CHATHAM HOUSE briefing paper

Egypt in Search of Economic Direction

David Butter

Middle East and North Africa | November 2013 | MENAP BP 2013/01

Summary points

- The political forces that have emerged since the overthrow of Hosni Mubarak in 2011 have struggled to overcome his regime's economic legacy, particularly unemployment, inflation, the structural fiscal deficit and infrastructure weaknesses.
- Policy-makers initially sought international assistance to deal with the short-term damage to the balance of payments in the hope that capital inflows would resume, enabling Egypt to get back on a track of high growth and an overall improvement in living standards.
- As in Mubarak's later years, the policy framework for international assistance was based on encouraging private investment while pursuing medium-term targets for gradually reducing the fiscal deficit.
- This approach failed mainly owing to the reservations of the military command, the political priorities of the Muslim Brotherhood after the election of Mohammed Morsi as president, and resistance from elements in the judiciary, the business community and the media.
- The interim technocratic government formed after Morsi's overthrow has been given a financial lifeline by Gulf Arab states hostile to the Muslim Brotherhood.
- One of the central challenges facing the new government is to address the structural weaknesses of the economy and attract private investment. This will be complicated by the Brotherhood's resentment at Morsi's removal and by the opposition of many anti-Morsi groups to liberal economic reforms.

Introduction

The failure of post-Mubarak governments in Egypt to deal with the economic policy challenges confronting them have left the country in a perilous state. Real GDP growth averaged only 1.4% during the two-and-a-half years after President Hosni Mubarak's overthrow, foreign exchange reserves provide only three months of import cover despite recent inflows of billions of dollars from Gulf Arab states, the fiscal deficit has reached almost 14% of GDP and the official unemployment rate has risen to 13.3%.[1] Donors have shown willingness to provide financial support, but they have made clear that they would prefer this to be within the framework of a policy programme approved by the International Monetary Fund (IMF). Successive governments have come close to agreeing terms with the IMF, but on each occasion the political leadership has lacked the conviction or the will to commit to policies that would be unpopular with some segments of society.

During the initial period of military rule after Mubarak's overthrow, the Supreme Council of the Armed Forces (SCAF) gave the impression that its priority was to protect the privileges of the military establishment. After the Muslim Brotherhood gained the political high ground following the election of Mohammed Morsi as president in June 2012 it devoted much of its energy to consolidating its political position, at the cost of polarizing society and neglecting the economy. Opposition groups have also failed to engage constructively with economic issues, as lining up behind an IMF-approved programme would entail endorsing policies that were to a large extent drawn up by the previous regime.

The civil service is capable of carrying out reforms that could lay the basis for a recovery in growth and investor confidence, with the help of donors. However, there is little chance of this happening without a political consensus.

The overthrow of Morsi by the military on 3 July 2013 following massive demonstrations calling for him to step down and allow early presidential elections has ushered in a new phase of authoritarian rule, albeit within the formal context of a transition to a democratic system, supposed to consist of drafting and approving a new constitution by the end of November and parliamentary and presidential elections in the first half of 2014. Lavish financial support from Saudi Arabia, the United Arab Emirates (UAE) and Kuwait – which had held back from providing significant funds while the Muslim Brotherhood was in power – will enable the interim government to survive the next few months without facing a balance-of-payments crisis. However, it is likely to hold back from taking decisive actions to address the structural weaknesses of the economy, partly because of the cushion of the Gulf aid, partly because of political uncertainty and partly because of lingering hostility to neo-liberal economic policies among the political forces behind the revolt against Morsi.

This briefing paper explains how the Egyptian economy and economic policy have evolved since February 2011. It also explores the extent to which the underlying economic forces that have shaped policy over a longer period, going back to the 19th century, continue to operate, particularly in respect of Egypt's interactions with the West.

One of the central themes is how different Egyptian governments, over decades, have used the country's strategic importance in financial negotiations with international players. The Muslim Brotherhood-dominated government that held sway in 2012–13 differed little from its predecessors in this respect, and a similar pattern is to be expected with the interim administration.

The international response has been ambivalent. The IMF has sought to present itself as being flexible in setting conditions for providing support, and the staff-level agreement with Egypt that was announced in November 2012 emphasized the need for a gradual approach to placing finances in better order, and gave a nod to the aspiration to achieve greater social justice.[2]

The question of political and good governance conditionality has also taken on increasing weight in the light of the popular disaffection with the rule of President Morsi

1 These figures describe the situation at the of end of June 2013: real GDP growth based on quarterly figures from the Ministry of Planning and International Cooperation; foreign exchange reserves from the Central Bank of Egypt; unemployment from the Central Agency for Public Mobilization and Statistics (CAPMAS); and the budget data can be seen in the monthly reports of the Ministry of Finance.

2 International Monetary Fund, 'IMF Reaches Staff-Level Agreement with Egypt on a US$4.8 Billion Stand-By Arrangement', Press Release No. 12/446, 20 November 2012, http://www.imf.org/external/np/sec/pr/2012/pr12446.htm.

and the concerns expressed by donors about issues such as the treatment afforded to non-governmental organizations (NGOs). A recent EU audit of aid provided before and after Mubarak's overthrow included in its recommendations the requirement to 'apply conditionality rigorously in relation to human rights and Deep Democracy'.[3]

These concerns are even more valid following the coup and subsequent events, including the killing of more than 1,000 pro-Morsi protesters by armed security forces in a series of assaults culminating in the violent dispersal of two camps at Rabaa el-Adawiya and el-Nahda Square in August. Since these assaults, more than 2,500 people have been arrested, including much of the leadership of the Muslim Brotherhood, and there have been regular protests by anti-coup activists, many of which have been met by police firing live ammunition.

The willingness of Western governments to provide financial support to Egypt is based on the assumption that a fairer political system will foster greater economic efficiency and a more equitable distribution of the wealth generated by private-investment-led growth. The difficulty facing them is that the post-Mubarak governments have been unable to take the decisions needed to create a propitious environment for private investment, and that the political system is showing signs of sliding back into authoritarianism.

The interim government's economic policy team is led by Deputy Prime Minister Ziad Bahaa el-Din, who as chairman of the General Authority for Investment played a central role in enabling the investment-led growth surge in the mid-2000s. The emergence of an economically liberal government operating under an authoritarian umbrella evokes some striking parallels with the later part of the Mubarak era. However, the context is very different. The military's dominance of the political scene is much more explicit today, and its leader, Defence Minister General Abdel Fattah al-Sisi, has acquired a populist stature not seen since the heyday of Gamal Abdel-Nasser.

The political scene is also more polarized and fragmented. The Muslim Brotherhood has been vilified in the wake of Morsi's removal, but its protest camps in Cairo show that it still commands substantial popular support. The United States and the EU showed a degree of tolerance for the measures taken by the security forces against the protesters in the weeks after the coup, but have made clear that this is not open-ended.

