight (2024):** 39.80%
- **Export Volume (2024):** 33.02%
- **Import Growth Rate (CAGR):** 27.19%



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4. Final Composite Scoring & Ranking: these PCA-derived weights were applied to the standardized metrics to calculate a final "Composite Score" for each opportunity. The 152 opportunities were then ranked in descending order based on this score, placing the most objectively viable investment opportunities at the top of the list.



This section presents the methodological framework developed to identify sectors with high potential for investment. The approach is based on constructing a composite index designed to capture the multidimensional factors that influence sectoral investment attractiveness. The Index incorporates five key dimensions, each representing a different aspect of sectoral performance and potential. These dimensions are operationalized through a set of selected variables that serve as measurable proxies. The selection of the dimensions and their corresponding variables is guided by theoretical considerations and empirical evidence from the relevant literature. The following subsections therefore outline the rationale for including each dimension and describe the variables used to represent them within the Index.

The five dimensions considered in the Index are as follows:

1. **The current status of the Egyptian exports** (starting point): The current status of a product is included in the Index to capture its existing level of development and competitiveness in the international market. Incorporating the status dimension therefore ensures that the selection of sectors with investment potential is grounded not only in future prospects but also in their present economic contribution and readiness for investment.
2. **Attractiveness to investment:** This dimension is included in the Index to capture sectors that offer profitable opportunities, stable demand, and supportive market conditions for investors. In addition to domestic investment potential, the Index also considers the direction of global foreign direct investment (FDI), which reflects international trends in sectoral investment. Sectors attracting a larger share of global FDI are often associated with stronger growth prospects, innovation, and expanding demand. Incorporating both of them in the Index helps ensure that the selected sectors are aligned not only with domestic investment opportunities but also with broader global investment dynamics.
3. **The dynamics of the Egyptian exports:** incorporating this dimension reflects how competitive the Egyptian exports are, and its positioning relative to the world demand. In addition to the change in our comparative advantage.



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4. **Complexity of the product (the future):** incorporating the complexity of the product helps to identify products that drive forward the diversity and sophistication of the Egyptian production base and exports taking into consideration the current capability and know how.
5. **Greenplexity (the future):** Given the increasing importance of the circular economy, it was important to include the green complexity dimension as well. That is extent can the product included in the green value chains powering the energy transition and drive new paths to prosperity. By mapping local capabilities for producing green technologies.

To construct the Index, the following steps were followed. First, decide upon which variables to represent each dimension and its data source. This is followed by a decision upon the appropriate product classification to use from the acknowledged international classification. After the calculation of each variable, and the normalization of the results to allow for aggregation, the overall trade and investment composite Index for each product was calculated. This is followed by developing scenarios to identify potential products for investment and finally Short-listing the products and determine the investment potential> In what follows is a detailed explanation of each step.

First: Choice of representative indicators for each dimension and its data source

The following table represents the chosen indicators and the sources of data for each one

DIMENSION	VARIABLES	DATA SOURCE
CURRENT STATUS OF THE EGYPTIAN EXPORTS	▪ Revealed comparative advantage ▪ Intra-industry trade value and Trade Balance ▪ Volatility of the Egyptian exports measured by the standard deviation	▪ Trade map using 2024 data



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DIMENSION	VARIABLES	DATA SOURCE
DYNAMICS OF THE EGYPTIAN EXPORTS	- Competitiveness analysis - Change in Revealed comparative advantage (RCA)	Trade map using 2020-2024 data
ATTRACTIVENESS TO INVESTMENT	- sector share in total investment for Egypt compared to its share in global investment - Growth of market share in total global investment	- CAPMAS Economic Census for the year 2017/2018 (latest available) - World Investment Report for the year 2024
COMPLEXITY OF PRODUCT	Complexity product opportunity:	Growth lab , Harvard Atlas of Economic Complexity
GREENPLEXITY	- Greenplexity of the product Products are classified in two categories: - Products has potential in the green value chains powering the energy transition given local capabilities - Products doesn't have opportunity in green value chain	Growth lab , Harvard Atlas of Greenplexity database

Second: Decide upon the appropriate product classification to use from the acknowledged international classification

There are two main international product classifications that are widely used:

- 1- Harmonized Commodity Description and Coding Systems (HS): which is the international classification of traded goods for customs purpose.
- 2- The International Standard Industrial Classification (ISIC4 code): which is the international reference classification of productive activities and Gross capital formation(investment)



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Since the approach adopted for drawing the investment map is based on a deep analysis of the value chains of specific products that has export potential, and/or contribute in deepening/increasing the value added and complexity of the local industry, the starting point is to combine the two product classifications so to allow for a comprehensive analysis from both the trade and production sides.

