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ECONOMIC LENS is meant to provide weekly, focused, and in-depth analysis on issues of high relevance to Egypt's economic landscape. Our coverage will span trade, financial markets, the business environment, the job market, and other critical economic dimensions.

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U.S. Trade Acts: Effects on Egyptian Exports



US President Donald Trump holds a signed executive order on tariffs, at the White House in Washington, DC [File: Leah Millis/Reuters], & Aerial view of cargo ship and cargo container in harbor [source: Freepik.com]

In 2025, the U.S. government introduced two legislative acts with severe impacts on Egypt. This issue presents a summary of these acts and their lasting impact on Egyptian investment and exports.

What are the acts in a nutshell?

The **One Big Beautiful Bill Act (OBBBA)**¹ was passed in July 2025. It challenges global trade, investment, and taxation rules with the aim of strengthening U.S. manufacturing, while reducing dependence on China. The OBBBA shifts U.S. trade enforcement away from the concept of country of origin towards other metrics such as ownership, control and effective influence. Under the Act, products manufactured outside China (including in Egypt) can still be labeled as Chinese, if Chinese ownership, financing, technology, or management influence exceeds specific thresholds. This would mean products manufactured in Egypt would face the higher tariff rates of Chinese firms.

The **Fight China Act**² was also passed in December 2025, banning U.S. banks from financing projects owned by some Chinese owners.

Source: Egyptian Commercial Service – Summary made by ECES

¹ The official name of the act is “An Act to provide for reconciliation pursuant to title II.” - <https://www.congress.gov/bill/119th-congress/house-bill/1/text>

² The official name of the act is “Foreign Investment Guardrails to Help Thwart China Act of 2025.” - <https://www.congress.gov/bill/119th-congress/house-bill/2246>

What is the potential impact on Egypt?

The central risk for Egypt is that its products may be classified as Chinese. This will have consequences for Egyptian exports to the US and investment appetite in Egypt. In what follows we highlight a few specific facts and rules regarding how Egyptian products can be classified as Chinese, and possible consequences of such classification.

Criteria for Chinese Ownership Classification

The process for determining whether factories are classified as Egyptian or Chinese has become significantly stricter. Many Egyptian factories that previously met the classification criteria are now being designated as Chinese.

The following rules explain how this process of classification became more complex and against Egyptian factories:

- **Ownership thresholds redefine product nationality:** If Chinese entities own 50% or more of a company, products made in Egypt may be classified as Chinese.
- **Debt-based control increases compliance risk for Egyptian projects:** If 15% or more of a firm's debt comes from Chinese lenders (e.g., state banks), the company exporting to the United States may be treated as Chinese-controlled even if it is Egyptian-owned.
- **Goods deemed "reshipped" through Egypt:** Goods manufactured in Egypt using a high share of Chinese inputs (60 to 70%) with light assembly can be classified as Chinese.
- **Forced-labor presumptions (Uyghur Forced Labor Prevention Act - UFLPA³):** Egyptian factories linked to Chinese entities with ties to Xinjiang face an automatic presumption of using forced labor, requiring them to provide proof to the contrary.

³ The Uyghur Forced Labor Prevention Act (UFLPA) is a U.S. law passed in June 2022 that creates a legal presumption that all goods produced wholly or in part in China's Xinjiang region are made with forced labor, unless proven otherwise, and are therefore banned from U.S. import.

Effects of Chinese Ownership Classification on Egyptian Factories

Egyptian exports will face extra financial and logistical burdens if an Egyptian factory is classified as Chinese-owned. These burdens include:

- **Higher tariffs:** Goods that are classified as Chinese can face a 40% punitive tariff, compared to around 10% for Egyptian products. It is important to note that while punitive tariffs on China are temporarily on hold pending trade negotiations, they may come into effect later in 2026.
- **Egyptian factories might face financing constraints:** American and European banks would be hesitant to finance Chinese-owned factories in Egypt due to fear of violating national security laws.
- **Reduced attractiveness of Egypt as a manufacturing hub for Chinese investors:** Egyptian factories with significant Chinese ownership risk losing access to the U.S. market and might become “stranded assets” making them unprofitable.
- **Reduced attractiveness of Egyptian products for U.S. importers:** U.S. importers are usually more confident sourcing from Egyptian-owned factories because they go through the routine customs clearance (“green lane”) which lasts for a few days and face lower risk of shipment seizures. If classified as Chinese, Egyptian factories will likely face extended inspections (“red lane”) which may cause delays for months.

Overall, the recent U.S. trade measures have implications for Egyptian factories with Chinese ownership or financial ties. These increase the compliance burden and potential costs for Egyptian exporters and make it harder to attract investments. Navigating these complexities will be essential for Egyptian factories aiming to export to the U.S. market.