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Egypt's New Law on Foreign Investment: The Framework for Economic Openness

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I. Introduction

In the aftermath of the October War and the disengagement of forces along the Suez Canal, Egypt has initiated a major effort to achieve national reconstruction and economic development. While the success of this effort will require the expenditure of vast resources and the introduction of technological change on a broad scale, the ability of the country itself to generate the necessary means is greatly handicapped by a shortage of foreign exchange, a significant international indebtedness, and a rapidly growing population now estimated to number 36 million people. Mindful of the accumulating oil revenues in the Middle East, the government of President Sadat has therefore decided to stimulate economic development through a policy of attracting foreign capital and technology to Egypt. This new policy, known in Arabic as *"al-Infitah"* or "openness," represents a distinct change in attitude toward foreign investment and private capital from that held by the Egyptian government during the time of President Nasser, when Arab socialism was the prevailing economic doctrine.

The legal framework of the policy of openness is set down in Law No. 43 of 1974 concerning the Investment of Arab and Foreign Funds and the Free Zones, promulgated by President Sadat on June 19.[1] Generally speaking, it defines the kinds of investment sought by Egypt and specifies the privileges and incentives which they may be granted. In addition, it provides for the creation of free zones where certain approved projects may gain other, special benefits. At this point, it is still too early to judge the effectiveness of the law in promoting Egyptian economic development, and so this article is limited to a discussion of its principal provisions. Nevertheless, there are indications that Egypt's large potential market, its pool of inexpensive skilled manpower, and its geographic position in the Middle East are factors causing investors to examine seriously the opening created by the law.

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[1]Published officially in issue No. 26 of June 27, 1974, of the *Jarida Rasmia*, Egypt's Arabic language Official Gazette. This article is based on the text of the law as published in the Official Gazette.

II. The Background of Law No. 43 of 1974

One cannot fully understand the significance of Law No. 43 without a brief glance at modern Egyptian history. Prior to the Revolution of 1952 and the advent of President Nasser, the economic door to Egypt had also been open—so much so that foreign interests controlled major sectors of the economy, including banking, insurance, transportation and commercial trade. To service these interests, Egypt accepted the introduction of a variety of essentially foreign institutions, such as the Mixed Courts, legal codes drawn from France, and commercial banking methods from Britain.

Although Egyptian capitalists, particularly through the Bank Misr Group, played an increased economic role after World War I, such indigenous efforts did not bring about a significant change in the structure of the Egyptian economy. By and large, land remained the principal investment for Egyptians with capital.

The Free Officers' Revolution of 1952 did not immediately overturn the economic order prevailing at the time. For four years after the *coup*, the government appeared to follow a policy of creating conditions favorable to private enterprise. It granted tax incentives, increased tariffs, facilitated credit, and made improvements in infrastructure; however, the Egyptian investing and entrepreneurial class, cautious and relatively small in size, did not respond to these incentives with major investments in sectors desired by the government.

A major shift in traditional policy took place in 1956, when as a result of the Suez War, the Egyptian government sequestrated the property of British and French citizens, thereby gaining control over major foreign banking interests. This action eventually led to a drive to "Egyptianize" the main arteries of the national economy; and all foreign banks, insurance companies, and commercial agencies were ultimately forced to convert themselves to nationally owned joint stock companies.

Beginning in 1960, the Egyptian government initiated a series of nationalizations which effectively curtailed private enterprise in the country and fostered a great expansion of the public sector of the economy. These measures not only struck at European interests, but they also affected Arab and Egyptian investors as well. The resulting pronounced orientation toward state ownership of all major enterprises, government regulation of the remaining private sector, and strong efforts at central economic planning led to the growth of a new group of institutions, while those which had formerly serviced the free-enterprise, foreign-dominated economy underwent a major transformation. In the ensuing years, a complex system of planning organizations, regulatory bodies, economic legislation and extensive controls evolved to buttress the socialist policy of the government. During this period, little foreign investment entered Egypt, and that which did tended to concentrate in oil prospection and the drug industry.