Third: Calculation of different indicators and normalize the results

To standardize the analysis, all indicator results have been **recoded as binary data** based on the predefined criteria outlined in the table below

DIMENSION	INDICATOR	VALUE	SCORE RANGE AND INTERPRETATION
CURRENT STATUS OF EGYPTIAN EXPORTS	Reveled comparative advantage (RCA)	1 0	The product has an RCA 1+ Otherwise
	Volatility (standard deviation SD)	1 0	Standard deviation is lower than the average Standard deviation (less volatile) otherwise
	Trade Indicator	1 0	High potential import substitution and / or export promotion , ((IIT<0.5 & Trade Balance (TB) (-ve)), ((IIT>0.55 & TB (-ve)), ((IIT>0.55 & TB(+ve)) ▪ otherwise



DIMENSION		INDICATOR	VALUE	SCORE RANGE AND INTERPRETATION
DYNAMICS OF EGYPTIAN EXPORTS	Competitiveness analysis	1 0	▪ High growth of world demand with increasing Egypt’s share (Rising Star) or weak Egypt’s share (missed opportunity) ▪ Otherwise	
	Change is revealed comparative advantage (RCA)	1 0	▪ Product witness a positive change in RCA (2015- 2019) ▪ Otherwise	
ATTRATIVENESS TO INVESTMET	sector share in total investment for Egypt compared to its share in global investment	1 0	▪ If the share of the sector from total investment in Egypt is greater than its share from global investment ▪ Otherwise	
	Growth of market share in total global investment	1 0	▪ If the share of sector from global investment has positive growth between 2018-2023 ▪ otherwise	
COMPLEXITY	Complexity opportunity for a product	1	▪ The product represent growth opportunity for diversification and sophistication of the productive know-how (threshold >0.5)	



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DIMENSION	INDICATOR	VALUE	SCORE RANGE AND INTERPRETATION
		0	Otherwise
GREENPLEXITY	Greenplexity of the products	1	- Products has potential in the green value chains powering the energy transition given local capabilities - Otherwise
		0	

Fourth: Calculation of the overall trade and investment composite index for each product

The overall Trade and Investment score represents a multi-dimensional composite index integrated from the five dimensions. Utilizing a non-weighted arithmetic average of standardized variables, the model produces a final score within a 0–1 distribution.

A score of 1 serves as the benchmark for peak performance, indicating a product has met every criterion across the measured indicators. Finally, a rank is given to each product according to its score.

Fifth: Developing different scenarios

Two scenarios were developed, by assigning different weights to each dimension as follows:

- Baseline scenario: where equal weight is given to all pillars
- Alternative scenario: where more weight is given to Dynamics & complexity & greenplexity pillars.

The weights given are highlighted in the following table



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Area of Focus (pillars)	Basic scenario	Alternative Scenario
Attractiveness To Investment	20% of total score	12.5% of total score
Greenplexity	20% of total score	25% of total score
Complexity	20% of total score	25% of total score
Dynamics of the Egyptian exports	20% of total score	25% of total score
Current status of the Egyptian exports	20% of total score	12.5% of total score

Sixth: Short-listing the products

Prepare a shortlist of potential products for investment and export growth for Egypt. This is done through two steps:

Step (1): Initial list of sectors /subsectors and products

Ranking all the products (1058 HS 4 digit) according to the average score for both baseline and alternative scenario

Step (2): Short list of sectors/ subsectors and products

-Selecting a short list of Top 50 product HS 4 digits using thresholds average score > 0.7 which include Products that achieve highest score in both scenarios. They are grouped in 14 sector (HS 2 digits)

- Selecting top 10 product HS 4 digits represent top priority for Egypt. They are grouped in 4 sectors (HS 2 digits)