Expressions of concern by Western governments about the fate of protesters and of the Muslim Brotherhood leadership have stirred up resentment in the Egyptian media and among the public, but this is mixed with demands that the West should do more to support Egypt.[4] If the new government wishes to retain a measure of political and economic support from the West, it may need to find a way to accommodate the Muslim Brotherhood within the political system, although the new regime appears to be intent on suppressing the movement entirely. Another challenge will be to deal with the different demands of popular and political forces that came together to provide a cloak of legitimacy for the coup.

Revolutionary causes

The revolutionary movement that, with critical support from the high command of the armed forces, pushed Hosni Mubarak out of office in 2011 had multiple drivers. The most powerful was the collective desire to bring an end to his autocratic regime and to block any effort to perpetuate the rule of his family and its business entourage through the transfer of the presidency to his son Gamal. Other strong forces were the movement against the institutional brutality of the police and state security services, and the support for workers' rights, as shown by the role played by the 6 April movement in organizing the initial protests. The Muslim Brotherhood was not a prime mover, but its supporters did play an important part in building up the numbers of the protesters, despite its leadership's reservations.

The slogan 'Bread, freedom and social justice' made clear that the cause of creating a more equitable economic system was at the heart of the revolutionary movement. The enthusiasm with which Egyptians of all classes embraced this cause showed that it was shared by people who had

3 European Court of Auditors, *EU Co-operation with Egypt in the Field of Governance*, Special Report No. 4, 2013, http://eca.europa.eu/portal/pls/portal/docs/1/22592778.PDF.

4 See, for example, 'Rare interview with Egyptian Gen. Abdel Fatah al-Sissi', *Washington Post*, 3 August 2013, http://www.washingtonpost.com/world/middle_east/rare-interview-with-egyptian-gen-abdel-fatah-al-sissi/2013/08/03/a77eb37c-fbc4-11e2-a369-d1954abcb7e3_story.html.

advanced economically under the Mubarak regime as well as by those who had suffered or had remained marginalized and mired in poverty. Less clear was any sense of what kind of economic system those involved in the protest movement aspired to create. For some, it appeared that rooting out the corruption at the heart of the Mubarak political and business establishment would allow for a more inclusive prosperity to be built on the foundations laid by the regime, thereby acknowledging that many elements of the previous economic strategy were sound. For others, the revolution would be judged incomplete unless it entailed an overhaul of the neo-liberal economic policies of the late Mubarak era, as well as a thorough reappraisal of the role of the military in the economy.

These different views were reflected to some extent in the programmes of the parties that contested the parliamentary elections at the end of 2011 and in early 2012, as well as in the presidential election in May and June 2012. However, there were many elements of convergence in these programmes as few parties dissented from the line that economic recovery depended on stimulating private-sector investment and trimming wasteful public expenditure.

Meanwhile, the economy suffered the effects of the political turbulence. Growth slowed, capital poured out and tourists went elsewhere. Responsibility for day-to-day management of the economy remained with technocrats embedded in the system since the Mubarak period. Key figures included Farouk al-Okdah, the governor of the central bank, Hisham Ramez, a deputy governor until September 2011 who returned as governor in February 2013, and Hany Kadri Dimian, the assistant finance minister, who had served under different ministers of the economy between 2004 and April 2013.

The technocrats proposed technical solutions to the economic problems that appeared after the revolution. At first this was a simple matter of securing short-term balance-of-payments support to fill a financing gap of about $10 billion that had opened up in the immediate aftermath of the revolution. The technocrats submitted the relevant documents to the IMF, and a standby credit was made available in May 2011, which would trigger supplementary funds from other international financial institutions (IFIs) and regional and bilateral donors. The reforms incorporated in these documents were based on measures that the previous regime was already planning to implement. However, the SCAF was not prepared to take the risk of signing off on the programme.

The process was played out once more in early 2012, and again in November that year, when a staff-level IMF agreement was announced. This was to have been passed to the IMF executive board in December, but the Muslim Brotherhood, through the Freedom and Justice Party (FJP) and President Morsi, decided to put it on hold until it had consolidated its political position by pushing through the new constitution and contesting fresh elections for the lower house of parliament.

The central bank’s acknowledgment at the end of 2012 that it could no longer meet the demands of the state and the market for foreign exchange, and its accompanying move to devalue the Egyptian pound, highlighted the extent to which Egypt’s financial position had weakened. The assumption that it could emerge after one or two years with a more open political system and a recovering economy had started to look misplaced. Politics became increasingly polarized, and popular disaffection with the system grew. At the time of the coup the economy was in crisis. The government was at risk of defaulting on its relatively modest stock of external sovereign debt (much of which is made up of debts already rescheduled) as well as on the debts owed to foreign oil and gas producers, and Egyptians were faced with the prospect of accelerating increases in inflation and in the rate of unemployment, as well as further disruptions to the supply of fuel and electricity.

The alarming deterioration of Egypt’s economic prospects stemmed largely from political factors. The Muslim Brotherhood bears some of the blame, simply because it held the main levers of political power. Brotherhood figures have disputed this, laying the blame on their political opponents for irresponsibly inflaming the situation, and claiming that there was time to resolve the economic crisis after the election of a new lower house of parliament. Morsi had called for the election to be held in April to June, but the schedule was put back because of delays in the Supreme Constitutional Court approving amendments to electoral legislation.

As the Brotherhood got closer to establishing itself as the centre of gravity of the state, its handling of economic policy started to show similarities to that of previous regimes, in particular in its approach to its negotiations with the IMF. A pattern has been set over half a century, whereby Egypt has sought to play the IMF off against other donors in order to secure financial support at the lowest cost in terms of reforms to be implemented, based on the presumption of the country's strategic importance and that it is too big to fail.[5]

However, the Muslim Brotherhood's control of key institutions fell far short of what would be required for it to be considered to be running the country in the Brotherhood's own interest. Its spokesmen also rejected accusations that its ultimate aim was to impose its vision of a sharia-based society, using its electoral strength to build a new authoritarianism. It had laid itself open to such accusations by reneging on its promise to set a limit on the number of seats it would contest in the parliamentary elections in late 2011 and early 2012, and, more controversially, when it backtracked on its pledge not to put up a candidate for the presidential election. On the other side of the ledger, its electoral gains were undermined by the decision of the Supreme Constitutional Court to invalidate the election of one-third of the seats in the lower house of parliament, which led to the dissolution of this chamber on the eve of Morsi becoming president.[6]

Whatever the Muslim Brotherhood's real intentions, its ability to seize control of the state or to run a competent, democratic administration was compromised by its internal shortcomings.[7] Morsi chalked up tactical victories over the military (in August 2012 with his 'coup' against the SCAF) and over the judiciary (with his decree of 22 November that cleared the way for the approval of the new constitution), but at the cost of eroding whatever support he enjoyed from outside the Brotherhood. He also appeared to have miscalculated the strength of his relationship with the new military leadership that he installed, headed by Sisi.[8]

Economic liberals with a social conscience

The government formed by Prime Minister Hazem el-Beblawi after the coup against Morsi has a similar profile to those during much of the Sadat and Mubarak eras, drawing on a technocratic and academic elite broadly supportive of liberal economic policies and prepared to tolerate a degree of authoritarianism. Deputy Prime Minister Ziad Bahaa el-Din, who leads the economic policy team, first served in government in the late 1990s as legal adviser to the minister of economy, Youssef Boutros-Ghali. Later he served as head of the General Authority for Investment between 2004 and 2007, and worked with the investment minister, Mahmoud Mohieldin (who has been a vice-president at the World Bank since 2010), on establishing a unified financial services regulatory authority, which he headed until February 2011.