After the death of President Nasser, the severity of Egypt's economic problems and the growth of Arab capital led President Sadat and his colleagues to re-examine past policies with regard to foreign investment and the private sector. This re-examination resulted in the adoption of Law No. 65 of 1971, concerning the Investment of Arab Funds and the Free Zones,[2] whose express purpose was to "experiment" with trying to attract private investment in Egypt. Basically, this law sought to do three things: 1) establish a system of guarantees and incentives which would induce foreign, and especially Arab,[3] capital to invest in Egypt; 2) create a legal framework for the establishment of free zones in which industrial, commercial and financial projects would be erected; and 3) establish the General Authority for Investment of Arab Funds and the Free Zones to pass on investment proposals, create and manage the free zones, and generally administer the investment law.

Although certain investments, principally from other Arab countries, entered the country under Law No. 65 of 1971, the Egyptian government, because of internal and external political considerations, did not pursue the policy of economic liberalization with great vigor. However, in late 1973, as a result of the October War, the consequent consolidation of President Sadat's political position, the improvement in relations with the West, and the rapidly accumulating oil revenues of certain Arab states, the government formulated a definite policy of openness and began actively to seek foreign capital in order to stimulate economic development and national reconstruction. Ultimately, the government reconsidered the 1971 law on foreign investment and decided to prepare new legislation on the subject. After a full and frank debate both in the cabinet and the People's Assembly (the Parliament), President Sadat, on June 19, 1974, issued Law No. 43 of 1974 concerning Arab and Foreign Capital Investment and Free Zones, thereby repealing Law No. 65 of 1971.[4]

Against this history, one can view Egypt's current effort to attract foreign capital as a "*re*-opening," but it is a re-opening which by no means implies a return to the unfettered foreign domination of yesteryear or a complete renunciation of the socialist policies, laws, and institutions of the Nasser era. The public sector will continue to play an important role in the Egyptian economy, and the social benefits gained for workers and peasants will not be abolished.

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[2]Issued by President Sadat on September 23, 1971. Published officially in the Official Gazette, issue No. 39. of September 30, 1971.

[3]Law No. 65 of 1971 generally favored Arab investments over other foreign investments. Thus, for example, article 18 permitted a non-Arab investment only if it were first approved by the Council of Ministers and sanctioned by the President of the Republic. Arab investments, on the other hand, needed only to obtain the approval of the General Authority for the Investment of Arab Funds and Free Zones, the agency charged with administering the investment law.

[4]Article 4 of Law No. 43 of 1974, specifically provides that "enterprises approved under Law No. 65 of 1971 shall continue to enjoy the rights and privileges granted thereunder if such are more generous than the rights and privileges stipulated in this law."

On the other hand, the policy of openness[5] will necessitate important changes and adjustments in Egyptian institutions as the government seeks to find the means to accommodate foreign and private capital within the legal and economic systems.

III. The Nature of Permitted Investments

Egypt's new economic policy has by no means thrown the door open to all kinds of foreign investment in all fields of activity. Generally speaking, it seeks to attract those investments which will earn foreign exchange or introduce modern technology. One of the principal tasks of Law No. 43 is to define the types of investments that will be permitted to enter the country and to benefit from the specified incentives and guarantees. In doing so, the law relies on two basic definitional concepts: "project" and "invested capital." A "project," according to article 1, is "any activity included within any of the spheres specified in the Law and approved by the Board of Directors of the General Authority for the Investment of Arab and Foreign Capital and Free Zones,"[6] the governmental body empowered to apply the investment legislation.

"Invested Capital," as defined by article 2, is a more complex concept. While it is to be associated with "projects," it must also possess certain other fairly definite attributes, particularly with regard to its form, origin, and field of activity.

A. Form: "Invested Capital" may take various forms, including:

1. Free foreign exchange transferred to the Arab Republic of Egypt at the official rate of exchange through a bank accredited to the Central Bank of Egypt for use in (a) the execution or expansion of a project; (b) the purchase of or subscription to Egyptian stock in the Arab Republic of Egypt with the approval of the Board of Directors of the General Authority; or (c) the purchase of vacant land for the construction of buildings pursuant to the Law.

