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Egyptian Military & Destruction of Economy

Abdel-Hafez Al-Sawi

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TURKEY- ISTANBUL

Bahçelievler, Yenibosna Mh 29 Ekim Cad. No: 7 A2 Blok 3. Plaza D: 64
Tel/Fax: +90 212 227 2262 E-Mail: info@eis-eg.org

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Egyptian Military and Destruction of Economy – Documentary File (Full Text)

I- Decline in Egyptian Exports

The Egyptian Economy has suffered a consistent decline in all sectors during the last five years, especially after the military coup in July, 2013, in spite of the enormous support provided to the Egyptian regime by rich Gulf countries during this period and the mega projects the successive governments claimed to carry out. The Egyptian citizen has not felt any positive changes in his daily life. On the contrary, he is increasingly suffering day after day. Most people are no longer optimistic with respect to any government promises on future economic reforms.

One of the most important economic sectors which have witnessed a clear decline is the Export Sector which is considered the first source of foreign currency to the national economy. Exports are so important in creating new job opportunities, reforming the balance of payment deficit and attracting local and foreign investments; which helps achieve steady growth rates and leads to overall economic improvement.

Decline in Egyptian Exports

According to the data of the Central Agency for Public Mobilization and Statistics (CAPMS), Egyptian exports decreased by the end of 2014 to \$ 26.7 billion compared to \$ 28.7 billion in 2013 by about 6.8 %. During the first half of 2015, exports experienced a significant decline to \$ 11225 million compared to \$ 14648 during the same period in 2014 by more than 23.4%.

One of the biggest sectors that witnessed a prominent decline is the Crude Oil and Petroleum Products Sector as exports decreased from \$ 3471 million during the first half of 2014 to \$ 2112 million during the same period in 2015, by about 39.2%. Exports of chemicals and drugs also declined from \$ 1793 million to \$ 1005 million, by 44% during the same period.

According to CAPMS data, we notice that there was a significant decline in Egyptian exports to all economic blocs abroad. Exports to the European Union countries decreased by 33%: from \$ 4661 million during the first half of 2014 to \$ 3124 million during the same period in 2015. Exports to the Arab countries also decreased from \$ 4962 million to \$ 4249 million, by 14%. The highest decline rate was in exports to the Asian countries (excluding Arab countries), as exports decreased by 38% from \$ 2692 million to \$ 1668 million during the same period.

It is also worth mentioning that there was a remarkable rise in imports during 2014 from \$ 66.2 billion to \$ 70.8 billion by 7% compared with 2013. However, the rise in import rate exceeded 8.4 during the first six months of 2015.

The trade deficit amounted to \$ 17204 million during the first six months of 2015 whereas it reached \$ 37524 million in 2014.

Trade deficit leads to increasing the burdens on the balance of payment, which is not likely to be borne by Egypt's reserves of foreign currency. The trade deficit would affect the Egyptian pound's exchange rate and would inevitably have its negative effects on the Egyptian citizen's life due to inflation and price hikes, which increases the suffering of almost every Egyptian family.

Causes of Export Decline

There are many causes for the decline in the Egyptian exports during the past period which can be summed up in:

- 1- The continuing crisis of power and fuel shortage, especially natural gas which was behind suspension of some chemical fertilizers factories and delay of export shipments.
- 2- In one way or another, the government almost stopped offering aid and export support which was usually given to exporters for helping them bear the financial burdens and be able to promote their products abroad. While this support provided by the Egyptian government used to be between 5% to 10%, China, which possesses all the production potentials, offers a rate of 17% as export support.
- 3- Deterioration of commercial transport lines (by land, sea, and air) between Egypt and other countries which often leads to cargo delay and damage of foodstuff.

4- Delay in payment of exporters' dues with the Export Development Fund and the Tax Authority resulted in low cash flows, production drop and weak presence of the Egyptian product in the foreign markets.

5- Lack of Egyptian competitive exports compared with the exports of other countries due to the high production cost (of water, gas and electricity) which led to a decline in production.

6- Impairment of import and export enterprises; as the import and export companies have witnessed a relative deterioration because of the Central Bank's decision in February 2015 to restrict dollar deposits of individuals and companies to only \$ 10000 in a day with a maximum of \$ 50000 a month. Of course, this low rate of permissible dollar deposits does not cover the Egyptian importer's needs of dollars for the import process. Though this decision was only meant to reduce demand on US dollar and accordingly reduce its rate in the black market; yet it also made the import process very difficult.

7- Non-activation of agreements concluded by the government to expand export to the foreign markets.

8- One of the most important reasons behind the decline in exports is the political and security instability in Egypt during the last few years, which resulted in the reduction of economic investments, withdrawal of several international companies and liquidation of many projects, leading to a decline in Egyptian products on foreign markets.

II- Escalating Rates of Corruption

Reports of corruption, prevailing in the Egyptian economic life, never stop. This is not restricted to the elite and government officials; but even the poor and the majority of the Egyptian people, who depend in earning their living on exerting much effort in return for little and useless wages, are also involved.

After the coup d'état and the military control over the capabilities of the economic life in Egypt, corruption rates have increased. However, corruption issues have undermined ministers of the military governments one after another, as well as higher administration officials. In addition, the corruption practices of businessmen and black economy criminals have led to the decline of Egypt's position in various transparency and anti-corruption indexes. Following is a monitoring of this:

1- Corruption Perceptions Index (CPI): Egypt came in the 105th position among 180 surveyed countries included in the report in 2007. Deterioration continued in 2008 when Egypt was ranked 115. Egypt's rank improved relatively in 2010 when the CPI indicator put Egypt in the 112th rank among 180 countries. In 2010, Egypt came down occupying the 118th position on the CPI scale. In 2014, Egypt came in the 114th position among 178 countries covered by CPI report, which reflects how corruption was widespread and constantly expanding.

2- Global Competitiveness Index (GCI), concerned with transparency and corruption: In 2010/2011, Egypt occupied the 81st position among 139 countries included in the GCI report. In 2013/2014, Egypt's rank on GCI declined to 118th which further deteriorated to the 119th position among 144 countries in 2014/2015. In 2015/2016, Egypt's rank was 116th among 140 countries, which has a negative effect on the business and investment atmosphere.

In GCI corruption indicators, Egypt's score was 4.08 at the first indicator known as corruption influence on transactions (on how illegal payments affect business cost) and thus occupying the 64th position among 139 countries covered by the report.

Egypt has also got a score of 4.08 at the GCI second indicator related to corruption (on how unofficial payments and bribes influence public business)

With respect to the third indicator, which is related to illegal payments and bribes in the field of import and export, Egypt has got a 4.5 degree occupying the 62nd position among the countries covered by the report.

In the fourth indicator on bribes and illegal payments in taxes, Egypt has got a 4.3 degree and came in the 77th place among the countries covered by the report.

In the fifth indicator associated with "illegal payments and bribes to get distinct verdicts from the judiciary system", Egypt has got a 5.5 degree occupying the 33rd rank.

As for the sixth and last indicator, associated with the issue of corruption and transparency (and related to conclusion of public contracts and investment projects), Egypt has got a 4.6 degree in the GCI and occupied the 39th place among the countries covered by the report.

The 2015/2016 Global Competitiveness Index (GCI) report explained that the most prominent problems that face institutions in exercising their business in Egypt are: government bureaucracy, poor work ethics, crime and theft and then corruption.

3- Freedom from corruption or control of corruption: The annual report issued by the Heritage Centre “for measuring the extent of corruption expansion” through an index between (positive) +2.5 degrees, demonstrating the state’s power in confronting and fighting against corruption, and (negative) -2.5 degrees, indicating the state’s inability to face and fight against corruption. This index depends on measuring the extent of involvement of parliamentarians, government officials and tax and customs officials in corrupt practices. Egypt has been able to make progress on this index concerning fighting against corruption during the period from 2000 to 2002, but soon it reversed this progress and began to take degrees ranging from -0.29 in 2002 to -0.57 in 2012. This fact underlines the weakness of the government in confronting corruption, which led to corruption expansion by the time due to spread of government corruption and widespread bribery among low-position government employees to the extent that it became part of their everyday life.

Moreover, there has been corruption in higher administration and among senior leaderships in the form of abuse of power, mediation and plundering the wealth of the country.

Causes of Corruption in Egypt

1- Exacerbation of the Unemployment Problem: According to government estimates, unemployment rates reached 12.8% in 2014 but actually there were indications that they exceeded 15%. Unemployment rates increased among young people up to 30% within the (24-29 years) age group, which makes young people fall prey to crime, corruption and drug addiction and trafficking.

2- Poverty and Disruption of Wage Structure: A World Bank study on poverty in Egypt indicated that nearly 48.5 % those who are gainfully employed fall into various poverty segments, with about 3.2% of them located within the slice of extreme poverty and 18.8 % within the segment of “relative poverty”.

Estimates of the United Nations Development Programme (UNDP) indicated that the number of people living in Egypt at the extreme poverty line (less than a dollar a day) is about 1.7 million (about 2% of the population), and they are considered the poorest of Egypt’s poor people. People who live

at the ordinary poverty line (\$ 2 a day) are about 20 % of the population which means that one fifth of the population falls at the lowest level on the income distribution map in Egypt.

