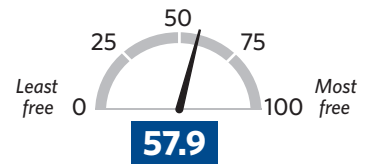


# EGYPT

## Economic Freedom Score



World Rank: **100** Regional Rank: **12**

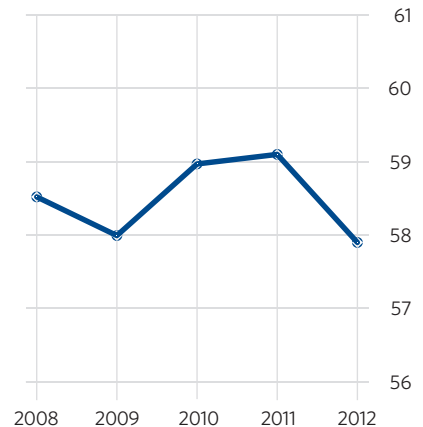
**E**gypt's economic freedom score is 57.9, making its economy the 100th freest in the 2012 *Index*. Its overall score is 1.2 points lower than last year, reflecting declines in property rights, business freedom, and financial freedom. Egypt is ranked 12th out of 17 countries in the Middle East/North Africa region, and its overall score is just below world and regional averages.

The Egyptian economy has been in turmoil since early 2011, and the gradual rise in economic freedom observed in recent years has come to a halt. As noted in earlier editions of the *Index*, deeper institutional reforms are critically needed to sustain long-term growth and stable economic development. Those reforms include a strengthened judicial system, better protection of property rights, and more effective eradication of corruption.

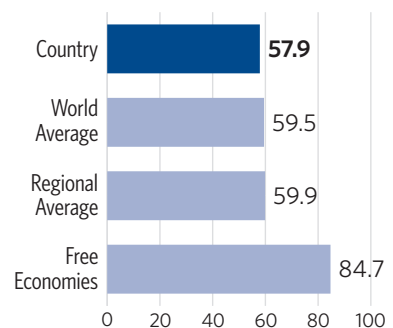
Given the political and economic upheaval, it is difficult to gauge the lasting effectiveness of earlier reforms aimed at promoting more broad-based economic expansion and dynamic job creation, such as liberalization of the investment regime, implementation of lower tax rates, and reform of the regulatory system. In any case, needed improvements have not occurred in other key policy areas, and the effectiveness of policies that might have helped to open markets and improve productivity has been undercut by the heavy presence of the state in the economy.

**BACKGROUND:** Egypt is the most populous Arab country and a major force in Middle Eastern affairs. President Hosni Mubarak, who had held power since 1981, was ousted in February 2011 by the Egyptian Army after massive protests and violent police responses threatened to destabilize the country. The Supreme Council of the Armed Forces, led by Defense Minister Mohamed Hussein Tantawi, assumed power and promised to prepare the way for free elections for a new parliament and president. Egypt's next government will face major political and economic challenges. The economy has been severely damaged by domestic instability, which depressed both tourism revenues and foreign investment. The legacy of Egypt's socialist past lingers, and the government still heavily subsidizes food, energy, and other key commodities.

## Freedom Trend



## Country Comparisons



## Quick Facts

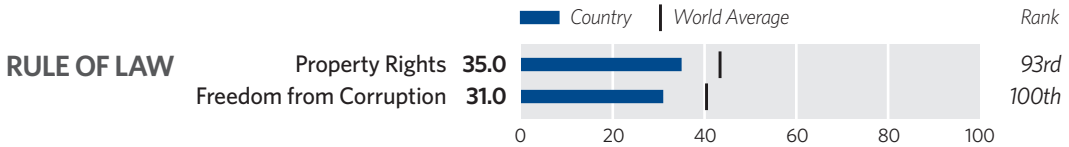
- Population:** 78.3 million
- GDP (PPP):** \$497.8 billion
- 5.1% growth in 2010
- 5-year compound annual growth 6.2%
- \$6,354 per capita
- Unemployment:** n/a
- Inflation (CPI):** 11.7%
- FDI Inflow:** \$6.4 billion
- Public Debt:** 73.8% of GDP

2010 data unless otherwise noted.  
Data compiled as of September 2011.

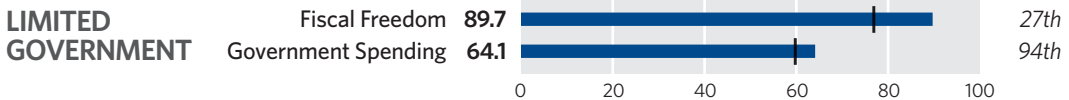
### How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

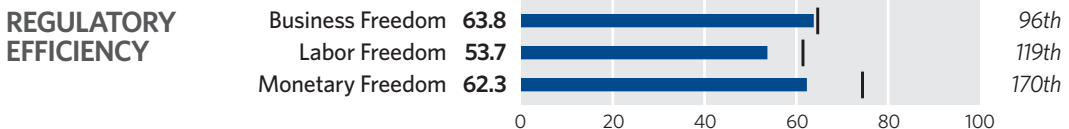
**THE TEN ECONOMIC FREEDOMS**



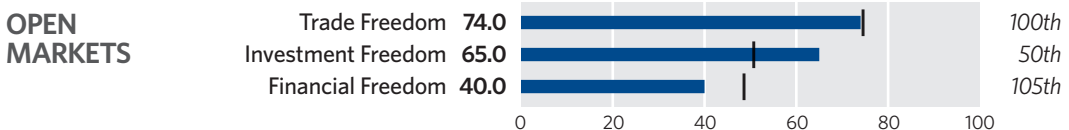
The rule of law has been unstable across the country, and the independence of the judicial system is poorly institutionalized. Judicial procedures tend to be protracted, costly, and subject to political pressure. Property rights are not protected effectively, and the enforcement of intellectual property rights is seriously deficient. Corruption continues to erode the foundations of economic freedom.



The top income and corporate tax rates are 20 percent. Other taxes include a property tax and a general sales tax (GST) that functions as a value-added tax (VAT), with the overall tax burden estimated to be below 20 percent of total domestic income. Government spending is over one-third of total domestic output, resulting in a widening deficit of around 8 percent of GDP and rising public debt that exceeds 70 percent of GDP.



Previous regulatory reforms, including establishment of a “one-stop shop” for investment, made starting a business less time-consuming and costly. However, without needed reforms in other areas, those reforms have proved to be largely cosmetic, failing to create real momentum for dynamic entrepreneurial growth. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. Monetary stability is weak.



Egypt has opened its markets to global trade and investment, but non-tariff barriers continue to constrain trade freedom. The investment regime has been stable, but flows have slowed significantly due to the challenging economic and political situation. The state owns about 45 percent of the banking system. The financial system has been under stress, with negative impacts from the global crisis exacerbated by domestic turbulence.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+0.1	Business Freedom	-0.7	Trade Freedom	0
Freedom from Corruption	+3.0	Government Spending	-1.2	Labor Freedom	+0.1	Investment Freedom	0
				Monetary Freedom	+1.5	Financial Freedom	-10.0