

EGYPT

Introduction - Political and economic overview

Egypt commands attention for many reasons. It occupies over a million square kilometres at the vital strategic junction where Europe, Asia and Africa meet, the land bridge between Africa and the rest of the Eastern Hemisphere. It owns the Suez Canal, which also brings substantial regular income. Cairo's population of over 17 million makes it the largest city in Africa.

Egypt is the centre of the Arab world, geographically as well as culturally and politically. It has awkward neighbours: Libya to the West, Sudan to the South and the Occupied Territories, Israel and the Red Sea to the East. Its population of nearly 70 million makes it the largest Arab country: every third Arab is an Egyptian. Egypt sends skilled professionals to work throughout the region, and plays a central role in Arab media and cultural life: its film industry supplies the entire Arab world.

In religious terms. It is a leading Muslim (mostly Sunni) country, having become progressively Islamized since the Arab invasion of the seventh century, though a Coptic Christian community some 5 million strong still survives. The Al-Azhar mosque and university is an internationally respected centre of Sunni Islamic orthodoxy, which is traditionally moderate, tolerant and non-threatening in colour.

If all that is not enough, it also has 7000 years of civilisation behind it, and is one of the world's most attractive tourist destinations. The largest annual contingent of tourists normally comes from the UK: some 368,000 British nationals visited Egypt in 2003, about 10% of the total.

Politically, Egypt's regional weight, gateway role to the oil-rich Arab countries, consistently moderate policies amid the tensions of this particularly tense region and not least its rank as a leading Islamic power make it a key partner both for its neighbours and for the international community at large, notably the United States and the member states of the European Union.

History

The regime was autocratic (Pharaonic) from the fourth to the first millennium BC. Then came the Persians, the Greeks, Romans and Byzantines. By 641 AD, the Muslim Arabs had conquered the whole country. The Fatimids from Morocco invaded in 969 AD, founding the city of Cairo (Al-Qahira – the Conqueror) and establishing the Al-Azhar University. Subsequent rule by Salah Al-Din (Saladin) and the Mamluk Sultans was ended by the Ottoman occupation of 1517 AD.

In the mid-19th century, Muhammad Ali's dynasty oversaw the westernisation of Egypt, the building of the Suez Canal and the colonisation of the Sudan. In 1882, British forces occupied Cairo and the British Consul-General became the effective ruler. Egypt profited from the

two World Wars. Britain recognized Egyptian independence in 1936. But Arab nationalism and defeat in the 1948 Arab-Israeli war discredited the (Ottoman-descended) monarchy, and on 23 July 1952 the Free Officers seized power, sending King Farouk into exile.

First, briefly, Neguib, and then Nasser took over, the latter soon becoming an iconic figure of Arab nationalism. Israel, Britain and France launched their ill-fated 1956 attempt to seize the Suez Canal; Egypt and Syria enjoyed a short-lived union, the United Arab Republic (1958-61); and after the disastrous Arab-Israeli War of June 1967, Israel occupied the entire Sinai. Yet Nasser's death in 1970 was mourned throughout the Arab countries.

His successor, Anwar al-Sadat, expelled the 15,000 Soviet military advisers (1972); launched the October 1973 War (a partial triumph for Egypt) and the economic Infitah (or opening up); promoted improved relations with the USA; and made a bilateral peace with Israel following US-brokered talks at Camp David. This in turn caused Egypt's expulsion from the Arab League and on 6 October 1981 Islamists assassinated Sadat at a military parade.

Vice-President Hosni Mubarak took over as president. He abandoned many of the unpopular features of Sadat's domestic policies, condemning privilege, ostentation and profiteering, and placing new emphasis on economic reform (but see below).

The current situation

Since his accession, Mubarak's Egypt has played a pivotal role in the Middle East Peace Process, and has been rewarded for this by substantial international support, mainly from the US. Mubarak oversaw the return of Egypt to the Arab League in 1991. In the same year, Egypt joined the international coalition which drove Iraqi occupying forces out of Kuwait. The Peace Process is now apparently in serious crisis: but this is not for lack of Egyptian goodwill and effort. Internally, Mubarak is unchallenged, and on 26 September 1999 was re-elected for a fourth six-year presidential term, the constitution having twice been specially amended to allow this to happen.