Economic policies pursued by the coup governments have devoted the increase of unemployment and poverty rates through their constant draining of the banking system resources with the aim of bridging the budget deficit, as well as engaging in public projects without feasibility studies. This resulted in the reduction of funds destined for investment and new and stable job creation for the unemployed or the new entrants to the labour market.

3- Absence of the Role of the Regulatory Bodies: All studies concerning combatting corruption in Egypt refer this to the control of the executive authority over the regulatory agencies through regulations. In addition, these bodies do not enjoy independence in the appointment of their members, or determining their salaries. These bodies also suffer from anti-corruption legislative disorder related to their mandate in facing corruption and practicing their control work.

The military coup in Egypt has been keen on the domestication of all regulatory institutions and controlling them through financial bestowal on their officials and workers and appointment of graduates of the police and armed forces as new members of these bodies.

III- Hiking Prices

Prices have witnessed a massive leap creating an additional suffering on low-income citizens without any government control. This has significantly affected the poor citizen, his purchasing power and his lifestyle. The Central Agency for Public Mobilization and Statistics has also confirmed in a statement that the rise in commodity prices led to an increase of inflation rate:

- The annual inflation rate rose up to 11.5% during October, 2013 compared to October, 2012.
- The inflation rate reached its highest level in 2015 by 13.1 %.
- The Central Bank of Egypt has announced that the inflation increased during September and October, 2015 at a rate ranging from 5.5% to 6.2%.

The rise of the US dollar exchange rate against the Egyptian pound over the last two years has resulted in several crises. Prices of all commodities especially foodstuff have all increased. Moreover, important commodities as some types of drugs have also disappeared. The Pharmacists Syndicate confirmed that the rise of the US dollar rate has caused a real crisis to some pharmaceutical

companies. Some of them have become threatened to halt their production and close the plants due to the companies' inability to import the raw material used in drug manufacturing. This had a negative effect on the citizen's needs of medicine. Drug shortcomings have reached about 800 types. These shortcomings have completely disappeared from market. Alternatives of some drugs have also disappeared.

Both 2014 and 2015 have witnessed a big rise in fuel prices; as the government only resorted to raising the prices of fuel to reduce the budget deficit which reached 340 billion Egyptian pounds. The price of a litre of gasoline-80 was raised from LE 0.90 to LE 1.60; a litre of gasoline-92 from LE 1.85 to LE 2.60 and gasoline-

95 from LE 5.65 to LE 6.65. The price of diesel rose up from LE 1.10 to LE 1.80 per liter.

As gasoline-80 price rise rate reached 77 %, it was natural that public transport fares increase by rates starting from 25%:

- Train ticket price rises were so huge that a ticket price on some trains reached LE 50 at rate of 62%. For example, the first-grade Spanish Express train ticket from Cairo to Aswan increased from LE 81 in 2013 to LE 132 in 2015. The second-grade ticket on the same train increased from LE 47 in 2013 to LE 67 in 2015. In Lower Egypt, the first-grade Cairo-Alexandria air-conditioned train ticket increased from LE 26 in 2013 to LE 51 in 2015. The second-grade ticket on the same train rose up from LE 16 in 2013 to LE 30 in 2015.

Price Rises of Steel and Building Materials

The Central Agency for Public Mobilization and Statistics data have indicated that the price of a ton of steel reached LE 5316 in September, 2014 , compared to LE 5018 per ton in September, 2013 ; an increase rate of 6 %. Ahmed El-Zeiny, head of the Division of Building Materials at Cairo Chamber of Commerce confirmed that the price of steel and cement witnessed a price rise for market consumers in 2015 due to the crisis of US dollar shortage and decline of some production lines and producers' inability to provide raw materials, adding that the average rise of steel prices ranged from LE 300 to LE 500 ; and a ton of steel ranged from LE 5300 to LE 5500.

There is no doubt that the increase in steel and building materials prices certainly influenced the prices of residential units. The observed price rise of residential units in 2015 ranged from 10% in some places and 15% in some other ones compared with prices in 2013.

Many economists stressed that the rise in prices has not been commensurate with salaries, as salaries are not usually increased at a rate corresponding to the price rise. Under these circumstances, a wave of outrage swept the public sector employees with the implementation of the new wage system scheduled in the Civil Service Law as Minister of Finance Hany Kadry Domian decided the application of the new wage system starting from July, following the adoption of the Civil Service Law. Many economists confirmed that application of the Civil Service Law is not in favour of the simple employee who waits eagerly for his salary at the end of each month due to the rising financial burdens and price increase of commodities and key services.

Abdel-Fattah Al-Sisi personally emphasized that the Egyptians will be living a bad economic situation in the coming days due to lack of resources. Sisi also pointed out that it would be unfair to one or two coming generations so that future generations could in prosperity. He further called the Egyptians for austerity and donating for Egypt despite the repeated announcement of salary increases only for members of armed forces, the police and the judiciary. Some people say this situation provides many evidences that Egypt may face a hunger revolution soon.

IV- The New Suez Canal Shunt

Revenues of the Suez Canal, which represent an important source of national income, have fallen for the fourth consecutive month, dashing the hopes held by the Egyptians to achieve a breakthrough in the canal's revenues after inauguration of the new "shunt" in August, 2015. The Suez Canal Authority data indicated that Egypt's revenues from the ships passing through the Suez Canal decreased by \$ 40.8 million reaching approximately \$ 408.4 million in November, 2015, compared to \$ 442.8 million in November, 2014, which indicates a decline in the national income of foreign currency from the canal by about \$ 40.8 million.

After his military Coup in July, 2013, specifically on August 5th, 2014, Abdel-Fattah El-Sisi announced the actual beginning of building a new navigation stream parallel to Suez Canal, deepening the main waterway and undertaking a comprehensive development of the Suez Canal Axis. He said the project

aimed at increasing the national income of hard currency and achieving a greater proportion of two-way traffic of ships along part of the waterway, reducing ships' waiting time and thus meeting the anticipated increase in the volume of trade exchange.

On September 15th, the Governor of the Central Bank of Egypt announced that the proceeds from the sale of the Suez Canal investment certificates amounted to about LE 61 billion since the beginning of subtraction through banks. He said it was decided to close certificate subscriptions in banks. However, this happened without announcing a feasibility study for the project. All what was announced was the digging of a new water course parallel to the main canal for a distance of 72 kilometres. On August, 2015, the project's inauguration ceremony was held.

The actual value of the project, first and foremost was the launching of the phrase "the New Suez Canal" instead of the new Suez Canal shunt from the 61st kilometre to the 95th kilometre, a distance of *only 35 kilometres*. In fact, the Suez Canal has several shunts; one of them, Port Said Shunt, is 40 kilometres long. It is not logical to call this new stream which is only 35 kilometers long "the New Suez Canal", whereas we call a longer stream only "a shunt".

Comparing the statements and statistics of coup officials, we find out that:

- On August 16th, 2015, the military coup commander confirmed during a seminar organized by the Army that "the Suez Canal revenues are increasing day after day". He also said "the cost of this canal was LE 20 billion. I tell you that due to the increase of the canal revenues via the increase of the number of ships passing through the canal from 45-47 ships a day to 60-63 ships a day during the last period; we have already got back the 20 billion Egyptian pounds that we paid before.

- On October 12th, 2015, the Suez Canal Authority (SCA) announced that the canal revenues fell by 4.6% in August by scoring only \$ 448.8 million compared to \$ 469.7 million in August, 2014. The SCA announcement confirmed that only 1577 ships passed through the canal during August, i.e. 50.8 ships a day. (We see that the number of ships passing through the Suez Canal did not increase to 60-63 ships as SISI claimed during an Army seminar on October 16th)

On his part, Suez Canal Authority Chairman Lieutenant General Mohab Mamish said, in a press conference in Ismailia on September 16th, 2014, that the new Suez Canal development project "will achieve a net income up to about \$ 100 million annually.

- On page 80 of the Egyptian 2015/2016 General Budget statement, there is confirmation that the expected profits of the Suez Canal will not increase much even after the opening of the new shunt. It stated that the SCA estimates of the Suez Canal surplus reached about LE 19 692 at a growth rate of 2.8% compared to what was expected in the 2014/2015 fiscal year budget according to estimates of the international trade movement growth. Estimates of the Suez Canal Authority surplus earnings were estimated in the light of next year traffic charge associated with the movement of international trade expected to pass through the Suez Canal.

On the other hand, Sisi stressed that the new shunt would help the passage of 60-63 vessels daily instead of 45-47 before. It should be noted here that the total number of ships that crossed the canal in 2008 amounted to 21415 vessels by 59.4 ships a day, which means that the canal capacity before the digging of the new shunt had already allowed passage of at least 59.4 ships a day. Accordingly, the passage of only 45-47 vessels a day, just in the period before the new shunt, was not due to the canal's lack of capability or due to a need for widening or deepening the canal. However, It is linked to a great extent with the volume of the international trade. Considering some official statistics, we find out that the total number of ships transiting every year has been decreasing since 2010, as it reached 17993 ships in 2010, 17798 ships in 2011, 17298 in 2012 and 16596 ships in 2013. The number of ships passing through the canal increased a little in 2014 reaching 16700 vessels. This means that the Suez Canal expansion was not a pressing need at all at that period of time. The strange thing is that Sisi ordered a reduction of the project duration from three years to only one year as if there were an urgent need for that project. Accordingly, Sisi's instructions required spending more billions at a time when the country was suffering from a severe deficit in its general budget.