Annex 6: Top 50 Products (Ranked by Priority Based on ECES Scientific Model)

HS Chapter 85: Electrical machinery and equipment and parts thereof; sound recorders

HS Code	Product Description
8504	Electrical transformers, static converters, e.g. rectifiers, and inductors; parts thereof
8537	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 8535 or 8536, for electric control or the distribution of electricity, incl. those incorporating instruments or apparatus of chapter 90, and numerical control apparatus (excl. switching apparatus for line telephony or line telegraphy)
8538	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, n.e.s.
8543	Electrical machines and apparatus, having individual functions, n.e.s. in chapter 85 and parts thereof
8503	Parts suitable for use solely or principally with electric motors and generators, electric generating sets and rotary converters, n.e.s.
8507	Electric accumulators, incl. separators therefor, whether or not square or rectangular; parts thereof (excl. spent and those of unhardened rubber or textiles)
8535	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits, e.g., switches, fuses, lightning arresters, voltage limiters, surge suppressors, plugs and other connectors, junction boxes, for a voltage > 1.000 V (excl. control desks, cabinets, panels etc. of heading 8537)
8544	Insulated "incl. enamelled or anodised" wire, cable "incl. coaxial cable" and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors
8505	Electromagnets (excl. magnets for medical use); permanent magnets and articles intended to become permanent magnets after magnetization; electromagnetic or permanent magnet chucks, clamps and similar holding devices;
8506	Primary cells and primary batteries, electrical; parts thereof (excl. spent)
8517	Telephone sets, incl. smartphones and other telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, incl. apparatus for communication in a wired or wireless network
8536	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits, e.g., switches, relays, fuses, surge suppressors, plugs, sockets, lamp holders and junction boxes,



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8541	Semiconductor devices "e.g. diodes, transistors, semiconductor-based transducers"; photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in modules or made up into panels (excl. photovoltaic generators);
8546	Electrical insulators of any material (excl. insulating fittings)
8547	Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal, e.g., threaded sockets, incorporated during moulding solely for purposes of assembly

HS Chapter 84: Nuclear reactors, boilers, machinery and mechanical appliances; parts

HS Code Product Description	
8415	Air conditioning machines comprising a motor-driven fan and elements for changing the temperature and humidity, incl. those machines in which the humidity cannot be separately regulated; parts thereof
8417	Industrial or laboratory furnaces and ovens, non-electric, incl. incinerators
8421	Centrifuges, incl. centrifugal dryers (excl. those for isotope separation); filtering or purifying machinery and apparatus, for liquids or gases; parts
8428	Lifting, handling, loading or unloading machinery, e.g. lifts, escalators, conveyors, teleferics (excl. pulley tackle and hoists, winches and capstans, jacks, cranes of all kinds, mobile lifting frames and straddle carriers, works trucks fitted with a crane,
8419	Machinery, plant or laboratory equipment whether or not electrically heated (excl. furnaces, ovens and other equipment of heading 8514), for the treatment of materials by a process involving a change of temperature such as heating, cooking, roasting, distilling, rectifying, sterilising, pasteurising, steaming, drying, evaporating, vaporising, condensing or cooling (excl. those used for domestic purposes); instantaneous or storage water heaters, non-electric; parts thereof
8418	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps; parts thereof (excl. air conditioning machines of heading 8415)



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8424	Mechanical appliances, whether or not hand-operated, for projecting, dispersing or spraying liquids or powders, n.e.s.; fire extinguishers, charged or not (excl. fire-extinguishing bombs and grenades); spray guns and similar appliances
8471	Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines
8481	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, incl. pressure-reducing valves and thermostatically controlled valves; parts thereof
8482	Ball or roller bearings (excl. steel balls of heading 7326); parts thereof

HS Chapter 73: Articles of iron or steel

HS Code	Product Description
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers, incl. spring washers, and similar articles, of iron or steel (excl. lag screws, stoppers, plugs and the like, threaded)
7308	Structures and parts of structures "e.g., bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns", of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel (excl. prefabricated buildings of heading 9406)
7307	Tube or pipe fittings "e.g. couplings, elbows, sleeves", of iron or steel
7320	Springs and leaves for springs, of iron or steel (excl. clock and watch springs, springs for sticks and handles of umbrellas or parasols, shock absorbers and torque rod or torsion bar springs of Section 17)
7325	Articles of iron or steel, cast, n.e.s.