The internal political and economic scene is less positive. Political stagnation, lack of democracy and occasional low-level violence have led to loss of direction and a sense of stagnation. Against a background of continuing rapid population growth, poverty and inadequate public services, poor political and economic management and excessive bureaucracy have allowed social problems to accumulate and multiply and have failed to allow the economy to develop or to deliver adequate improvements in living standards.

The Egyptian Parliament is bicameral: the People's Assembly (PA) is the main legislative body with the Shura Council (SC) providing an oversight mechanism. Egyptian democracy has long been paralysed by a sclerotic system of patronage and client networks, which serves the regime and has worked until now as a factor for stability and continuity. The ruling

National Democratic Party (NDP) dominates the PA, holding over 80% of the seats. Disaffection with its performance, has however been increasing, particularly amongst the young, making political reform a key requirement for Egypt's further development.

Formally, the People's Assembly has important powers. Elections are held every five years: 444 deputies are elected and 10 more appointed by the President. The Shura Council has 176 elected members and 88 presidential appointees. But the influence of the Parliament in Egyptian political life should not be over-estimated. Key regime interests are 'off limits' to deputies. The National Democratic Party (NDP) has however been in nominal power since its formation by President Sadat in 1978 and still dominates the People's Assembly. At present, since the elections of 2000, the NDP holds 388 seats, independent candidates 20, the Muslim Brotherhood 17 (nominally as independents) and 4 assorted opposition parties between them the remaining 17. The NDP's majority conceals the fact that in the elections, only 178 official NDP candidates won an Assembly seat under the NDP banner. Their numbers were boosted by 210 "independents" who then joined the party. The electoral process in Egypt is clearly subject to considerable outside influence. But it was interesting that the regime failed to prevent the 17 Muslim Brotherhood deputies from winning their seats, despite harassment of candidates and manipulation of the voting process.

Spurred on by its poor performance in 2000, the NDP has since embraced wide-reaching personnel and structural changes and adopted a number of key policy papers – on Education, Healthcare, Economic Policy, Youth, Women and Foreign Policy. Leading old guard figures were sidelined, and Gamal Mubarak – the President's younger son - appointed Secretary for Political Affairs, a new post giving him effective day-to-day control of NDP policy formulation. This shifted the balance of power in favour of Gamal's progressive/reformist group, and he is said to be well placed (though far from certain) to succeed his father one day. But in reality, if not constitutionally, the power of the President is supreme. President Husni Mubarak, who succeeded President Sadat in October 1981, began a fourth term in October 1999 after 93.97% of voters nominally approved his candidacy. In practice he relies on his control of the power-broking elite, including mainly the military and security apparatus. There is no obvious successor to President Mubarak, not least because he has continually refused to appoint a vice-president who could take over his post if and when he left. Whoever does succeed him will be chosen on the basis of his acceptability to the military and security, presumably on their view of his ability to maintain stability in the country. Reform must therefore come from the top down, and there are some limited signs that this is happening. The NDP held its first ever Annual Conference (one of the structural reforms agreed at a 2002 General Congress) in Cairo on 26-28 September 2003, under the slogan "New Thinking and Citizens' Rights". In his speech, President Mubarak announced the abolition of military decrees, except those relating to national security, which had been issued under the State of Emergency, now in force for over 20 years.

The main, though still limited, real opposition to the Government

comes from the Muslim Brotherhood, which has spent 50 years promoting its agenda of islamising politics through peaceful means. It has 17 PA seats and growing support – thousands of supporters attended the funeral in Cairo of the Brotherhood’s Supreme Guide in January 2004. Its nonpolitical work (e.g. in parallel social services such as subsidising schools and hospitals) is also popular. But like other opposition parties, its activities are closely monitored and controlled by the Government, which has a deep aversion against legitimising any form of “political Islam”.

The Islamic factor

Formally, the Muslim Brotherhood and other Islamist organisations are banned. But as already noted, they are a factor to be reckoned with. The Egyptian government also faces a sporadic threat from Islamic extremism. Since 1992 the Egyptian authorities and militant Islamic groups have continued a low intensity conflict against each other, mainly in Upper Egypt. Islamic militants have targeted foreigners, killing several foreign tourists (including eight Britons). The worst attack, on 17 November 1997, was in the hitherto relatively unaffected area of Luxor, when 58 tourists, six of them British, were murdered. UK official travel advice currently warns travellers to be vigilant and respect any advice from the local security authorities: but tourism continues on a large scale, carefully protected by the authorities.