According to the 2015/2016 fiscal year statement of the Ministry of Finance, we find out that the new shunt will provide about LE 253 million as surplus profits after five years. If we look carefully at the obligatory paid-back expenses on the part of the government after five years, we find out that the government is obligated to pay back an amount of LE 64 billion, the price of the bonds contributed by the Egyptians for the project, in addition to LE 38.4 billion as interest rate over the five-year period. This means that the government must pay back an amount of LE 102 billion in return for a profit of

only LE 253 million after five years. Of course, this deficit must be covered by the country's general budget, which basically suffers from a big deficit.

It is worth mentioning here that the Suez Canal is the fastest maritime stream which links Asia with Europe and saves about 15 days of the journey time via the Cape of the Good Hope. This means that reduction of the number of hours for ships to pass through the canal from 22 hours to only 11 hours due to the new shunt, as Lieutenant General Mohab Mamish stated, is not feasible to attract new vessels as the journey duration via the alternative way already exceeded 15 days on average.

Reactions to the project

It is natural that the attack on this project comes from the military coup opponents. However, when the attack comes from the supporters of the coup, this certainly demonstrates that the project has no avail:

On June 30th, 2015, Naguib Sawiris, a Coptic businessman, participated with Sisi in a breakfast for a group of businessmen who supported the Tahia Masr Fund. A few hours later, Sawiris declared that he did not think the project had got the necessary studies that may have convinced him as well as other big businessmen to participate in investment in the project. He also expressed willingness to participate in a good project with real interest, alluding that the opposite was true (concerning the new Suez Canal shunt).

On August 9th, the Youth of Six April Movement confirmed that several ramifications and shunts were drilled over the past years in the framework of the continuous development of the Suez Canal but none of the rulers dared to call it "the New Suez Canal" as Sisi did. They noted that this shunt had nothing to do with the national project for the development of Suez Canal axis which was intended to develop the Suez Canal Zone to become the world's largest logistics through the establishment of industrial zones, ports and airports.

V- Corruption of the Military from Mubarak to Sisi

While the pro-legitimacy Egyptians, who have rejected the military coup led by Abdel-Fattah Al-Sisi when he was Defence Minister against President Mohamed Morsi, the first elected civilian President of Egypt, were urging each other to unite in preparation for a new revolutionary wave on January

25th, 2016, the Transparency International (TI) listed Hosni Mubarak, the deposed President of Egypt, among the most corrupt figures in the world.

The IT said Mubarak has been accused of transferring millions of dollars from the Egyptian people's money out of the country, adding that "there is no political will to prosecute him or his family before justice". The Revolution had overthrown and jailed Mubarak on charges of corruption and killing demonstrators though he was acquitted of the latter charge (killing demonstrators).

Although the money which was looted, during the reign of Mubarak, and diverted abroad, is estimated at billions of dollars, of which Egypt is in urgent need, the file of these funds was not dealt with, on the official level, with due seriousness over the past years. This money has not been counted and no final legal action was taken against those who had converted it. Moreover, the popular and civilian efforts did not produce any tangible results. On the contrary, Mubarak's businessmen and lawyers are calling for recovery of these funds after receiving "final and conclusive" acquittals.

The Egyptian controversial and pro-military rule Mohamed Hassanein Heikal raised a storm in a teacup when he claimed in May, 2011 that he had got documented information about Mubarak's wealth, ranging between 9 and 11 billion dollars. Heikal said, in an interview with Al-Ahram, a Cairene Newspaper, that concerning Mubarak's wealth abroad, he would only be convinced of documented information from respectable periodical sources. He added that he had read himself a report, available to the World Bank, including information on Mubarak's money abroad that it was estimated between 9 and 11 billion dollars. In fact, this is, in itself, an alarming number. Heikal also said this information was completely consistent with reports from the CIA on these funds. Later, Heikal recoiled on his words saying that he was not a money expert so that he could determine the volume of Mubarak's funds. He claimed that he only announced the available information he had read in certified international reports confirming that Mubarak possessed from 9 to 11 billion dollars in some foreign countries. In March, 2014, a report by the US Congressional Research Service (CRS), revealed that Egypt had received aid from the United States worth \$ 71.45 billion between 1979 and 2013, i. e. over 34 years. The CRS said the US annual aid to Egypt included \$ 1.3 billion in the form of military aid since 1987 until the present time.

Egypt also obtained US aid estimated at \$ 21.3 billion over the period from 2001 and 2013, including \$ 15.57 billion as military aid and \$ 5.714 billion as economic assistances.

The US aid to Egypt represents about 57% of the total international aid and grants that Egypt gets from the European Union, Japan and other countries. Moreover, the amount of aid Egypt gets does not exceed 2% of the total Egyptian national income. In his book “Mubarak and his Time from the Platform to the Square”, Mohamed Hassanein Heikal said that the Gulf War in the early nineties granted Egypt aid and donations valued at \$ 100 billion during Mubarak’s rule. Heikal added that the “interest groups” that surrounded the father (Mubarak) and marched with the son (Here, Heikal did not name Alaa or Gamal), turned into an immoral swarm of lobster that destroyed what was obtained by politics. He also said that the economic container which was filled after the Gulf War was discharged by looting afterwards.

On February 6th, 2013, Transparency International said that the corruption of the Egyptian Army reached a “critical” level. On February 1st, 2015, the regional results of the anti-corruption index on the defence sector in the Middle East and North Africa, issued by the Transparency International, showed that the countries of the region, including Egypt, spent more than \$ 135 billion on the defence sector in 2014, which constitutes 7.6% of the total international military spending. According to the report, this spending rate is considered the highest in the world compared to the GDP. During the monitoring of the increasing secret spending on defense, the Transparency International report said that, in Egypt : “the defense budget is estimated at around \$ 4.4 billion and is considered a state secret. The Army budget is not available in any form to the public or the legislative authority”. The report added that the Egyptian Army had been allowed since 1979 to legally retain its own commercial bank accounts. In addition, the Army budget is completely independent from the government and it (the Egyptian Army) controls a large proportion of the economy through its own business.

On April 15th, 2015 the US Carnegie Centre issued a report stating that after the overthrowing of the elected civilian President Mohamed Morsi on July 3rd, 2013, the Egyptian Armed Forces proved to be the final arbiter in the economic and political system in Egypt. The report added that the Egyptian Army was the first supervisor on the Egyptian economy through the protection of the strategic assets

of its basic investment key partners in the periods of turmoil, and through its control over the basic government procurement tenders. The report pointed to what it called the fragile agreement between President Morsi's regime and the Army, though it bowed to many of the basic demands of the Egyptian Armed Forces, after Morsi tried to marginalize the Army in major projects such as the development of the Suez Canal and the "Toshka" project for land reclamation.

The US Carnegie Centre also explained that Sisi continued to attract wide support from international investors and foreign governments, particularly Saudi Arabia and the United Arab Emirates that replaced the United States as the two key sponsors of the Egyptian regime. Under media and political pressures, Egyptian Deputy Defence Minister, at the time, Major General Mohamed Nasrallah unveiled, at a press conference held by the Supreme Council of the Armed Forces (SCAF) in the spring of 2012, that the Army's annual revenue of its economic activities was \$ 198 million and that its rate in the state budget reached 4.2%, without providing any evidences to support such numbers.

In spite of these funds cited by the US Congressional Research Service and M. H. Heikal, serious scholars agree that Egypt's economy in the era of Mubarak recorded the worst performance since 1952 due to corruption, price rises and the privatization policy. They argue that the economic performance in the last years of Mubarak's rule paved the way to the January 25th, 2011 Revolution which managed after only 18 days to put an end to his rule which had lasted for 30 years.

The privatization policy pursued by the Mubarak governments led to worse than the growth of parasitic social classes, i.e. the decline of part of the ranks of the middle class into poverty after being crushed economically as a result of the bad distribution of income. The last years of Mubarak's reign turned things from bad to worse with respect to corruption, unemployment and poor income distribution.

The criteria of company privatization during the rule of Hosni Mubarak represented a systematic corruption, reflected in the evaluation of the assets of these companies, when they were sold at about only 3% of the price of the land on which they were established. Recently, the report on illegal financial transfers, launched by the Finance Integrity Organization, stated that the amount of money that was illegally transferred out of Egypt was estimated at \$ 39.8 billion during the period from 2004 to 2013 , including the last seven years of the ousted Mubarak's reign.

Egypt occupied the 36th position among 149 countries, where the index monitored the illegal outflows during the period from 2004 to 2013. The report revealed that the funds that illegally came out of Egypt reached their highest score in 2008 with about \$ 6.1 billion, whereas they reached \$ 3.6 billion in 2013.