The finance minister is Ahmed Galal, a former World Bank economist who has run economic research institutes in Cairo for the past few years, and the planning minister is Ashraf el-Araby, who was number two at the planning and international cooperation ministry in the Ahmed Nazif government of 2004–11. The trade and industry minister is Mounir Fakhry Abdel-Nour, a businessman whose achievements include setting up Vitrac, a jam producer that was taken over by Switzerland-based Hero in 2002.

The pledge of $12 billion in aid from Saudi Arabia, the UAE and Kuwait (mainly in the form of interest-free deposits with the central bank, supplemented by fuel supplies) as a reward for removing the Muslim Brotherhood from power has given the government some breathing space in which to assess its economic options. This aid comes on top of about $8 billion by Qatar to Egypt during the Morsi period. The Qatari aid was a gesture of support to the Muslim Brotherhood, and it is doubtful whether any more will be forthcoming from Qatar for the time being.

5 See John Waterbury, *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes* (Princeton, NJ: Princeton University Press, 1983).
6 See Hugh Roberts, 'The Revolution That Wasn't', *London Review of Books*, 12 September 2013.
7 See Peter Hessler, 'Big Brothers: where is the Muslim Brotherhood leading Egypt?', *The New Yorker*, 14 January 2013.
8 See 'How the Muslim Brotherhood lost Egypt', Reuters, 25 July 2013, http://www.reuters.com/article/2013/07/25/us-egypt-mistakes-specialreport-idUSBRE96O07H20130725.

The Mubarak legacy

In February 2010 the three ministers credited with driving Egypt's economic growth surge over the previous five years attended a conference organized by *The Economist* in Cairo. Boutros-Ghali gave an eloquent off-the-cuff speech on how the fiscal deficit would come down as real GDP growth increased, and pleased the bankers present with some sharp comments directed against the central bank's restrictive monetary policy and its refusal to ease the rules for lending to private infrastructure developers. Mohieldin did not make a presentation, skipping straight to questions and answers, during which he described how the privatization programme had run its course, with the state-owned enterprise sector finally achieving solvency. Trade and Industry Minister Rashid Mohammed Rashid was more methodical, explaining how over the previous five years his policies had contributed to a doubling of manufactured (non-oil) exports, and how they would be doubled again over the next five years.

They displayed a confidence bordering on arrogance, but their ill-concealed contempt for Prime Minister Nazif also betrayed their frustration with some of the political constraints they were under. Boutros-Ghali, who left Cairo two days before Mubarak's fall, has since reportedly claimed that he had been trying to get out of government for some time but had been blocked by Mubarak. There is clearly an element of special pleading in this claim, but there is little question that he and his neo-liberal colleagues faced obstacles in implementing their policies from vested interests, starting with Mubarak himself and including the military. Mohieldin did manage to get out before the revolution when he landed a post as vice-president of the World Bank in 2010. Rashid left Cairo in February 2011 and, like Boutros-Ghali, has received decades of sentences *in absentia* as a result of post-February 2011 corruption trials.

The neo-liberal reformers under Mubarak benefited from the patronage of an authoritarian regime that insulated them from public accountability given the absence of freely elected institutions or free media. However, their ability to implement their policies was compromised by the need for them to be cleared by a president who was instinctively cautious and averse to taking decisions that might make him unpopular, even though no mechanism existed for the masses to vote him out of office. For the neo-liberals, the constraints of authoritarianism and the corruption it fostered meant that reforms that would have resulted in much higher rates of economic growth, more healthy fiscal accounts and more jobs in the private sector were increasingly being delayed, watered down or blocked.

The most glaring example of this has been the failure of successive governments to carry out effective reform to the subsidies system. Another telling indicator of the shortcomings of the late Mubarak-era policies was the percentage of the population defined as living below the poverty line, according to international criteria adopted by CAPMAS, the state statistics agency. By this yardstick there was some improvement during the 1990s as the proportion of those below the poverty line fell to 19.6% in 2004/05 from 24.3% in 1990/91, but this figure rose to 20.6% in 2008/09 and to 25.2% in 2010/11.[9] The deterioration in the final part of the decade was partly attributable to the global recession and to the surge in commodity prices, but it also provides a corrective to the official narrative at the time that the government had taken effective measures to protect consumers from the impact of the recession.

False dawn

Since Mubarak's overthrow, the challenge to the neo-liberal political economy of the former regime has taken a number of forms, including persistent labour unrest in pursuit of higher wages and better conditions, judicial cases against business people deemed to have exploited their access to power in order to enrich themselves, and court actions to secure for the state a rightful return on asset sales, including privatized companies and land for real-estate developments.

Several political figures have come to the fore advocating socialist economic policies, including enhanced rights for workers, higher taxes on corporations and wealthy individuals, and increased public investment. The most effective of these left-wing leaders is Hamdeen

9 *CAPMAS 2013 Statistical Yearbook*, Chart 22–5.

Sabbahi, a Nasserist political activist jailed in the 1990s for his campaign against the new agricultural tenancy system, who came a close third in the first round of the presidential election in May 2012, winning 21.5% of the vote.

However, the power structures established after Mubarak's removal gave little opportunity for any radical policy ideas to be put into practice. The SCAF put in place a succession of technocratic governments, and made one critical economic policy intervention in June 2011 when it refused to support the agreement that the administration of Essam Sharaf had reached with the IMF. After the late 2011 parliamentary election the government of Kamal Ganzouri reopened discussions with the IMF, and for a brief period it was possible to detect some optimism among Egyptian business people and international investors that the economy could be about to turn the corner.

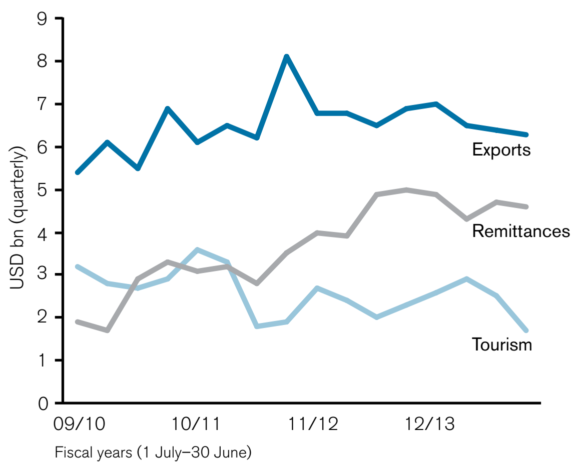
One of the optimists during this period was Hisham Ramez, who had taken up the position of joint managing director of the Commercial International Bank in September 2011 after a stint as deputy governor of the central bank; he was later appointed governor of the central bank at the end of 2012. In an interview with the author in March 2012, Ramez presented a positive picture. 'Corporate Egypt is in a solid position, with about £E140 billion in deposits, no big corporates have fallen down, and the banking sector is doing well,' he said. At that time, the IMF discussions appeared to be progressing well, and several delegations from foreign banks that had invested heavily in Egyptian treasury bills before the revolution had been in Cairo testing the water.