2. Free foreign exchange spent on preliminary studies, research and incorporation and assumed by the investor within the limits approved by the General Authority's Board of Directors. (The Law contains no specific requirement that such amounts be transferred to or expended in Egypt).

3. Machinery, equipment, raw materials, and commodity requirements imported from abroad and necessary for the creation or expansion of the

[5]The policy of openness is not confined to economic matters alone. In a major speech delivered in Alexandria on July 27, 1974, President Sadat declared: "We have also adopted an open-door policy. This open-door policy is not only economic but also intellectual and psychological. As much as we are keen on securing for our country the material resources which enable it to conduct the building process, we should also provide the scientific and intellectual resources which enable the people to promote themselves and perfect the building process." *The Egyptian Gazette*, July 28, 1974, p.4, column 1.

[6]Hereinafter referred to as the General Authority.

project. In its quest for advanced technology, the Law specifically requires that such machinery and equipment be unused and compatible with modern technological developments; however, it also empowers the General Authority to grant exemptions from this requirement in appropriate cases. While the Law does not stipulate the reasons which will justify such exemption, it may well be that used machinery and less advanced technology will be approved where they provide increased employment opportunities for Egyptians.

4. Intangible Assets, such as patents and trade marks, pertaining to projects, provided such assets are registered and held by residents abroad.

5. Profits realized by a project if, with the approval of the Board of the General Authority, they are re-invested to increase the project's capital or invested in another project.

B. Origin: As can be seen, Law No. 43 of 1974, in defining the concept of "invested capital," is concerned primarily with the foreign origin of the *investment,* rather than that of the *investor.* Indeed, Article 6 specifically provides that "capital invested in the Arab Republic of Egypt under the provisions of this Law shall, *irrespective of the nationality of its owner,* enjoy the guarantees and privileges set forth in this Law." (emphasis supplied). Thus, Egyptians who own assets which qualify as "invested capital," may gain the same advantages as those granted to foreign investors.[7]

The intent of the Law is to encourage Egyptian participation in approved projects, and Article 4 sets down the general principle that "invested capital . . . shall take the form of participation with public or private Egyptian capital in such fields and under such terms as are set forth in the Law"; however, as will be perceived later, the only enterprises in which Egyptian participation is specifically required are banks which engage in transactions in local currency. In all other fields, the Board of Directors of the Authority is empowered to permit the investment of Arab or foreign capital without local participation. Where Egyptian public capital does participate in an approved project, the Law specifically declares such project to belong to the private sector, thereby exempting it from the rather restrictive public sector legislation on such matters as employment and financial procedures.

By virtue of its title, the Law would appear to make a distinction between "Arab" and "foreign" capital. And indeed, Article 4 sets down a specific definition for "Arab capital," as "capital owned by a natural person having the nationality of an Arab country, or by a legal person, provided that the majority of its capital is held by citizens of one or more Arab countries." Yet despite this definition and the persistent use of the phrase "Arab and foreign

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[7]It should be noted however that an Egyptian who is resident in Egypt and holds an intangible asset, such as a patent or trademark, would be prevented by virtue of his residence from considering such intangible asset as "invested capital" under Law No. 43.

capital," the Law discriminates between Arab and other foreign investors only in one area: investments in housing. Article 4 provides: "Housing projects may be undertaken only by Arab capital; foreign capital may not undertake housing projects even in participation with Egyptian capital."

C. Fields of Activity: The intent of Law No. 43 is to place foreign investment within the framework of Egyptian economic and social development. It therefore emphasizes fields which have important developmental significance or offer an opportunity for the country to earn foreign exchange. The precise kinds of projects in which foreign investment is permitted are to be specified on lists prepared by the General Authority and approved by the Council of Ministers, and the Law provides that such projects shall be in the following general fields:

1. Industrialization, mining, energy, tourism, transportation, and "other fields."[8]
2. The reclamation and cultivation of barren land, as well as projects for the development of animal and water resources;[9]
3. The construction of "administrative" and above-average housing as well as "projects of urban expansion," a term which includes the construction of new buildings together with the necessary public utilities;[10]
4. Investment banks, commercial banks and reinsurance companies whose activities are limited to transactions in free foreign currencies;[11]
5. Banks engaged in local currency transactions, providing they take the form of joint ventures in which Egyptian capital holds at least a 51 percent interest.
6. Investment companies engaged in the fields enumerated in the Law.