This comes while Egypt is suffering from a shortage of foreign currency reserves which fell strongly to \$ 16.4 billion at the end of November, 2015, compared to about \$ 36 billion in 2010, the last year of Mubarak's rule. The Finance Integrity Organization, located in Washington, said that over 10 years, the volume of money flows that illegally came out of the developing countries, amounted to \$ 7.8 trillion. On June 4th, 2014, Switzerland announced that it was working with the Egyptian authorities to restore about 700 million Swiss francs (\$ 781.51 million) that were hidden by Mubarak's aides. The Swiss authorities also froze funds linked to Mubarak and former Tunisian President Zin El-Abidin Ben Ali in a matter of hours from being overthrown from power in 2011.

VI- Aggravation of the Energy Crisis in Egypt

Reuters News Agency published on Wednesday, December 23rd, 2015, reports stating that the energy crisis in Egypt is continuing indefinitely, which means a dramatic decline in economic activity and increasing recession, unemployment and poverty. Reuters' reports also stated that Egypt "is facing difficulty in paying for imports of oil and natural gas under the hard currency crisis", adding that the Egyptian government cancelled purchases and asked the suppliers to extend the payment deadlines. There is no perception at all to resolve the fuel and energy crisis, which hit Egypt, in accordance with a scientific method. After the January Revolution, the power outages crisis increased. Voices were raised then that it was due to increase of subsidies granted to the energy sector in the State Public Budget, despite the fact that the Egyptian citizen did not feel or suffer from this crisis during the rule of the ousted President Mubarak.

Deep state organs of the intelligence and the police have played a major role in the burnout of all the capabilities of the state's interests, particularly those associated with the services provided to citizens so that the citizen would feel a decline in services during the rule of President Mohamed Morsi, who came to power after the January 25th Revolution.

Military Coup Commander Abdel-Fattah El-Sisi announced to the Egyptian people that the solution of the power crisis needed \$ 12 billion. He held the largest deal ever with Siemens Company via “direct order” (not through a tender) for the construction and renovation of power plants. Though these deals were tinged with corruption, Sisi issued a decree imposing a gag on Dabaa agreement for setting up a nuclear power plant to generate electricity.

With all this uncertainty, it seems more ambiguous to reach solutions or suggestions for resolving the crisis while there are many questions that are looking for answers:

- Does the problem of the energy sector lie in the lack of appropriate funding for the establishment of power stations?
- Does the crisis of the energy sector lie in the inability to repay the debt of the foreign partner?
- Is the root of the problem connected to the subsidy granted to the energy sector?
- Do we have insufficient supplies of power plants?
- What is the available supply of different energy sources? And what is the required energy?
- How big is the gap or shortfall in energy? And what is the most appropriate way to fill this gap
- Can the launching of “demand and supply” forces (for determining energy prices) restore balance to the market?
- Do we need a new pricing policy for various energy sources?
- Is our use of renewable energy sources sufficient to fill the gap of demand on energy?
- Should Egypt enter the era of nuclear energy for power generation?
- Is the nuclear or renewable energy sufficient to restore balance to the market again?

The military coup is keen on not giving answers to these questions that really need in-depth studies. However, the coup supports the theory of problem-export to the society as a major goal for State Administration in Egypt.

Egypt suffers from the energy crisis as a result of different causes, some of which are linked to the growing demand for energy due to over-population, the establishment of new residential areas and increasing industrial projects without due expansion of energy production.

Some of the most important energy problems that Egypt is now facing are: the import of natural gas, debts of the foreign companies, operating in Egypt, decline in the natural gas production in Egypt and

decline in the investments of foreign companies after the increase of the Egyptian debt to the international oil companies to \$ 6 billion. The Egyptian General Petroleum Corporation sought to repay those debts by borrowing from banks to pay off the arrears to foreign companies. A group of banks had lent the Corporation \$ 3 billion in December, 2014 and most recently in April.

The head of the Egyptian General Petroleum Corporation had requested the postponement of dollar-denominated debt repayment, since all dollar-denominated revenues were directed to pay for the imports of natural gas consumed in power plants. But the central question which needs an in-depth study is: How has the petroleum sector become in debt? Indebtedness is no longer a payable debt to the foreign companies only, but it is also a US dollar debt to the Egyptian banks, borrowed by the Ministry of Petroleum to provide petroleum products for the domestic market.

It is important to note here that, in the era of President Mohamed Morsi, the Egyptian General Petroleum Corporation was able to pay \$ 1.2 billion to foreign companies in July, 2012. In March, 2013, the government paid one billion dollars of due debt to foreign companies, and another one billion dollars was repaid before June, 2013. However, in the era of the elected president who came directly after the January 25th Revolution, an amount of \$ 3.2 billion, which represents one third of due debts was repaid, though President Morsi did not receive free oil from abroad or a \$ 30 billion of aid from Gulf countries, as happened with Sisi.

Energy Production in Egypt

Egypt possesses a number of 51 power plants that produce 25000 megawatts. However, demand on electricity increased during the three years that followed the January 25th Revolution, to reach 30000 megawatts, which required a daily easing of burden by 5000 megawatt. However, we cannot run more than only 22000 megawatts. The government also failed to provide maintenance for the power plants, which led to a permanent and chronic electricity shortage.

The proportion of the High Dam contribution in power generation has decreased to 6.3% of the total energy production. The production of energy from renewable sources represents 10.7 % through the hydro power, the wind power and the solar energy. However, Egypt loses about 13.7% of the total energy. The power plants depend on fuel oil and natural gas inputs for production.

Egypt has nine oil refineries but the crude oil production is decreasing, which leads to a decline in the income of the foreign companies. As a result of the debt problem, the oil companies, operating in Egypt were forced to export its share of crude oil to a third party rather than selling it to the Egyptian General Petroleum Corporation. This resulted in depriving our oil refineries of this crude oil, in addition to increasing the oil imports from abroad.

Moreover, the increased demand, resulting from the ongoing oil crisis has exacerbated the problem; the Egyptian General Petroleum Corporation was forced to redirect the oil resources for local consumption, after it was ready for export to the global market.

Size of Consumption

There is demand on energy is in both the household consumption and the industry section. The domestic consumption of electricity has generally increased. However, it increased by 95.4% from 2000 to 2010. There must be a diversification of energy sources in Egypt. We can get energy from renewable energy sources, although they are only sufficient for lighting the streets and roads, which does not exceed 7% of the total energy needs in Egypt.

Egypt does not suffer from the problem of production as much as it suffers from a lack of funding. However, the question that presents itself strongly is: Why did the petroleum sector turn to a loser sector rather than a profitable one? In other words; why did the government of the ousted Mubarak and the Military Coup fail to repay the foreign debt? This brief report is not likely to afford talking about corruption in oil agreements signed with foreign companies that made Egypt's share of its own oil equal to ZERO. However, the military coup is apparently taking Egypt, on a larger scale, to a big ZERO in all fields.

VII- Compromising Egypt's Wealth of Natural Gas

The monthly informatics newsletter of the Central Agency for Public Mobilization and Statistics for November, 2015, indicated that Egypt's production of natural gas in September, 2014 reached about 3011 thousand tons but decreased in September, 2015 to 2686 thousand tons. This means that the decline value amounted to 325 thousand tons during the period of comparison at a rate of 10.7%.

As for the situation of Egypt's consumption of natural gas, the bulletin also indicated that it reached about 2962 thousand tons in September, 2014, but it increased to 3071 thousand tons in September, 2015. This means that the consumption increased by about 109 thousand tons, an increase of up to 3.6%.

The initial reading in the difference between the quantities of production and consumption of the natural gas in Egypt may not suggest a big problem. However, the fact that shows how big the problem in Egypt is, is that these produced quantities of natural gas actually face two challenges which are:

- 1- The foreign partner's share which amounts to 40%.
- 2- Egypt's previous commitments to long-term export contracts.

These two factors prevented Egypt from enjoying its share of gas production in spite of its low volume, and compelled it to import its needs of natural gas.

Court Ruling of Compensation in favor of Israel:

After issuance of the arbitration judgment of a compensation of \$1.7 billion in favour of Israel for Egypt's halting of natural gas exports to Israel in February, 2012 , we find it appropriate to discuss this issue from different sides, particularly that there is an Egyptian narration which shows the arbitral ruling as nothing or non-existing.

The Egyptian narration says the Court of Arbitration in Geneva is not associated with arbitration in the contract dispute. According to the provisions of the contract, the Commercial Arbitration Centre in Cairo is the court that is associated with the contract dispute. Moreover, the decision of suspending gas exports to Israel, came in a purely commercial setting, away from any political fallout, and was released by Egypt during the first transitional phase when it was ruled by the junta. The reason for stopping the export of gas to Israel, according to the Egyptian government, was the failure of the Eastern Mediterranean Company on its financial obligations, which gave Egypt the right to suspend the gas exports.

Regarding the Egyptian narrative, there are fears that:

-This may be only creation of Egyptian public opinion to accept the step of importing the natural gas from Israel which will start after four years from now, at \$ 9 per million BTUs, while Egypt was exporting it to Israel at a price ranging between \$ 1.25 and \$ 2.5 per million BTUs.