While at the central bank Ramez had witnessed two bouts of divestment by foreign banks, the first during the 2008 credit crunch, when $16 billion was withdrawn, and the second following the revolution, when portfolio investment outflows totalled $12 billion. 'Financial institutions tested us in extreme circumstances and they got their money out,' he said. 'That will always be the case.' Once the IMF deal was in place, foreign banks would come back into the market, attracted by the relatively high returns on government debt. One caveat was the exchange rate, as it was commonly accepted that the Egyptian pound would be devalued in due course.

The inflows of foreign investment in the government debt market would free up more Egyptian bank funds for lending to local businesses; the absence of foreign investors in treasury bills had had the effect of sucking in local bank assets to this market and draining the pool of funds available to meet the needs of Egyptian companies. Ramez said that he was sure foreign investors would welcome the political changes that the revolution had wrought. 'They will accept that Egypt has changed for the better. There is more transparency, no more monopolies – it is no longer the case that 12 to 15 names control the business universe.'

This sense that the economy was poised to recover after the shock of the revolution was shared by many people in the business community, despite the judicial backlash against a number of well-known business leaders. Corporate results in 2011 were affected by the political turmoil, but were far from disastrous. The resilience of manufacturing and agriculture was also reflected in the figures for non-oil exports, which totalled $14.5 billion in 2011, slightly higher than the $14.3 billion earned in 2010. Tourism revenue fell by almost one-third in 2011 to $8.7 billion, compared with $12.6 billion in 2010, but this was partly offset by a rise in remittances from $12.5 billion to $14.3 billion. In 2012 tourism income recovered to $9.9 billion, and remittances increased further, to $19 billion. These were all factors that helped to bring down the current-account deficit to below $1 billion.

Figure 1: Exports, tourism and remittances, 2010–13



Source: Central Bank of Egypt.

More recent data show that remittances remain strong, averaging about $4.6 billion per quarter in the first six months of 2013, but that tourism is still vulnerable to the changes in the political mood. In October–December 2012 tourism income reached $2.9 billion, the highest quarterly figure since 2010. However, it slumped to $1.7 billion in April–June 2013, and the third quarter of the year is likely to have seen a further fall. With violence and political confrontation continuing to dominate the news, tourism is likely to continue to struggle, with negative implications both for foreign exchange inflows and for domestic business and employment.

Political spanners in the works

The positive sentiment in parts of the business community in early 2012 stemmed partly from relief that the political scene had settled down after the parliamentary election. Once the presidential election was out of the way and a new constitution had been approved, some more optimistic business people believed there was a chance that economic recovery could be built on stable political foundations.

The first setback as regards economic policy was the interruption of the IMF negotiations. The IMF had indicated that it wished to be sure that any agreement was based on a political consensus. This was difficult to achieve with a new parliament, in which the Muslim Brotherhood and Salafist majority was reluctant to endorse a major borrowing programme, and with the SCAF still holding ultimate power. There was the added complication of the upcoming presidential election.

Economic policy was in effect placed on hold until the new president assumed office and appointed a government. As the process unfolded, it included some significant shifts in the balance of power. Morsi contrived to neutralize the leaders of the SCAF but ran up political debts to their replacements. This offers a possible explanation for the subsequent preservation of military privileges in the new constitution.[10] The SCAF's parting shot was to dissolve the lower house of parliament, at the recommendation of the Supreme Constitutional Court, a move Morsi tried but failed to countermand, with a conspicuous lack of any meaningful support from the non-Islamist parties.

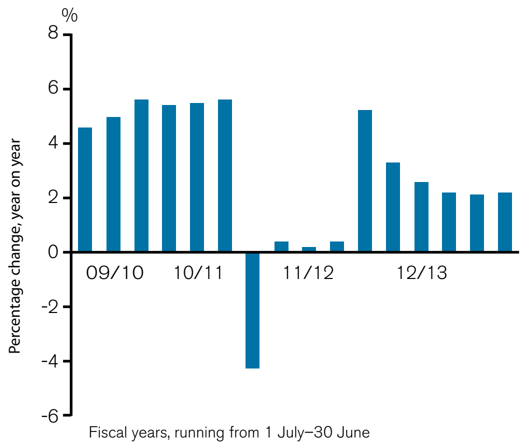
The government formed by Hisham Qandil in August 2012 had a smattering of Muslim Brotherhood-affiliated ministers, but was broadly technocratic, and most of the ministers involved with economic policy were kept on from the previous administration. This paved the way for another round of negotiations with the IMF, as well as with other donors such as the World Bank and the African Development Bank, during October and November.

The need for an external push to revive the economy and help replenish reserves was becoming increasingly urgent as growth continued to struggle and foreign exchange reserves were only being maintained thanks to periodic deposits by Qatar and Saudi Arabia. Even with $5 billion of deposits from these two Gulf states since May 2012, foreign exchange reserves (excluding gold and holdings of IMF special drawing rights) had sunk to $8.8 billion by March 2013. An additional infusion of Qatari funds pushed foreign exchange reserves up to $11.5 billion in May (out of net international reserves of $16 billion). After further slippage by about $1 billion in June, net international reserves then shot up in July to $18.9 billion, following the transfer of $5 billion from Saudi Arabia and the UAE to the central bank in the form of non-interest-bearing deposits.

The first major financial challenge for the Morsi government was the budget for 2012/13 (the fiscal year runs from 1 July to 30 June), which had been passed in May by the subsequently dissolved lower house of parliament. The original budget envisaged the deficit coming down to 7.6% of GDP, compared with an actual deficit of 11% of GDP in 2011/12. This was to be achieved despite a further large increase in wage costs, and depended on cuts to energy subsidies, for which no measures had been put in place, and on a massive increase in revenue, for which no extra revenue-raising measures had been specified.