In considering investment proposals, the General Authority is to give priority to those projects which generate exports, encourage tourism, or reduce the need to import basic commodities, as well as to projects which require advanced technical expertise or which make use of patents or trademarks or world-wide reputation.

[8]It is not certain whether "other fields" will be interpreted as fields related to those previously mentioned in Article 3(i) or whether this term gives the General Authority discretion to add to the list.

[9]Article 3(ii) provides that such projects shall be developed under long-term leases not exceeding 50 years and that, upon the recommendation of the General Authority and the approval of the Council of Ministers, a lease may be renewed for a period not exceeding an additional fifty years.

[10]As was indicated above, non-Arab foreign capital may not invest in housing projects. It is not certain whether this prohibition on "housing projects" also applies to "projects of urban expansion."

[11]The law specifically provides that such enterprises may finance investments in Egypt, as well as Egyptian foreign trade transactions.

IV. Guarantees and Privileges Granted to Approved Investments

The new Egyptian investment law, like those of other developing countries, offers approved projects and invested capital certain guarantees and privileges as inducements to enter the country. Generally speaking, they are of four basic types: (A) limitations upon expropriation; (B) privileges with respect to exchange controls and repatriation of funds; (C) exemptions from taxation and customs duties; and (D) exemptions from certain labor laws. In addition, (E) the new Law sets down special procedures for the settlement of investment disputes.

A. Limitations upon Expropriation

Law No. 43 treats the question of expropriation in a single short article:

> Article 7: Projects may not be nationalized or expropriated, nor may invested capital be confiscated, seized, or sequestrated except through lawful processes.

Provisions of this kind, of course, are really of little protection, except, possibly, against arbitrariness on the part of the executive. Unlike its predecessor, Law No. 65 of 1971, the new Law makes no reference to the question of compensation in the event of expropriation which would seem to be somewhat less than reassuring to a foreign investor. Law No. 65 had required fair indemnity in accordance with prevailing laws, and stipulated that the indemnity should equal the value of the business at the time it is taken over. Presumably, questions of valuation, assessment procedure, and repatriation are now treated in accordance with the country's general legislation on expropriation.

B. Exchange Control Exemptions and Repatriation of Funds

Egypt has for several years suffered from a chronic shortage of foreign exchange and has therefore had to impose exchange controls in order to preserve its reserves for essential developmental purposes. Recognizing that such controls would serve to discourage foreign investors, the draftsmen of Law No. 43 have sought to grant certain exemptions to approved projects and to the owners of invested capital. Yet, at the same time, they have also taken care to define these exemptions in such a way that foreign investment will not, in the long run, serve to further exacerbate the country's foreign exchange position. As a result, the provisions governing foreign expenditures and the repatriation of profits and capital are probably the most detailed and complex in the new investment law.

1. FOREIGN EXPENDITURES

Article 14 grants approved projects the right to maintain one or more foreign

exchange accounts with banks accredited to the Central Bank of Egypt. The credit side of such account is composed of: a) the balance of the capital paid in foreign currencies, foreign loans, and any other funds of the project so long as they are transferred in foreign currencies from abroad; and b) the proceeds from the visible and invisible exports of the enterprise ***within such limits as are approved by the General Authority.***

Projects approved under Law No. 43 have the right to use this account for: i) the payment of imports of commodities and investment goods necessary for the operation of the enterprise and for meeting invisible expenses in connection with such imports; ii) the payment of interest and principal on foreign loans as they become due from the project; and iii) the settlement of any other expenses necessary for the project. While the project need not obtain special permission or authorization to use this account for purposes approved by the Law, it must nevertheless submit quarterly reports to the General Authority on the activity in the account.