-The second thing is that in case Egypt's appeal is accepted, Sisi will appear as a hero and that he was able to achieve victory over Israel.

But if the arbitration award became final and conclusive for payment of \$ 1.7 billion as compensation for Israel, the economic consequences will be disastrous to Egypt, especially in the light of the funding crisis that Egypt is now suffering from. Payment of the compensation means that the general budget would bear LE 15 billion, about one third of the allocations for public spending on the health sector.

The Israeli Deal

November 2015 witnessed the signing a memo of understanding between the Egyptian "Dolfinus" private company and the Israeli owners of "Lothian" gas field, controlled by Israel off the shores of occupied Palestine, which indicates that the energy crisis reflected keenness of the Egyptian government to normalize relations with Israel.

Egypt has been exporting the natural gas to Israel since the mid-nineties; but unfortunately, it has now become a future importer of gas (from Israel) in 2019-2020 by 4 billion of cubic gas annually for a period from 10 to 15 years.

According to reports circulated by the media, the Egyptian government is not a party in this deal, and they do mind importing gas from any country in the world including Israel. However, the experience of the nineties reflects the Egyptian skill in circumventing the public opinion and the parliament.

The Egyptian Constitution stipulates exposure of international conventions to the parliament for approval before entering into force. To avoid this problem, the government has referred the issue of importing the natural gas to a private sector company

Despite the involvement of the Egyptian government in the export of the Egyptian natural gas to the Israeli entity in the nineties via the Eastern Mediterranean Company, owned by the former Intelligence agent Hussein Salem, these contracts remained far from the Egyptian parliament, which did not exercise its right of control concerning them. However, the opposition had insisted, before

the January 25th Revolution, on preventing the natural gas convention for national and economic considerations but to no avail.

There is another legal problem that would be an obstacle to Egypt's deal for the import of gas from Israel concerning the location of natural gas fields in the Mediterranean Sea. In this regard, an agreement was signed between Egypt, Cyprus and the Zionist entity, demarcating Egypt's sea borders outside the natural gas field area.

However, this agreement remains without activation until it is ratified by the Egyptian parliament. In the light of the nature of the parliament which has been lately elected, this agreement can be passed, although it contains a great deal of security and economic losses for Egypt. Moreover, passing the signing of the agreement during the period of Interim President Adly Mansour, was only a kind of international marketing for the military coup in Egypt, following the July 3rd Coup, 2015.

As Egypt did in the nineties of exporting Businessman Hussein Salem through the Eastern Mediterranean Company, it is now doing the same act by exporting the Egyptian "Dolftios" holding company, owned by a group of businessmen, led by Alaa Arafa, a textile businessman and one of the beneficiaries of the QIZ Agreement (with Israel) which consolidates normalization of relations with Israel.

It is worth mentioning that Alaa Arafa is the son of the late businessman Ahmed Arafa, a former General in the Egyptian Armed Forces, who was also one of the confidants of the ousted Hosni Mubarak. This shows how the coup authority is keen on finding businessmen who work within the framework of its plans.

Future Crisis

The Egyptian Government is insisting on the absence of an effective national strategy in the field of energy. The issue of energy is dealt with within a time frame, such as providing funding for the General Petroleum Corporation to pay off its debt to foreign companies to fall from about \$ 6 billion to \$ 2.7 by the end of 2015 according to a government programme. However, payment of this debt came through conversion of debt maturities of foreign companies to the maturities of local Egyptian banks.

The government runs its imports through credit facilities from its Gulf allies, or through the expansion of the external debt. However, the government has forgotten its announcement, last August, of the Italian company's discovery of huge gas wells off the Egyptian Mediterranean shores.

Egypt's consumption of energy is growing by 3% per annum. In the light of the decline in energy production and the increase in its consumption, these estimates are expected to increase, under a funding crisis which is also expected to continue at least in the medium term. According to the natural gas deal between Egypt and Israel, which is expected to enter into force after four years, the private sector will be allowed to work in the import of the natural gas by itself or through marketing it to others. As a result, the natural gas production cost in Egypt will significantly increase, thus adding a new obstacle to industry and investment. The presence of the government in the position of energy importer would reduce the cost of production through cancelling the profit margin added by the private sector.

VIII- Failure of the Military Policies to Save the Egyptian Pound

When Mubarak left power in February, 2011, the dollar exchange rate reached 5.88 Egyptian pounds, which means a depreciation of the Egyptian pound in the Mubarak era by about 508 piastres, a decline of 635%. After the January 25th, 2011 Revolution, the military junta came and began depletion of foreign currency reserves, estimated then at \$ 35 billion. However, with the end of the rule of the junta, the hard currency reserves fell to \$ 14.4 billion, after draining \$ 20.6 billion.

Former Central Bank Governor Farouk El-Okdah caused harm to the country and the citizen through eagerness to stabilize the Egyptian pound exchange rate without any considerations to the supply and demand forces. The Egyptian pound only decreased by less than 3 % of its real value, equivalent to 18 piasters to decrease from LE 5.88 to 6.06 against the US dollar, thus opening the door widely for the thieves and the corrupt to directly or indirectly transfer their money abroad. This led to a drain on the foreign currency reserves at the Central Bank due to the implicit subsidies obtained by those spoilers through the difference between the real exchange rate and the rate declared by the Central Bank.

When President Mohamed Morsi came as the first elected civilian president and took office on June 30, 2012, the dollar exchange rate was 6.06. With the declaration of the military coup on July, 2013,

the dollar exchange rate was 7.03, with a decline of 97 piastres to the Egyptian pound. This era witnessed a clear conspiracy by the Military and the deep state and those who were used to achieve their cheap goals to prevent achievement of President Morsi's platform and his developmental renaissance programme. However, Morsi's era did not witness part of the generous Gulf grants, which found its way to the Military Coup afterwards. Yet, decline in the Egyptian pound exchange rate did not exceed 16 %.

With the coming of the reign of the military coup (to rule the country again) through the coup interim President Adly Mansour from July 3rd, 2013 until June, 2014, the Egyptian pound fell by 1.8 %, a decline of 12 piastres where the dollar exchange rate reached LE 7.15.

Then, the head of the military coup Abdel-Fattah El-Sisi came to take over, governing the country. Since then, the Egyptian pound has been witnessing a continuous decline despite the Gulf support which exceeded \$ 50 billion. However, these funds did not really go transparently to the dollar resources of the country. This era has been dominated up till now by lack of independence of the Central Bank, in addition to the predominance of the military decisions to prevent the collapse of the Egyptian pound.

When the dollar exchange rate reached LE 7.59 at the end of January, 2015, the Central Bank put a limit for the dollar banking deposits of \$ 10 thousand a day and \$ 50 thousand a month.

These restrictions have curbed to some extent the increase of the Egyptian pound price against the US dollar. The Central Bank reduced the value of the Egyptian pound by ten piasters in its dollar tender on Thursday, July 2nd, 2015, and then on Sunday, July 5th, 2015 with ten other piasters. The dollar exchange rate jumped to LE 7.83. On October 18th, the pound value was further reduced by 10 additional piasters, causing a rise in the US dollar exchange rate to LE 7.93 at the Central Bank and LE 8.03 at banks, against LE 7.93 before that date.

The dollar exchange rate jumped to LE 8.40 in the parallel market and continued to rise until close to LE 9, which means a drop of the Egyptian pound in the official market by one Egyptian pound and a decrease of 14.2% since the beginning of the military coup. In the parallel market, the rate exceeded 20%.

After dismissal of Central Bank Governor Hisham Ramez and appointment of Tarek Amer as his successor, the Central Bank decided to increase the price of Egyptian pound against the US dollar by 20 piastres on November, 11th, 2015. This increase raised many exclamation marks, as it was not supported by reality as well as being unjustifiable by the economic data. In fact, it is a wasting of Egypt's dollar resources.

This rise was just a media bang, a psychological warfare, a type of gambling and a desperate attempt to confuse those who deal in the parallel exchange market, and prevent dollarization (people exchanging their money from Egyptian pound to dollars). The last point seemed clear in the Egyptian banks tendency to offer saving certificates in Egyptian pounds for a period of three years with a yield of 12.5% per year with the aim of preventing dollarization and pressure on the Egyptian pound.

Treatment of Symptoms Rather Than Causes

The coup government really suffers from development "strabismus"; they leave the causes of the disease and look at its symptoms, i.e. by relying on the monetary policy alone to treat the problem of the high dollar exchange rate. The fall in the dollar resources is a natural consequence of lower: exports, tourism, Suez Canal revenues, Foreign direct investment, remittances from Egyptians working abroad; as well as the high armament bill which exceeded \$ ten billion.

Among the causes of decline in the US dollar resources is the bill of low-yield but high-cost projects, with the new Suez Canal shunt coming in the forefront, where only the cost of dredging exceeded \$ 2.2 billion. Consequently, the repayment of the Suez Canal Authority commitments to foreigners relied on syndicated loans from banks. These loans have reached \$ 1.3 billion only during the past two months, which increases the burden on the borrowing government agencies as well as the government banks which contributed in these loans.