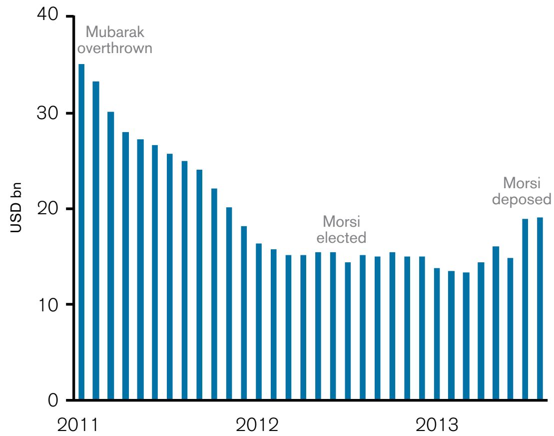
10 The constitution passed in December 2012 specified that the defence minister must be a military officer and that the military budget should only appear as a single figure in the state budget law. These articles were subject to review in the new or amended constitution on which a 50-member committee started work in September 2013.The extent of these privileges and the role of the Egyptian military in the Egyptian economy are a matter of debate. Defence spending fell sharply in the aftermath of the 1973 war with Israel, from almost one-third of GDP in the mid-1970s to just 2.2% in 2010, according to figures cited by Hazem Kandil in *Soldiers, Spies and Statesmen: Egypt's Road to Revolt* (Verso, London, 2012). The military's influence over the economy in ways such as securing sinecures for retired officers and extracting rents from businesses for exploiting areas designated as security zones is more difficult to quantify.

Figure 2: Quarterly real GDP growth, 2009–13



Source: Ministry of Planning.

Figure 3: Net international reserves



Note: Including gold and Special Drawing Right holdings.
Source: Central Bank of Egypt.

Monthly updates from the finance ministry showed that there was no chance of hitting the target, as the actual deficit reached £E119.8 billion, equivalent to 6.7% of projected full-year GDP, by the end of seven months.[11] The IMF and the government agreed that a more realistic target should be set, with most of the tougher measures to be deferred until 2013/14.

Events over four days in November 2012 had a critical impact on Egypt's political and economic prospects. The first was a ceasefire announced in Cairo on 19 November, bringing to an end an outbreak of Israeli–Palestinian violence in and around the Gaza Strip. Morsi's decision to throw his weight behind mediation rather than simply taking the side of Hamas won him the appreciation of the US administration – even though he did not really have any alternative, given the refusal of the military to endorse any political position that might embroil them in a conflict with Israel.

The following day the IMF announced that it had reached a staff-level agreement for a $4.8 billion standby credit arrangement with Egypt, which would form part of a total package of loans, deposits and grants reaching $14.5 billion. The key elements in the programme included

Table 1: Budget highlights

	2011/12	2012/13[a]	% change	2013/14[b]
(£E m; actuals, unless stated otherwise)				
Revenue, including	303,622	344,607	13.5	505,499
direct and indirect taxes	207,410	251,056	21.0	358,729
Expenditure, including	470,992	582,686	23.7	689,327
employees compensation	122,818	140,971	14.8	171,159
interest	104,441	146,971	40.7	182,046
subsidies	134,963	170,798	26.6	160,122
Net acquisition of financial assets	-665	1,825	n.a.	2,217
Deficit	166,705	239,903	43.9	186,045
Deficit as % of GDP	10.8	13.8	27.8	9.1

a Preliminary.
b Draft, approved by now-dissolved Shura Council.
Source: Ministry of Finance, August 2013 financial monthly report, published September 2013.

11 The preliminary outturn published by the finance ministry in September 2013 showed that the deficit had ended up at 13.8% of GDP.

gradually bringing down the overall fiscal deficit to 8.5% in 2013/14 and achieving a primary budget surplus (excluding debt service costs) in 2015/16. The IMF said that the government would seek to reduce wasteful spending by cutting energy subsidies and targeting benefits on more vulnerable groups, while boosting revenue through a range of measures including implementing long-standing plans to replace the general sales tax with value-added tax. A meeting of the IMF board was scheduled to take place on 19 December to approve the agreement.

Morsi had every reason for satisfaction, having confirmed Egypt's credentials as a pivotal player in regional politics and secured an economic lifeline. However, he risked dissipating these achievements when on 22 November he issued a decree appropriating to his office powers of the judiciary. He justified the measure as being necessary to pre-empt a judicial coup against the constituent assembly, but this cut little ice with the non-Islamist opposition, which saw the move as confirmation of its worst fears about the real intentions of Morsi and the Muslim Brotherhood.

Amid the violence that was provoked by Morsi's declaration and by the subsequent rushing through of the new draft constitution, the government continued its work on the preparation of economic policy measures in accordance with the IMF programme. This included revising the 2012/13 budget to show a higher deficit of 10.4% of GDP and drawing up a package of indirect tax increases, notably on beer and cigarettes, aimed at boosting budget revenue. After an FJP committee criticized the tax measures, Morsi announced via his Facebook page on 10 December that he had decided to withdraw them. The IMF executive board meeting that was to have approved the Egyptian programme did not take place.

Morsi had made clear that he considered his priority was to get the new constitution approved and pave the way for the election of a new parliament. Given the intensity of the opposition to his approach, he appears to have judged it to be the wrong time to try to push through an economic programme that might also provoke a hostile popular reaction.

Managing devaluation

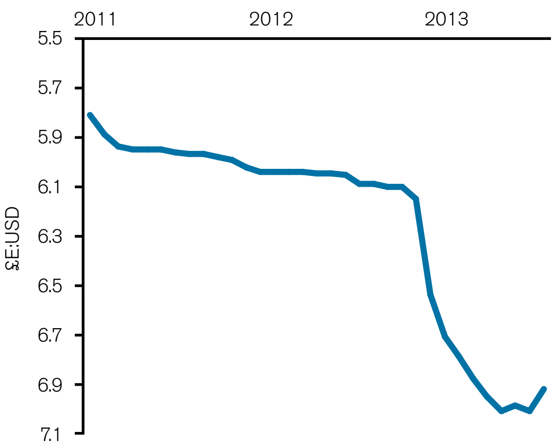
One of the most sensitive issues of economic policy in the Mubarak period and since has been management of the exchange rate. Straddling the two periods as governor of the central bank was Farouk el-Okdah. He had originally been appointed at the end of 2003 after a period of turbulence in the local foreign exchange market, as his predecessor's efforts to manage a modest devaluation of the Egyptian pound had come unstuck, largely because of unhelpful interference from the then prime minister. El-Okdah did a competent job of stabilizing the exchange rate and strengthening the banking system, through setting higher capital requirements. With effective help from Hisham Ramez, his deputy, he also managed the challenges of the revolution, so as to avoid a run on bank deposits, to enable foreign investors to withdraw funds and to prevent a major slide in the value of the Egyptian pound.

However, as foreign exchange reserves fell and the conclusion of an IMF-led donor package was repeatedly postponed, pressures started to mount on the currency, and by the last quarter of 2012 black-market trading started to re-emerge for the first time since 2003. Egyptian officials had insisted that the IMF deal did not include a condition that the pound should be devalued, but it was commonly assumed in the financial markets that a downward adjustment of the currency was one of the targets of the programme.