2. REPATRIATION OF PROFITS

Ordinarily, the approval issued by the General Authority to a project will contain the specific rules governing the repatriation of profits; however, such rules must respect the following general principles set down in Article 22 of the Law:

a. A project whose visible and invisible exports cover all elements of foreign exchange requirements, such as imports of machinery and material and the payment of foreign loans, may be permitted to transfer its annual net profits within the limits of the balance of the proceeds of the project's exports.

b. "Basic" projects having "major significance for the national economy," but without contemplated exports, may be permitted to transfer net profits in full.

c. Housing projects whose rentals are payable in foreign currency may transfer their net revenues in full. Housing projects whose rentals are payable in local currency may transfer up to 6 percent per year of the amount of the invested capital.

d. The government is not required to permit the transfer of revenue of projects whose total value is less than 50,000 Egyptian pounds.[12]

3. REPATRIATION OF INVESTED CAPITAL

The repatriation of invested capital requires the prior approval of the Board of Directors of the General Authority. Generally speaking, unless exceptional circumstances exist or the project cannot be executed for reasons not attributable to the investor, the General Authority may not grant such permission

[12]At the official rate of exchange, one Egyptian Pound equals U.S. $2.55.

until five years have elapsed from the date that the invested capital first entered the country. Moreover, as a general rule, the amount of the repatriated capital may not exceed the value of the invested capital plus a rate to be fixed by the General Authority to meet any rise in the value of the invested capital. In the event funds were imported in kind, the law permits them to be re-exported in the same form as originally imported. Normally, repatriation of capital is to take place in five equal annual installments; however, where an investor has sold his interest for free foreign currency actually transferred to Egypt, he may repatriate his capital in full in a single transaction.

In addition to the above-mentioned exemptions on foreign expenditures and repatriation of funds granted to projects, the Law gives foreign employees of approved projects the right to transfer abroad up to 50 percent of their earnings.

C. Exemptions from Taxation and Customs Duties

Approved projects and invested capital enjoy a variety of fiscal privileges in the form of tax and customs exemptions. First, the profits of the project are exempt from taxes on commercial and industrial profits, for a period of five years following the commencement of activities, and its stock is exempt for the same period from the proportional fiscal stamp duty and the tax on revenues from movable capital. These exemptions also apply to income from re-invested profits which qualify as "invested capital" under the Law. In certain cases the Council of Ministers, upon the recommendation of the General Authority, may grant tax exemptions for a period of up to eight years on grounds of public interest, the nature of the project, its geographical location, its significance for economic development, the volume of its capital, and the extent to which it exploits natural resources or increases exports. It should be noted, however, that the tax exemptions remain in effect only so long as such exempt income is not, *as a consequence*, subject to taxation in another country.[13]

Distributed profits not exceeding 5 percent of the investor's share of the invested capital are also exempt from income taxes; however, the Law does not limit the duration of this exemption as it does in the case of taxes on undistributed project income. In addition, interest paid on foreign loans, whether contracted by the project or by an Egyptian participant to finance his share, is exempt from all taxes and dues.

The Law does not grant approved projects a general exemption from customs duties. It simply provides that the President of the Republic, at the request of the General Authority, may exempt the machinery and equipment necessary "for certain desirable projects . . . from customs duties, taxes, and any other taxes and dues."[14]

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[13]Art. 16.
[14]*Ibid.*

D. Exemptions from Certain Labor Laws

The Nasser era witnessed the enactment of various laws and regulations designed to benefit and protect the workers and to advance the socialist policies of the state. Since some of these laws and regulations are now considered to inhibit foreign investors, Law No. 43 of 1974 seeks to relieve approved projects from many of their more onerous restrictions. In certain cases, such as the legislative restrictions on foreign employees, the new investment law grants outright exemptions to approved projects. In others, where fundamental socialist principles conflict with the desire to facilitate private investment, the Law adopts either a real or apparent compromise.