In fact, the merchandise exports recorded its highest rise during the era of President Mohamed Morsi in the fiscal year 2012/2013, worth \$ 27 billion compared to imports of \$ 57.7 billion. The trade balance deficit declined to \$ 30.7 billion, by \$ 4.3 billion, at a rate of 11.1%, whereas during the rule of the military junta the deficit reached \$ 34.1% with 25.1 exports against \$ 59.2 imports.

With the coming of the Military Coup, the trade balance deficit began to increase again to reach \$ 33 billion during the fiscal year 2013/2014 and about \$ 38.8 billion in 2014/2015. The deficit in the trade

balance rose by about \$ 4.7 billion at a rate of 13.9%, due to decline in commodity export earnings at a rate of 15.5% to only \$ 22.1 billion.

Impairment of non-oil exports also continued during the first nine months of 2015 at a rate of 19.3%. This is a natural result of the companies' inability to import the necessary production requirements, especially that 70% of the Egyptian exports components rely on import from abroad. Some estimates refer to the escape of \$ 13 billion investments out of Egypt over the past two years at a time when investment inside Egypt is almost restricted to the petroleum sector.

If we take into account the tourism revenues since the reign of the military junta, official data show that they amounted to \$ 9.4 billion in 2011/2012 (during the rule of the military junta) and reached their highest rates during the era of President Mohamed Morsi by \$ 9.8 billion in 2012/2013. However, the tourism revenues fell again after the military coup reaching \$ 5.1 billion in 2013/2014 and \$ 7.4 billion in 2014/2015. Today, tourism is in its worst conditions ever after the fall of the Russian plane on Sinai.

The Suez Canal Authority data showed that the Suez Canal revenues reached \$ 5.2 billion in 2011/2012, then \$ 5 billion in 2012/2013 and \$ 5.4 billion in 2013/2014 and 2014/2015. However, the Suez Canal revenues have declined since the establishment of the new shunt, despite Sisi's claim that it covered its expenses:

- The Suez Canal revenues decreased by \$ 47.9 million at a rate of 9.4% during last August compared to August of the previous year. They continued to decline for the second time in September this year to reach \$ 448.8 million versus \$ 462.1 million in August by \$ 13.3 million, a decline of 3%. They also continued to fall for the third time in a row in October this year to reach \$ 449.2 million compared to \$ 482.3 million, ahead of \$ 33.1 million and a decrease of 7.4% during the same month last year, despite occurrence of a slight increase of \$ 400 thousand compared to the previous month. Remittances of the Egyptians working abroad also witnessed a decline by 8.9% during this year.

IX- Seven Fake Projects of the Military Coup in Egypt

The Egyptian regime announced a number of giant projects in Egypt directly after the coup d'état of July 2013 which toppled the first elected civilian President Mohamed Morsi, most notably: the construction of one million housing units for the low-income citizens, the Administrative Capital,

reclamation of 1.5 million acres of land, the national network of roads, the golden mining triangle, the Suez Canal Shunt and the discovery of a giant field of gas in the Mediterranean Sea. However, these seven projects turned into fake projects. This significantly prompted the exacerbation of people's living crises after the coup regime abandoned its phantom promises; and all the projects that the coup government had announced before, actually stopped.

1- The building of one million apartments was the first mega-project that the military regime first announced in May, 2014, before the presidential elections, through the Defence Minister, at that time, Abdel-Fattah El-Sisi, who revealed the agreement with the United Arab Emirates' Arab-Tec Company to build one million housing units for the low-income people within five years, with a cost of LE 280 billion (equivalent to \$ 40 billion according to the dollar exchange rate at that time). Only three months passed when the Egyptian Housing Ministry said it received the project file instead of the Army.

Delivery of the first phase of the project was scheduled to be earlier this year, but differences escalated between the company and the government about the project funding sources, in addition to the hard financial situation of Arab-Tec, which was exposed to losses and administrative changes over the past period, hampered the implementation of the project.

The one million housing units entered a limbo before the officials announced the end of the project and its complete failure. They only performed some verbal maneuvers by declaring that the Housing Ministry will take over the project and turn it into a medium-housing project, where the unit price will exceed LE 300 thousand (about \$ 38.5 thousand). This means that the dreams of young people and low-income citizens, to obtain housing units at affordable prices, have ended, and that the housing crisis will continue to escalate. ([Video](#): Sisi's announcement of building one million apartments)

2- The Administrative Capital is the second most prominent giant project of the military regime's chain of enterprises. The project was announced in Sharm El-Sheikh Conference in March, 2015, for building the Administrative Capital on an area of 60 kilometers on Cairo-Suez desert road, at a cost exceeding \$ 90 billion.

It was announced at that time that Emaar Company of the United Arab Emirates will take over implementation of the project, but the company denied, in subsequent statements, participation in the project. However, Emaar Board of Directors later announced the establishment of the Capital City Park Company to carry out the project. Then, the mystery continued till Sisi announced that the budget could not bear the construction of the Administrative Capital. Conflicting statements concerning the project have continued and the project was really exposed to clinical death.

3- Road Network: The third phantom project announced by Sisi, was the establishment of the National Roads Network within one year as he declared soon after taking office last year, when he then said: "I'm capable of building a network of roads to hold Egypt like this...", pointing to the grip of his right hand, "and I'm capable of providing the necessary funding", Sisi added. More than a year passed and the coup government has not carried any road projects. However, deterioration of the infrastructure continued, which appeared clearly during the rains that flooded Alexandria, Behira, Giza and many other governorates and led to the sinking of entire villages and the collapse of many roads and bridges.

The most prominent obstacles to the implementation of this project and other ones, was the grinding financial crisis experienced by the country. The Budget deficit reached about LE 254 billion in the last fiscal year, despite the Gulf grants and aid, received by the coup government, exceeding \$ 40 billion (about LE 310 billion).

4- Reclamation of 1.5 Million Acres: The fourth project in Sisi's announcement a year ago was the launching of the reclamation of one million acres of land. However, he later declined, arguing about non-availability of funding. Then, he has recently announced again the launching of the target project after its expansion to 1.5 million acres in the coming days. This raised eyebrows among the irrigation experts who confirmed that Egypt actually suffers from water deficit for the cultivation of the existing spaces. Therefore, it is difficult to supply water for reclamation of this huge space. The irrigation experts pointed out that Egypt is on the verge of hard days in the light of the progress in constructing the Renaissance Dam in Ethiopia, after Sisi signed an agreement giving Ethiopia the right to complete its construction. Ethiopia has already begun the diversion of the Nile stream to the corridors of the

new dam. Moreover, Ethiopia has not given Egypt any guarantees concerning Cairo's share of water, amounting to 54 billion cubic metres.

5- The Mining Triangle: The fifth placebo project is the golden mining triangle in the Egyptian eastern desert, extending from Edfu area, south of Qena Governorate, to Marsa Alam, on the Red Sea coast in the east, to north of Safaga area, which was remarkably neglected by the government of Beblawi, the first premier after the military coup. However, the Sokkari Gold Mine has been surrounded with ambiguity, especially in the light of conflicting reports and uncertainty about the quantities produced and exported.

6- The Giant Gas Field: The Egyptian government announced last August that the Italian Oil Company, "Eni" achieved one of the greatest discoveries of natural gas over the world, in the Egyptian territorial waters of the Mediterranean Sea, speculating that this will help meet Egypt's need of gas for decades to come. According to the company, in a press release at the time, the new disclosure includes original reserves, estimated at 30 trillion cubic feet of natural gas, which means that the reserves are equivalent to about 5.5 billion barrels of the oil equivalent, and covers an area up to 100 square kilometres. This discovery, which will be called "Sunrise", is the largest gas discovery in Egypt as well as in the Mediterranean Sea waters, and may become one of the largest gas discoveries in the world, according to the Italian company.

According to Eni, the development process of the gaseous discovery will take about four years to contribute significantly in meeting the needs of domestic consumption of natural gas. Interestingly, while Egypt was announcing its gas discovery, the Egyptian government was negotiating with the Israeli occupation on import volumes of natural gas produced from "Tamar" field in the east of the Mediterranean, in favour of the liquefaction plant in Damietta, for a period of 15 years. In fact, this arouses questions about the truth of what was claimed to be the greatest gas discovery in the region.

7- New Suez Canal Shunt: The new Suez Canal shunt was one of the most prominent projects, adopted by the current coup regime, which announced that it will generate more than \$ 100 billion, according to official media reports. The cost of its first phase, which amounts to LE 64 billion (\$ 8.5 billion) was collected through investment certificates to companies and citizens. According to experts, the project which had no feasibility study is ambiguous. They speculated that it will meet the

same fate of the placebo Toshka Project, which was adopted by the deposed president Hosni Mubarak, who was toppled by the January 25th, 2011 Revolution. Surprisingly, there was a decline in the Suez Canal revenues in the months that followed inauguration of the new shunt last August.