El-Okdah's second term as bank governor ended in November 2011, but he was persuaded to stay on, first by the SCAF and then by Morsi. He made clear, however, that he wished to retire at the end of 2012. The two leading candidates to succeed him were Ramez (who had left in September 2011 to join a private bank) and Tareq Amer, the head of state-owned National Bank of Egypt (NBE). When Ramez was eventually selected at the end of December, it was evident there had been a bitter struggle behind the scenes; Amer registered his dissatisfaction with the outcome by resigning from NBE. Before Ramez took over at the start of February 2013, El-Okdah enacted a substantial policy change, which had the effect of triggering an 8% devaluation of the pound against the dollar over the following six weeks (see Figure 4).

On 31 December the central bank stated that it had been obliged to ration the amount of dollars made available to the market in order to prevent further erosion of foreign exchange reserves. The new system entailed releasing foreign exchange to the market through currency auctions,

Figure 4: Egyptian pound exchange rate against the US dollar, 2011–13



Source: Central Bank of Egypt.

which would determine the exchange rate, rather than making funds available to banks on demand. The rate fell by about £E0.03 a day until the conditions were tightened soon after Ramez took charge. These measures had the effect of halting the slide. However, the limited availability of foreign exchange through official channels led to the re-emergence of black-market currency trading and the official rate had slipped by the end of April to nearly £E7:$1. The deposits by Qatar in the final period of Morsi's rule and by Saudi Arabia and the UAE after his ousting helped to stabilize the rate, and the pound actually strengthened slightly during July.

The road to Morsi's ruin

A new political phase started at the end of February 2013 when Morsi ratified amendments to electoral legislation that had been passed by the Shura Council, after incorporating changes suggested by the Supreme Constitutional Court, and called for elections to the lower house of parliament to be held in April and June. Opposition forces were outraged at the means Morsi had used to reach this point, but the president and the Muslim Brotherhood continued to show a steely resolve in pursuing their objective of consolidating political power. A campaign by the National Salvation Front for a review of the constitution and for the appointment of a new government of national unity to oversee the election made little headway. Western governments hinted at their concern about the authoritarian tendencies of the regime, but gave little sign of any interest in taking action.

As soon as Morsi had called the election, the Qandil government took steps to reopen discussions with the IMF. The package of indirect taxes that had been withdrawn in December was revived but in a reduced form, with only six of the original measures retained (including the extra duties on beer and cigarettes). The finance ministry also raised the threshold for paying income tax from £E9,000 per year to £E12,000 and lowered the tax rate on the first band of earnings (£E12,000–30,000) from 15% to 10% in an effort to present the government's policy as progressive.

The package of measures was an updated version of those contained in the agreement announced in November, but with some softening of the targets and timelines, and the inclusion of more measures explicitly geared to helping the poor – half of the proceeds from the property tax, for example, would be devoted to financing social housing. Following a cabinet reshuffle in May, these talks resumed under the leadership of Amr Darrag, the head of the FJP foreign relations committee, who was appointed minister of planning and international cooperation. The negotiations reached a similar point to that of the staff-level agreement of November 2012, but at the last minute the president's office gave instructions for the deal to be put on ice, as it was evident that any announcement of an accord with the IMF could further damage Morsi's political position.[12]

The difficulties faced by successive governments in taking advantage of the financial support offered by international financial institutions and other donors have stemmed largely from the political context in which they have found themselves. Since the revolution, the Mubarak-era civil service has been left to manage the economy as best it can on the basis of the systems left in place. But the continuous struggles for control over the state have meant that there has been no group with a sufficiently secure political base to take responsibility

12 This is based on confidential information provided to the author by someone involved in the talks.

for an economic policy programme that would have to be presented, promoted and defended before the public in a coherent and consistent manner.

The Muslim Brotherhood emerged as the most effective political force in the country since the revolution, but it could not control the Egyptian state. The realization that electoral success would not automatically give it all the levers of political and economic control prompted talk of 'Brotherhoodization', referring to a real or imagined plan by the movement's leaders to insert members or sympathizers into key positions. However, even if such a plan had existed, the process would take years to accomplish and only be feasible with the collaboration of interest groups embedded in state institutions.

The number of ministers with Brotherhood or FJP affiliations was gradually increased in the course of cabinet reshuffles undertaken in January and May 2013, but they still accounted for only about one-third of the total. In individual ministries, the Muslim Brotherhood spread its influence through the appointment of advisers. In the finance ministry there were 15 such advisers by the time of the July coup.

From the perspective of the Brotherhood, such an effort to spread its influence through state institutions was a justifiable corrective to its exclusion from many areas of public life under the previous regime, and a logical consequence of its electoral success. Its critics dismissed these claims as disingenuous cover for a campaign to turn Egypt into a theocracy, which its Guidance Council would ultimately dominate, and in the pursuit of which the Brotherhood had shown an increasingly authoritarian side.

Western governments continued to be broadly supportive of Morsi but found it increasingly difficult to square their encouragement of democracy and economic reforms with their concerns about economic mismanagement and creeping authoritarianism. This discomfiture was evident during the visit to Cairo in March by John Kerry, the US secretary of state. He announced aid packages totalling $250 million, but this was only part of the total pledged by the United States since the overthrow of Mubarak, and he made a conspicuous effort to register his support for the work of NGOs in the country.

The European Union's move in March to impose political conditions on its aid for Egypt had been couched in more forthright terms. Presenting this, Catherine Ashton, the high representative for foreign affairs and security policy, said that the EU was fully aware of the devastating consequences of an economic collapse, and that it was committed to helping to avert such an eventuality. But she added that 'we will not remain silent on issues like fundamental freedoms and human rights'.[13]

In June, a delegation of Morsi's advisers visited the United Kingdom to prepare for an official visit that he was scheduled to make in the second week of July. In meetings with British officials and with journalists and analysts, they brought a message that the government was getting on top of the political and economic challenges it faced, despite the unhelpful and obstructive attitude of the opposition National Salvation Front and of institutions such as the judiciary.

Members of the delegation acknowledged that the government had made 'mistakes', for example in its initial drafting of a law regulating NGOs, but they insisted that it was prepared to make changes in response to reasonable criticism. They expressed confidence that the constitutional wrangles over the electoral law could be resolved, and that parliamentary elections would take place in the final quarter of the year.

This sense of the Morsi administration relaunching itself with new purpose after the May reshuffle seemed at odds with the gathering political storms over a host of issues, including the NGO law, the constitutional logjam, a row with Ethiopia over the effects of the Grand Renaissance Dam, and the appointment of a clutch of provincial governors with ties to the Muslim Brotherhood – including putting in charge of Luxor a member of the Gamaat Islamiya, a group that had carried out a massacre of tourists in the Upper Egypt resort in 1997.

Another gathering cloud on Morsi's horizon was the emergence of Tamarrod (Rebellion), a movement set up by groups that had been active in the agitation leading up the overthrow of Mubarak. They launched a petition aiming to secure 15 million signatures endorsing a

13 Catherine Ashton, 'Statement on the current situation in Egypt', 13 March 2013, European Union, dhttp://europa.eu/rapid/press-release_SPEECH-13-221_en.htm.

proposal for Morsi to stand down and a call for an early presidential election. The number was chosen with a view to establishing that the number of people wanting Morsi to leave office exceeded the 13 million who had voted for him in the second round of the 2012 presidential election. The campaign was set to climax in mass demonstrations on 30 June, the first anniversary of Morsi's taking office.