One of the most significant of such conflicts which the government confronted in preparing the new Law was the extent to which approved projects would be exempt from Law No. 26 of 1954, requiring business enterprises to distribute a fixed percentage of net profits annually to workers and employees. As finally adopted, Article 12 of the investment law provides that approved projects will be exempt from Law No. 26 of 1954, "*provided* that a percentage of the net profits of such companies *shall* be distributed annually among employees and workers in accordance with the rules proposed by the company's board of directors and approved by its general assembly" (emphasis supplied). Thus, the Law preserves the *principle* of worker participation in profits, but *in practice* permits the company to minimize the financial burdens which such a principle entails. Similarly Article 10 exempts approved enterprises from Law No. 73 of 1973 governing the representation of labor on the board of directors of the company; however, it too preserves the principle of worker participation, at least in theory, by requiring the company by-laws to specify the way in which labor is to participate in the management of the project.

E. The Settlement of Investment Disputes

The new investment law recognizes four possible means for the settlement of investment disputes: 1) in a manner to be agreed upon with the investor; 2) within the framework of an agreement in force between Egypt and the investor's home country; 3) within the framework of the Convention on the Settlement of Investment Disputes Between the State and the Nationals of other States to which Egypt adhered by virtue of Law No. 90 of 1971; and 4) arbitration.[15] The arbitration procedure provided for by the Law contemplates a three-man arbitration committee consisting of a member named by each side, and an "umpire" selected by the two members. The arbitration committee is not bound by the provisions of civil and commercial procedure codes but may set down its own rules of operation. Awards are rendered by a majority vote and are enforceable as final judgments binding both parties to the dispute.

[15]Art. 8.

V. The Free Zones

A. Their Nature

Egypt's plans for reconstruction and development envisage the creation of free zones in various parts of the country, notably at Cairo, Alexandria, Port Said and Suez. In keeping with its efforts to attract foreign capital, the Egyptian government conceives of the free zones not merely as traditional *entrepot* areas offering warehousing facilities, but also—and especially—as export industrial zones that will house processing, assembling, and manufacturing operations which export most or all of their production. Law No. 43 of 1974 sets down the principles governing the organization and operation of free zones and defines the special privileges granted to free zone investments. Thus in effect, the Law provides for two investment regimes: a general regime, discussed above, for enterprises seeking basically to serve the potentially large Egyptian market, and a special free zone regime intended essentially for enterprises that wish to serve the world market while benefiting from the lower production costs in Egypt.

Four general types of activities are permitted within the free zones:

1. Storage of transit goods, local goods destined for export, and foreign goods arriving in Egypt.

2. Sorting, cleaning, mixing, blending (even with local goods), repacking and similar operations which adapt the condition of goods warehoused in the free zone to the requirements of trade, and processing such goods to meet local requirements.

3. Any manufacturing, assembling, mounting, processing, renewing or any other operations which need the advantage of a free zone to benefit from the country's geographical position; and

4. Pursuing any occupation warranted by the activities or services needed by those working within the zone.[16]

The Law envisages two types of free zones: 1) "public free zones," which are established by the General Authority's Board of Directors and approved by the Council of Ministers, where projects authorized by Law No. 43 may be created; and 2) "private free zones," established by resolution of the Board of Directors of the Authority, which may be created for a *single* project.[17] Thus, for example, an individual shoe factory or radio assembly plant could be accorded the status of a free zone, provided certain control measures are adopted with respect to the entry and exit of good and materials.

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[16]Art. 35.

[17]In addition, Article 30 provides for the possibility of a free zone which encompasses an entire city; however, such a free zone may only be created by virtue of a special law.

B. The Privileges of Free Zone Investments

Projects and invested capital within the free zones enjoy all the guarantees and incentives granted by Law No. 43 to approved investments, but they also enjoy other special privileges. Consequently, it is clearly in the investor's interest to locate his project within a free zone if he possibly can.

Free zone projects are exempt from the payment of customs duties and taxes on the importation of equipment and machinery necessary for their operation, as well as on other goods of foreign origin. Similarly, their transactions with other countries or other free zones are not subject to exchange control legislation. In addition, they and their foreign employees are exempt from income tax laws; however, a free zone project is liable for the payment of an annual duty equal to one percent of the value of the goods entering the free zone or leaving it for the account of the project. For projects whose activities do not require import and export of goods, the Board of Directors of the General Authority has the power to establish an annual duty which may not exceed 3 percent of the annual value added to the project. Local goods exported to the free zone are subject to export duties, and goods of foreign origin exported from the free zone for local consumption are subject to import levies.[18] And unlike ordinary investments, free zone projects are exempt from Law No. 26 of 1954 and Law No. 73 of 1973, without the necessity of providing in their by-laws for alternative methods of worker participation in profits and management.