X- Egypt's Military and Ethiopia's Renaissance Dam

With the entry of the Renaissance Dam into its operation phase, this giant dam is expected to reserve about 70 billion cubic metres of the Blue Nile waters. The Blue Nile is considered the main tributary of the Nile, as it provides the Nile with about 86% of its water, equivalent of about 72 billion cubic metres.

We can imagine the size of the damage if we take into account that the amount of water that comes to Egypt and Sudan is around 84 billion cubic metres. In other words, filling the dam's reservoir with water can forbid Egypt and Sudan a whole year of the water of the Blue Nile or at the very least would lead to the consumption of two thirds of the strategic reserve of Lake Nasser. It is also expected that the lower levels of water in the Nile would affect the High Dam turbines, and thus exacerbate the energy crisis that hit the country.

There are expectations that the proportion of energy generated from the High Dam turbines decrease by less than 37% due to the decline in the Nile levels, and the flowing rate fluctuation. In addition, the fisheries, tourism and internal trade, related to the Nilotic navigation, will be also affected.

What makes things worse is that Egypt has already entered a stage of water poverty, as the Egyptian citizen's share of water is about 630 cubic metres a year, lower than the international rates estimated at 1000 cubic metres per annum. In addition, there is an urgent need to reclaim millions of acres to accommodate the explosive population growth and bridge the food gap that drains the hard currency. Egypt has been the first wheat importer for decades. Moreover, Egypt also imports meat, milk, edible oil, sugar and tea. It is expected that the water deficit will reach 80% by 2030.

Risks of the Renaissance Dam Collapse:

What is worse than reserving the Nile water is the risk of the dam's exposure to cracking or collapse, leading to the sinking of Nile countries in its water and burying them under its silt, as happened in

similar incidents. Unlike the High Dam, the construction of the Renaissance Dam was done through concrete blocks which exposes it to the risk of cracking and collapse because of earthquakes. Like other giant facilities, dams are exposed to the risks of cracking and collapse due to earthquakes, pressure of the accumulating silt in front of the dam or the severe rush of water as a result of floods, tidal mountain falls or water leaks in the dam structure and its incubator area, leading to erosion of the soil.

Moreover, there are risks of the defects in the design, implementation and exaggerated height. The dash speed of the Blue Nile is sometimes more than half a billion cubic metres per day at altitudes sometimes up to 600 metres. What reinforces fears of the dam collapse is the conflicting information concerning its capacity (it was 18 billion cubic metres at the beginning), its height and weakness of its geological and technical studies. In addition, there is lack of safety guarantees, and prevalence of failure of development projects in Ethiopia, as well as the world's harsh experiences of great disasters due to the collapse of dams.

In the past, the Ma'rib Dam in Yemen collapsed causing the migration of most of the population and their disintegration among the peoples of the region. Similarly, the dam of China's Henan Province collapsed in 1975, killing 171 thousand people and destroying 11 million homes. The Teton Dam, in the US State of Idaho, also collapsed in 1976 during the process of filling the tank. More recently, a dam near Jakarta collapsed in March, 2009, killing 67 persons. In the same month of the same year, 50 people were killed as a result of the collapse of a dam in Indonesia. The latest disaster is the collapse of Allio Dam in India on January 12th, last year during the test for the first time.

Late and Difficult Solutions:

There are a number of options in front of the governments of Egypt and Sudan to deal with the crisis. The first option is that of negotiations and agreement with the Ethiopian side to ensure Egypt's and Sudan's historic rights of the Nile and joint supervision in design, implementation, maintenance, verification of security conditions, ensuring non-fluctuation of the flow of the river as well as researching in water harvesting projects to compensate the losses as a result of evaporation of water and leakage in the ground in front of the dam. Some parts of this proposal are no longer valid as it is

too late, such as the joint supervision in design and implementation, as the dam is now in the operation stage.

In other words, it must be agreed to control the water flow rate in order to ensure that the needs of agriculture and navigation in the Nile will not be affected, and the turbines of Egypt's and Sudan's dams will not stop, depending on the strategic reserve in Lake Nasser.

Thus, the stock of Renaissance Dam Lake becomes complement to the stock of Lake Nasser, taking into account the loss of a large proportion of water as a result of evaporation and leakage in the earth layers in front of the Renaissance Dam. Among the suggested security conditions, is the shrinking of the Renaissance Dam and replacing it with a number of small dams, so that the damages would be limited if one of them collapsed. It is preferred that such agreement be documented and guaranteed internationally, including specific penalty clauses. However, this proposal is also no longer possible, as the Renaissance Dam has already been completed.

The Ethiopian side can also offer some suggestions for water harvest projects in the high Blue Nile to compensate for losses resulting from evaporation in front of the dam and the water leak in the earth layers.

In return, Egypt can offer a package of incentives to the Ethiopian and the Sudanese sides, including wider economic integration with trade exchange agreements among the three countries, and connection of roads, railways and electricity networks. Ethiopia has linked its electricity network with Sudan, but there is no circuit link between Egypt and Sudan. The difficulty of this proposal is financing, which has become a dilemmatic crisis to Egypt.

The authorities of the military coup in Egypt turned their back on integration with Sudan, where it froze the opening of the land route between Egypt and Sudan, and halted a project linking the electricity networks between the two countries and the project of reclamation of one million acres in Sudan. So, opportunities of cooperation with Sudan are weak under the current coup government due to the Sisi authorities' hesitation to engage with Sudan in any economic projects.

This giant dam will generate about 6000 megawatts of electricity. Ethiopia will need electricity connection with Egypt to export this energy as well as the energy of other Ethiopian dams to the network of the eight countries, Gaza Strip and the European Union countries. We must here remind

the Egyptian side of the possibility of imposition of charges on the transit of the electric power through its territory, as is the case in the Suez Canal and maritime communications cables. In other words, the role of Egypt is pivotal to the success of the Renaissance Dam, the only purpose of which is to generate electricity for export.

Egypt can request help from the Arab countries, especially the Gulf countries with regard to their common interest with Ethiopia. There are Ethiopian labourers in the Gulf countries as well as the Gulf investments in Ethiopia, as they provide development assistance to Ethiopia and the African countries. What makes this very difficult is the different points of view between Egypt and the Gulf countries on the regional role. The picture (of relations) is now governed by conflict not by integration.

There are those who call for the use of force in dealing with the crisis. The adoption of force or even threatening to use it can send a message to the Ethiopians and the other countries of the Nile Basin that the Nile water is a red line, and that the turbulent political situation will not deter the Egyptian Army from securing the sources of the Nile.

For example, the threat of using force can be through sending a swarm of Egyptian fighter jets to portray the dam. But, this option is difficult in the light of Sudan's support of the dam. However, Egypt can attract Sudan to its side through a mutual defence agreement, conducting joint exercises, the establishment of an Egyptian military base near the border with Ethiopia to help ease the international embargo on Sudan and rein in the rebels. This proposal will be rejected by international powers which want Egypt to remain captive to multiple pressures.

Egypt can promote such option through preventing the Ethiopian ships from passing through the Suez Canal until the two parties reach an agreement on the dam. The Egyptian government can also wave to prevent passage of vessels belonging to the countries which support establishment of the dam. What boosts this option is that countries like the United States and Israel use pre-emptive strikes in the pretext of protecting their national security. If Egypt did not use the Suez Canal as a pressure tool against hostile countries, when would it use it? If the Egyptian Army did not move to protect the Nile, when would it move? What would be the use of Rafale jet fighters, the Russian missile system and the French aircraft carriers that have been purchased recently? However, traffic

through the Suez Canal is organized by international conventions, which may not enable Egypt to carry out this proposal. It is noteworthy that the Renaissance Dam cannot be hit after its establishment is completed, as destroying it after the filling of the reservoir will flood Sudan. So, there must be a decisive action now and not tomorrow; either to reach an agreement, provide guarantees and maintain joint coordination between the two countries, or to resort to the use of force and sanctions. The success of the Renaissance Dam or its collapse threatens the existence of Egypt and Sudan and would reshape the region, resulting in the migration of millions outside the Nile Valley. And thereby, the military coup wasted several opportunities and pressure papers that could have been practiced on Ethiopia to prevent the building of the Renaissance Dam.

XI- The Suffering of Agriculture in Egypt

The agricultural GDP in Egypt amounted to about LE 276.7 billion in the financial year 2013/2014, by 14.3% of the total GDP of the same fiscal year, which amounted to about LE 1930.6 billion. The agricultural GDP, estimated according to the economic and social plan for Egypt in the fiscal year 2014/2015, estimated at LE 352.5 billion, up to 14.5 of the GDP, estimated at LE 2431 billion.

As the Agricultural sector accounts for 27% of the labour force in Egypt, amounting to 26 workers, agriculture contributes with about 20% of Egypt's export of goods, with a cultivated area of about 8 million acres, including the old and the reclaimed land.

First: The Most Challenges that Face the Egyptian Agriculture at Present:

- 1) High environmental pollution rates of agricultural waste, (26-28 million tons per year).
- 2) Continuation of the adoption of a crop combination that does not fit Egypt's water problem, depending on highly water consuming crops. In addition, a large proportion of arable land depends on the flood irrigation method.
- 3) High percentage of losses in the agricultural production, and the lack of linkage, to a great extent, between the agricultural products and engaging in the agricultural processing stages.
- 4) Fragmentation of the agricultural holdings (possessions) and exposure of large areas to "assault" for the purpose of housing.