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HS Chapter 90: Optical, photographic, cinematographic, measuring, checking, precision

HS Code	Product Description
9026	Instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases, e.g. flow meters, level gauges, manometers, heat meters (excl. instruments and apparatus of heading 9014, 9015, 9028 or 9032)
9027	Instruments and apparatus for physical or chemical analysis, e.g. polarimeters, refractometers, spectrometers, gas or smoke analysis apparatus; instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or the like; instruments and apparatus for measuring or checking quantities of heat, sound or light, incl. exposure meters; microtomes
9031	Measuring or checking instruments, appliances and machines not elsewhere specified in chapter 90; profile projectors
9032	Regulating or controlling instruments and apparatus (excl. taps, cocks and valves of heading 8481)

HS Chapter 76: Aluminum and articles thereof

HS Code	Product Description
7616	Articles of aluminium, n.e.s.
7601	Unwrought aluminium
7604	Bars, rods and profiles, of aluminium, n.e.s.

HS Chapter 72: Iron and steel

HS Code	Product Description
7218	Stainless steel in ingots or other primary forms (excl. remelting scrap ingots and products obtained by continuous casting); semi-finished products of stainless steel



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7208	Flat-rolled products of iron or non-alloy steel, of a width $\geq$ 600 mm, hot-rolled, not clad, plated or coated
7220	Flat-rolled products of stainless steel, of a width of $<$ 600 mm, hot-rolled or cold-rolled "cold-reduced"

HS Chapter 74: Copper and articles thereof

HS Code	Product Description
7408	Copper wire (excl. surgical sutures, stranded wire, cables, plaited bands and the like and other articles of heading 7413, electrically insulated wires and strings for musical instruments)
7412	Copper tube or pipe fittings "e.g., couplings, elbows, sleeves"

HS Chapter 40: Rubber and articles thereof

HS Code	Product Description
4005	Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip (excl. mixtures of natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums containing synthetic rubber or factice derived from oils)
4009	Tubes, pipes and hoses, of vulcanised rubber other than hard rubber, with or without their fittings, e.g. joints, elbows, flanges

HS Chapter 38: Miscellaneous chemical products

HS Code	Product Description
3801	Artificial graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in the form of pastes, blocks, plates or other semi-manufactures
3816	Refractory cements, mortars, concretes and similar compositions (excluding preparations based on graphite or other carbonaceous substances)



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HS Chapter 70: Glass and glassware

HS Code	Product Description
7019	Glass fibres, incl. glass wool, and articles thereof (excl. mineral wools and articles thereof, optical fibres, fibre bundles or cable, electrical insulators or parts thereof, brushes of glass fibres, dolls' wigs)

HS Chapter 69: Ceramic products

HS Code	Product Description
6909	Ceramic wares for laboratory, chemical or other technical uses; ceramic troughs, tubs and similar receptacles used in agriculture; ceramic pots, jars and similar articles used for the conveyance or packing of goods (excl. millstones, polishing stones, grindstones and the like of heading 6804; refractory ceramic goods; household articles; containers for shops; electrical devices, insulators and other insulating fittings)

HS Chapter 68: Articles of stone, plaster, cement, asbestos, mica or similar material

HS Code	Product Description
6815	Articles of stone or of other mineral substances, incl. carbon fibres, articles of carbon fibres and articles of peat, n.e.s.

HS Chapter 54: Man-made filaments; strip and the like of man-made textile materials

HS Code	Product Description
5407	Woven fabrics of synthetic filament yarn, incl. monofilament of ≥ 67 decitex and with a cross sectional dimension of ≤ 1 mm

“FWC - Lot 2 - Events and Organize awareness campaigns”
HS Chapter 39: Plastics and articles thereof



HS Code	Product Description
3921	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, supported or similarly combined with other materials, or of cellular plastic, unworked or merely surface-worked or merely cut into squares or rectangles (excl. self-adhesive products, floor, wall and ceiling coverings of heading 3918)

Source: ECES' analysis of Trade Map datasets