C. Free Zone Management

The delimitation, organization, planning, and construction of free zones is the responsibility of the Board of Directors of the General Authority which also issues the regulations governing operations and activities within the zone. Each public free zone is to be managed by a Board of Directors constituted by the Authority's Board of Directors. Private free zones, on the other hand, are supervised directly by the General Authority until such time as it decides to affiliate the private free zone to a public free zone. Under the Law, the Board of Directors of a public free zone has the power to authorize the occupation of free zone land, decide on offers submitted by Arab and foreign investors; establish and operate warehouses, loading, and shipping facilities; and provide equipment and services necessary for free zone operations.

VI. The Institutional Apparatus

Implementation of the new policy of economic openness has necessitated the creation of two new institutions: the Organization for Arab and International Economic Cooperation[19] and the General Authority for Arab and Foreign

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[18]Art. 37.
[19]Created by Presidential Decree No. 337 of 1974, issued March 12, 1974.

Investment and Free Zones.[20] The former holds a broad mandate to strengthen and expand Egypt's economic relations with other countries and to encourage Arab and foreign investments; however, it does not itself pass on individual investment proposals or control the free zones. A Chairman, appointed by the President of the Republic, heads the Organization. He is assisted by a Board of Directors which includes representatives from various concerned governmental bodies, such as the General Organization for Transportation Planning and the Ministries of Finance, Planning, Housing, Tourism, Petroleum, and Reconstruction.

The agency with direct responsibility for application of the investment law is the General Authority for Arab and Foreign Investment and Free Zones. It is linked to the Organization for Arab and International Cooperation by virtue of the fact that the Law empowers the Chairman of the Organization to supervise the General Authority and to be the Chairman of the Authority's Board of Directors. The executive head of the General Authority is its General Manager, who is appointed by the President of the Republic. In addition to directing the technical and administrative staff, he is Vice-Chairman of the General Authority's Board, and a member of the Board of Directors of the Organization for Arab and International Cooperation.

The General Authority's Board of Directors, appointed by the President of the Republic, is the principal decision-making body under the new Law which declares it to be the "prevailing authority" within the organization. Thus, it is the Board that approves investment proposals, decides on the repatriation of capital, and organizes and supervises the free zones.

The Law views the General Authority as something more than a control mechanism, for it also directs the agency to promote and facilitate foreign investment actively. As a result, the General Authority is empowered to offer projects for investment by Arab and foreign capital, give advice in connection therewith, publicize the lists of desired projects, and assist investors in procuring the administrative permits necessary for the implementation of their projects.

VII. Conclusion

This article has sought merely to describe the principal features of Egypt's new foreign investment law, the legal framework for its policy of economic openness. Law No. 43 of 1974 has by no means set down a complete and detailed investment system but has chosen instead to give the General Authority broad scope to fill in the interstices of the framework through the issuance of implementing regulations and the process of negotiation with individual

[20]Articles 25-29, Law No. 43 of 1974, *supra* note 1.

investors. The task of implementation will not doubt involve difficult problems of choice as Egypt seeks to balance its need to encourage and facilitate foreign investment against its desire to protect the public enterprises and preserve certain socialist ideals. Yet if the new policy does take root, Law No. 43 may constitute merely the first in a series of new legislative measures needed to meet the demands of the country's changing economic orientation. Eventually, Egypt may find it necessary to adopt a host of new laws on such matters as stock markets, banking, commerce, and business associations. Indeed, in view of the possible economic, political, and social changes implied by the policy of openness, it is not inconceivable that Law No. 43 may, in time, become the impetus for review and revision of the entire Egyptian legal system.[21]

[21]In late July 1974, the Chairman of the Legislative Committee of the People's Assembly announced a forthcoming broad revision of Egyptian legislation. *The Egyptian Gazette,* July 28, 1974, p. 3.