Morsi's advisers dismissed the Tamarrod campaign as lacking political substance, and the Muslim Brotherhood indicated that it could match the size of any protests with mass demonstrations in support of the president. However, as the petition organizers claimed that they were rapidly approaching their target, the main opposition forces fell in line behind the campaign for Morsi's popular impeachment. There were also growing signs of discontent from General Sisi, who issued a series of deadlines for the government and the opposition to reconcile.

Gulf Arab rewards for ousting the Muslim Brotherhood

The coup to remove Morsi and the Muslim Brotherhood from power involved a remarkable level of coordination between a large number of actors. Determining the extent of collusion is beyond the scope of this paper, but the interaction of these various interest groups in the post-coup period is of critical importance for assessing the direction of economic policy and performance in Egypt.[14]

The domestic front against Morsi and the Muslim Brotherhood included much of the party political spectrum, ranging from Nour, the leading Salafist party, to the liberal end of the National Salvation Front, as well as being supported by Al-Azhar, representing the Muslim establishment, and the Coptic Church. Among the few significant dissenters was the Strong Egypt party, headed by Abdel-Moneim Aboul Fotouh, who had been a leading figure on the liberal wing of the Muslim Brotherhood before he broke with the movement in 2011. Much of the business community had been prepared to work with the Morsi administration, but this was mainly out of necessity.

On the international front, the United States and the EU made efforts before the coup to persuade Morsi of the need for effective political action to defuse the crisis, and subsequently to persuade the military and the Muslim Brotherhood to take steps to avoid unnecessary bloodshed in resolving the stand-off over the Cairo protest camps. These efforts ultimately proved to be futile, and instead prompted sections of the media to launch vitriolic attacks on Anne Patterson, the US ambassador, accusing her of being too partial towards the Brotherhood and of interfering in Egypt's internal affairs.

The United States indicated its concern about the large loss of life in the mid-August clearance of the Cairo protest camps. Nevertheless, the United States and the EU have also faced criticism for the mildness of their reaction and for their failure to take any meaningful measures against the new regime, in the wake of the coup, the mass killing of unarmed protesters and the arrests of Brotherhood leaders and activists. On 7 October, after more than 50 anti-coup protesters were shot dead in Cairo, the US administration announced that some of the equipment ordered as part of the $1.3 billion annual military sales grant would be held back.

Crucial external support for the coup came from Saudi Arabia and the UAE. The latter's authorities had made clear that they had deep reservations about the ascent to power of the Muslim Brotherhood in Egypt, and claimed that the Islamist movement was carrying out subversive activities in the Emirates themselves. Saudi Arabia's public position on the Morsi administration was less strident, but its government was uncomfortable with the prospect of Egypt falling under the sway of the Muslim Brotherhood. Neither of these Gulf Arab states showed any interest in providing economic support to the Morsi administration.

Qatar, by contrast, indicated that it was ready to help Morsi to stabilize the Egyptian government's economic position. Whether this was part of a grand design by Qatar's rulers to foster the spread of a new form of Islamist democratic rule across the region, or merely an aspect of its global quest for some sort of 'brand recognition',

14 The suspicions of collusion between the army, Tamarrod, prominent business people and elements of the Mubarak regime to bring down Morsi were aired, for example, in 'Sudden improvements in Egypt suggest a campaign to undermine Morsi', *New York Times*, 10 July 2013, http://www.nytimes.com/2013/07/11/world/middleeast/improvements-in-egypt-suggest-a-campaign-that-undermined-morsi.html?pagewanted=all&_r=0.

by June 2013 it was becoming apparent that its appetite for this was weakening. Signs of this shift included the extraordinary decision of the Qatari emir, Hamad bin Khalifa al-Thani, to step aside in favour of his son, and the move by Saudi Arabia to supplant Qatar as the dominant Arab sponsor of the opposition Syrian National Coalition.

According to the most recent external debt figures from the central bank, short-term deposits increased by $4 billion during the third quarter of 2012, to reach $4.9 billion. Most of the funds deposited during this period are thought to have come from Qatar. They included an announced deposit of $2 billion, placed just before the completion of the acquisition by Qatar National Bank of the Egyptian arm of France's Société Générale for an almost identical sum. The timing and similarity in the sums may have been coincidental, but the deposit undoubtedly provided assurance to the French bank that there would have been sufficient foreign exchange available at the central bank to enable it to repatriate the proceeds of its sale.

The scale of Qatar's assistance increased sharply after the collapse of the IMF agreement. In the second quarter of 2013 it deposited a further $5.5 billion, of which $3.5 billion was converted into bonds, the first for $2.5 billion in 18-month notes yielding 4.25%, and the second for $1 billion in three-year notes yielding 3.5%. Plans for the remaining $2 billion to be converted into bonds were interrupted by the overthrow of Morsi. The central bank held discussions with Qatar during September about reviving this deal, but the governor, Hisham Ramez, announced towards the end of the month that the deposit would be returned as no agreement had been reached on its securitization.

Another form of Qatari support for the Morsi administration was an agreement to send cargoes of liquefied natural gas (LNG) to customers of Egyptian LNG, the operator of a gas export terminal at Idku, east of Alexandria, thereby allowing more gas to be used to meet the surge of demand for electricity over the summer months. The first five such cargoes were to be provided as a gift, but a planned second batch of 13 cargoes was to be supplied at market rates. Qatar fulfilled its commitment to dispatch the five free ones, but no agreement has been reached on the commercial terms for the remainder.

The ousting of the Muslim Brotherhood from power opened a new pipeline of Gulf Arab aid for Egypt's new regime. Saudi Arabia, the UAE and Kuwait pledged to provide $12 billion in aid up until the end of 2013, comprising $6 billion in interest-free deposits, $3 billion in long-term funding for projects and $3 billion in fuel supplies. Within days of the coup, Saudi Arabia and the UAE deposited $5 billion with the central bank, and by the end of August the three Gulf Arab states had delivered almost $1 billion worth of petrol, diesel, fuel oil and liquid petroleum gas. The decision announced in late September to return the $2 billion (interest-bearing) deposit to Qatar came after Ramez said that Kuwait was preparing to place an interest-free deposit of the same amount.

The total of financial and fuel aid that Egypt will have received from the four Gulf Arab donors during 2013 will be close to $20 billion, equivalent to 8% of GDP. This is clearly no substitute for the kind of structured support that a programme led by the IMF and the World Bank could provide, but it is nonetheless a substantial sum that has enabled Egypt to remain solvent. By the end of August, net international reserves had risen to $18.9 billion, the exchange rate was starting to strengthen and the central bank was able to cut interest rates for the first time since 2009.[15]

Meanwhile the government announced plans for additional capital spending of £E29.7 billion,[16] and said that it would increase the minimum wage in the public sector from £E700 to £E1,200 per month, with effect from January 2014. These efforts to stimulate growth have not precluded measures aimed at bringing down the fiscal deficit. The lower interest rates and the gifts of fuel from the Gulf Arab states will help to reduce expenditure by lowering the cost of servicing domestic debts and, indirectly, cutting the cost of subsidizing fuel. Some Gulf Arab aid may be designated as foreign grants in the budget, which would also bring down the deficit.