Over the past decade, hundreds of suspected militants and police have been killed and there have even been assassination attempts on President Mubarak (most recently in September 1999 in Port Said) and key Ministers. The authorities have contained the threat but have yet to eradicate it. Human rights organisations, including the United Nations, have accused the security forces of human rights violations in their response.

Human Rights

Egypt has ratified the six core UN human rights conventions and guarantees certain basic human rights (e.g. religious freedom) in its constitution. But there are concerns about individual cases of human rights abuse, but also positive developments in recent years in Egypt's human rights record. For example, where outsiders have had concerns about alleged widespread use of torture by the Egyptian security forces, the authorities have taken steps to clamp down and a number of police officers have been convicted for torture offences.

Human rights is naturally a sensitive area for the Egyptians, as for other North Africans. They see policing/security issues as a domestic matter integral to their fight against terrorism. However, on 19 January 2004, the Egyptian Parliament approved the establishment of a 26 member National Council for Human Rights (headed by the former UN Secretary-General Boutros Boutros Ghali) and abolished seven of the eleven military decrees issued since the State of Emergency was declared in 1981.

Economy

Basic statistics:

- GDP: \$268 billion (2002, est.)
- GDP per head: \$3900 (2002 est.)
- Inflation: 4.3% (2002)
- Major Industries: Agriculture, Manufacturing, Services
- Major trading partners: EU, Middle East, USA
- £1 = 9.75 Egyptian pounds \$1 = 6.22 Egyptian pounds)

The performance of the Egyptian economy has fallen well below its potential. The regional tensions and conflicts of the past fifty years (notably Suez 1956, Sinai 1967 and the October war of 1973) have made things difficult. Egypt has advantages: regular hard-currency earnings from Suez Canal dues, tourism (terrorism permitting), US subsidies as part of their financial support of Israel, other foreign contributions, increasing oil revenues, foreign investment, a large internal market and a thriving and dynamic entrepreneurial class, many of outstanding ability. and a large, willing and reasonably educated workforce.

The government led by Prime Minister Mr Atef Obeid (since 5 October 1999) is considered liberal and business-oriented. The Minister of Economy, the Coptic Dr Yousuf Boutros-Ghali, formerly of the IMF, is a star economist by any standards. The Egyptian Government is addressing the need for economic reform to address some of the underlying causes of extremism, with measures to privatise some of the large public sector and attract foreign investment. A stand-by agreement has been agreed with the International Monetary Fund and the stock market has grown impressively. But political reform has been slower in coming. The existing political and economic systems, dominated by security concerns and characterised by heavy central controls, have so far not allowed the country free rein to develop. The current Western occupation of Iraq and the international efforts to contain terrorism are complicating factors. The principal obstacle to progress lies however in the persistent stresses of the Arab/Israel dispute. A settlement of that conflict would revolutionise the economic prospects for the whole region.

In trade, Egypt is heavily import-dependent. Exports include oil/petroleum, cotton and textiles. A significant proportion of foreign currency earnings come from service industries, mainly tourism, and migrant workers' remittances. But economic policy often has to be subordinated to social issues such as poverty and inequality. The government's tight monetary stance makes its aim of 7% annual growth unlikely in the short term.

The prospects for the medium-term, supported by the regular sources of external income and other assets mentioned above, seem however more promising. The UK is at present the largest Western investor in Egypt, ahead of the US and all other EU member states: only Saudi Arabia and perhaps Kuwait have a larger stake in Egypt. UK investments are currently estimated at \$18 billion, with a further \$7 billion due in next 5 years from BP Shell and British Gas. Other UK investments in Egypt are in financial and business services, tourism, pharmaceuticals, textiles and consumer goods.

Conclusion

Like other countries of this region, Egypt is much more than the sum of its current political and economic policies and problems. In this part of the world, culture and identity, education and religion, human attributes, must all be taken into account. Human contacts are often decisive in business success. Personal attributes and traditional behaviour patterns, including such qualities as entrepreneurial flair, profound tolerance, work discipline, ability to confront and surmount problems and readiness to welcome and work with foreigners, (all extensively tested over the past two centuries and more) mean that Egyptians are likely to be co-operative and reliable partners in business ventures in the Middle eastern region. As the title of this paper implies, Egypt is a promise waiting to be fulfilled.

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