The government will be looking to build on these benefits as it carries out the next phases in the programme

15 The Monetary Policy Committee made a 50-basis-point cut at the start of August, and cut rates by a further 50 basis points in September.

16 In absolute terms this was not a major addition to overall spending, which was set at £E689 billion in the 2013/14 budget, of which less than 10% was allocated to investment.

to cut fuel subsidies that was started under the Morsi administration. The first phase entailed setting up an electronic register of transactions between bulk fuel suppliers and filling stations – a process that exposed the extent of smuggling operations, as several hundred filling stations were found to exist only on paper and were used as fronts for black marketeers operating within Egypt as well as selling products abroad, including to Gaza and Turkey.

The post-coup government has carried the programme forward by starting the process of distributing smart cards that will be used for purchases of diesel and petrol from filling stations. The next stage will require the smart card to be presented in order to buy fuel at the subsidized price, and eventually the government will apply a ration, whereby only a fixed amount per month will be available at the subsidized price, with additional purchases charged at the market price. The schedule for implementing this programme is likely to have been part of the updated draft agreement that the Morsi administration was discussing with the IMF before the coup.

Conclusion

The Gulf Arab aid that has flowed into Egypt since the coup against Morsi has given the new regime economic breathing space. The Beblawi government has set a target of reducing the fiscal deficit to 10% of GDP, but has placed the emphasis on seeking to stimulate growth, noting that the transitional government does not have a mandate to impose any radical cost-cutting or revenue-raising measures.

The government faces the risk that the monetary aid from the Gulf Arab states will only provide a temporary stabilizing effect on the balance of payments, covering the deficit on the current account but not bringing the kind of benefits that would accrue from long-term direct investment in the economy. For that to happen, private investors within and outside Egypt would need to have sufficient confidence in the country's political and economic prospects to commit themselves to new projects on a significant scale.

The Gulf aid will help to build such confidence. But investors will still be deterred by the threat of political violence and by the new regime's heavy reliance on coercion to keep the Muslim Brotherhood in check. They will also have concerns over the risk that external economic assistance may have the unintended consequence of creating complacency about the fundamental weaknesses of the economy, and reducing the sense of urgency about economic reform. The fiscal deficit reached almost 14% of GDP in 2012/13, and could well be even higher in 2013/14 in the light of the extra spending approved by the government, the lack of any signs of a pick-up in growth and the aversion to enacting new revenue-raising measures.

Without significant inflows of foreign direct investment and a recovery in exports and tourism, Egypt's dependence on Gulf aid and on increased remittances will only grow. The aid tap could be turned off abruptly if oil prices were to fall or if the political mood in Egypt or the Gulf states were to change, and remittances are also vulnerable to the same factors.

These harsh realities could ultimately force Egypt's new rulers to reappraise their attitude towards Western economic support. However, the transitional government has shown little interest in reopening discussions with the IMF, and has dedicated itself to turning round the country's economic fortunes through its own endeavours, buttressed by Gulf aid.

The government's economic programme, drawn up in September, states that its aspiration is to increase economic growth to 3.5% in 2013/14 and to reduce unemployment to 9%, while reducing the budget deficit. It closes with a call to

> all Egyptians from all classes and political inclinations to back up the government and co-operate with it in order to succeed during this transitional phase and to help provide a suitable environment to realise the programme's goal so that Egypt can pursue its path towards fair and sustainable development and a triumphant shift to democracy.[17]

This reflects the abiding obsession of each political group that has gained ascendancy since the overthrow of Mubarak to claim revolutionary legitimacy. Whether the current group can validate that claim will depend on whether it can deliver on both its political and economic aspirations.

17 The Government's Programme for Economic Development and Social Justice during the Transitional Period, 12 September 2013, http://www.mopic.gov.eg/MopRep/MIC/Government%20Program%20en.pdf.

The Middle East and North Africa Programme at Chatham House

The Middle East and North Africa (MENA) Programme at Chatham House is a leading centre for research into and analysis of the politics, political economy and international relations of the Middle East. The Programme also hosts regular expert-level, multi-disciplinary roundtables seminars and conferences, acting as a forum for the debate of new ideas, the sharing of expertise and the dissemination of research findings. www.chathamhouse.org/mena

Political Economies in Transition

The MENA Programme's research on political economies in transition focuses on the core question of whether political shifts are being matched or accompanied by regional economic transitions. Linkages between political and economic aspects of transition are analysed based on the view that political, legal and constitutional change will only take root in the MENA region once new and autonomous sectors of the economy are able to develop independently of state control.

Research includes analysis of individual country responses to global economic challenges and the prospects for greater sub-regional cooperation, as well as new economic models emerging across the MENA and beyond. The critical role that politics plays in determining the economic direction of the region informs a broader assessment of regional economic trends and indicators, such as employment, corruption and private-sector development.

Further resources

Economies in Transition: Strategic Planning in a Changing Middle East, Meeting Summary, September 2013

Yemen: Corruption, Capital Flight and Global Drivers of Conflict, Chatham House Report, September 2013

Kuwait Study Group: Citizenship and the Economy in the Gulf, Meeting Summary, May 2013

Turkey's Economy: An Example for the Middle East and North Africa? Meeting Summary, March 2013

Political and Economic Scenarios for the GCC, Workshop Summary, May 2012

'Bread, Dignity and Social Justice': The Political Economy of Egypt's Transition, Briefing Paper, April 2012

Yemen's Economy: Oil, Imports and Elites, Programme Paper, October 2011

The Economics of the Arab Spring, Conference Summary, September 2011

Egypt's Economy in the Transitional Period, Workshop Report, September 2011

The Role of International Loans and Capital in Egypt's Transition, Workshop Report, September 2011

Opportunities and Obstacles for Yemeni Workers in GCC Labour Markets, Programme Paper, September 2011

Chatham House has been the home of the Royal Institute of International Affairs for ninety years. Our mission is to be a world-leading source of independent analysis, informed debate and influential ideas on how to build a prosperous and secure world for all.

David Butter is an Associate Fellow with the Middle East and North Africa Programme at Chatham House. He has worked extensively on Middle East political, economic and business affairs for Interpress news agency, the *Middle East Economic Digest* and the Economist Intelligence Unit.
He left the EIU in early 2012 and is currently working on diverse consultancy and freelance journalism assignments on Middle East topics.

Chatham House
10 St James's Square
London SW1Y 4LE
www.chathamhouse.org

Registered charity no: 208223

Cover image © iStock
Designed and typeset by Soapbox, www.soapbox.co.uk