- 5) High production costs of supplies and equipment, lack of provision of sufficient quantities of fuel during the different stages of agricultural production as well as underinvestment in the field of agriculture.
- 6) Threats related to the provision of water from the Nile and other limited resources, and their inability to meet the growing demand of the increasing population, which resulted in the low average of water per capita.
- 7) Rigidity of the credit policies of the agricultural sector and restriction to only traditional patterns.
- 8) Weak control over the agricultural inputs, especially seeds, fertilizers and chemicals.
- 9) Encroachments on waterways in their infancy to irrigate the “seizure” land (the land seized by farmers but not possessed), and changing the irrigation systems designed for the irrigation project from advanced irrigation, which rationalizes water consumption, to flood irrigation methods.

Unfortunately, despite these problems and challenges that face the agriculture sector in Egypt, the state plan for the fiscal year 2015/2016, came to aggravate these problems and threaten this sector at present and in the future. The budget of the agriculture sector was reduced in the fiscal year 2015/2016. The allocations for research and investments were reduced by 68%. The budget of Part VI, allocated to the investment plan, was reduced, leaving only Part I, allocated to wages.

Second: The Most Important Implications of the Expected Reduction in the Ministry of Agriculture’s Budget in the Fiscal Year 2015/2016:

- 1) Reducing the research budget of the Agricultural Research Centre from LE 69 million to LE 20 million, which will turn the scientists and researchers into a mere staff who just sign the payroll attendance, in addition to stopping all the research projects, aimed at increasing the efficiency of crops and plantations.
- 2) Reducing the budget of the Desert Research Centre from LE 32 million to 13 million, as well as reduction of the Land Reclamation Sector budget from LE 243 million to LE 200 million, threatening reclamation of the one million acres of land, announced by Sisi earlier.
- 3) Cancelling more than 15 research projects serving the agricultural sector at the Agricultural Research Centre, in addition to 12 research programmes at the Desert Research Centre.

4) Threatening the Veterinary Services Authority programmes of anti-epidemic diseases after reducing the Authority's budget from LE 40 million to LE 21 million, despite previous demands to increase the its budget to LE 100 million, causing a large deficit in the provision of basic serums and vaccines available through the Authority for about 9 million head of cattle owned by farmers.

5) Reduction of the Fisheries Development Authority's budget from LE 160 million to LE 120 million, as well as reducing the budget of the Land Improvement Body from LE 60 million to LE 20 million, which threatens the research programmes for development of agricultural crop productivity, aimed at filling the food gap, which is considered a serious threat to the scientific research.

6) Reducing the budget of the Agriculture Ministry's General Bureau from LE 436 million to LE 233 million, resulting in cancellation of 10 projects turning the scientists and researchers into personnel who just sign their payroll attendance.

7) Causing harm to the Egyptian livestock, upon which nearly 51 million farmers rely and the entire people benefit from. This increases the burdens of the Egyptian peasant, drowns him in problems and debts, resulting in more agricultural land abandonment and a larger increase in the number of the poor in Egypt.

Third: The Most Important Problems Faced by the Farmers after the Military Coup:

Among the problems monitored by the Land Centre for Human Rights are the following:

1) Threatening of imprisonment to the small farmers, defaulting on debt payment to the Development Bank. As the Minister of Agriculture declared more than 250000 farmers were tripped in repayment of their debts to the Development Bank, confirming that these debts will not be dropped. Some small farmers are already serving a criminal penalty because of these loans.

2) High prices of fertilizers: The price of a ton of fertilizer was increased by LE 500 to reach LE 2000, borne by small farmers and resulting in reducing their income and increasing the prices of vegetables and food to citizens. The high prices of fertilizers come despite the fact that Egypt produces 16 million tons of fertilizers annually, whereas our needs do not exceed 10 million tons annually. However, fertilizers producing companies prefer export to meeting the local needs.

3) High utilization rent and titling prices of reclaimed land to five times: The Agency for Reclamation and Reconstruction of Desert raised the prices of the land handed over to farmers, who were affected by the application of Law 96 of 1992 from about LE 15 thousand to LE 50 thousand for a piece of two and a half acres.

4) Shortage and pollution of the irrigation water in many areas: This forced the peasants in some cases to use wastewater for irrigation as a result of water shortages. Farmers also suffer from contamination of the drinking water which is sometimes polluted chemically due to government errors in water treatment or in the drainage systems, in which the wastewater mixes with the drinking water.

5) The low income of farmers due to the rising costs of the process of cultivation in all its stages from plowing to harvest, due to its dependence on diesel fuel and electricity price rise to more than 50% in some areas during 2014. Therefore, the incomes of tenants declined due to this increase, in addition to the high prices of agricultural inputs, including fertilizers, pesticides, seeds and others. As for the cotton crop, some reports have pointed out that the cotton crop produced this year was the lowest ever in terms of volume over the past 100 years. The quantity of cotton that was ginned during the period from March to May, 2015 amounted to 395 thousand quintals, compared to 395 thousand quintals in the corresponding period of last year. Accordingly, the Egyptian exports of cotton was affected where data indicate that the cotton exports during the period in question amounted to 106.5 thousand metric quintals, compared to 351.7 thousand metric quintals during the same period of the previous year.

XII- The Public Debt: An Insoluble Problem In Egypt

Although the issue of the public debt in Egypt is the presentation of a range of chronic diseases, including the fragility of the GDP, the budget deficit and the imbalance of the balance of payments, yet it has not received necessary attention of the Egyptian successive governments, especially after the military coup in Egypt.

The behavior of the Egyptian government after July, 2013, lead to increasing the public debt ratios, and subduing the monetary policy to serve the financial policies, through cutting the interest rates on the bonds and treasury bills. On the other hand, the government did not seek to undertake any

real financial reforms in the state budget, not in the taxation sector or wages and salaries. All that was announced then in this regard was not carried out, especially after postponement of the tax code on the stock market works, and the abolition of the maximum wage limitation, concerning the prosecutors and judges as well as bank employees.

Therefore, the issue of the public debt will continue to be stressful on a lot of important economic activities in the lives of the Egyptians, including the necessity to improve education, health and infrastructure services, especially in the drinking water, sanitation or the health security.

The public debt interest as monitored by the 2015/2016 fiscal year budget, amounted to LE 244 billion, which exceeds the wage provisions for about 6.5 million government workers, estimated at LE 218 billion. The debt interest also exceeds the allocations for education, health and public investments (Education: LE 105 billion, health: LE 48.7 billion and investment: LE 75 billion)

Through access to government versions, especially the general state budget for several years, we did not find a government programme to pay off the public debt or to get it off to below 60% of the General Domestic Product. What is contained in the general budget targets of reducing the ratio of the public debt, was not a time-bound programme that reflects a government time commitment, for which it can be held accountable. It does not either allow asking the government for implementation mechanisms. However, what is presented in the final statement of the budget each year is only wishful thinking.

Consumption of the old debt is the only measure that is done routinely by the Egyptian government, particularly with regard to the domestic debt which constitutes the bulk of the public debt. This is done through issuance of new bonds to pay off the old debts with a portion of the new debt, and the debt spiral continues.

What confirms this view is that the successive Egyptian governments did not stop targeting reduction of the public debt ratio to the GDP. However, actual reality proved a steady increase in the public debt value and cost, which has become a burden on the budget and a deduction of improving the performance of government facilities and establishments.

Estimates of the public debt (domestic + external) in June, 2015, indicated that it amounted to LE 2.5 trillion. However, the estimates of the general budget for the fiscal year 2015/2016 showed that the public debt will be LE 2.55 trillion by the end of June, 2016, representing 90% of the GDP.

The Domestic Debt

The Central Bank data show that the domestic debt reached LE 1.83 trillion by the end of 2014, one year after the military coup, an increase of about LE 300 billion, compared to what it was at the end of June, 2013. In June, the domestic debt reached LE 2.1 trillion. Thus, the difference in the volume of the domestic debt compared to what it was at the end of June, 2013, reached LE one trillion.

The External Debt

The Central Bank data show that the external debt reached about \$ 34.2 billion in June, 2013. A year later, it reached \$ 46 billion by the end of June, 2014. This means that the external debt increased by 6.4%, one year after the military coup. By the end of June, 2015, the external debt reached \$ 48 billion. Thus, the increase proportion of the external debt in June, 2015, compared to what it was in June, 2013, reached 11%.

However, numbers in their absolute image reflect reality not facts, as people say. In spite of receiving a foreign aid estimated by the Egyptian government at \$ 40 billion, the external debt increased by about \$ 4.8 billion, which means that there is an acute funding crisis in Egypt's economy, as well as an imbalance in Egypt's external dealings (trade) with the world.

The second thing is that the decline in the external debt value at the end of the first quarter of 2015/2016, to \$ 46.1 billion, was not an option to the government, which had no programme aimed at reducing the external debt, as its ratio to the GDP was still in the safe limits, even after reaching \$ 46.1 billion at the end of September, 2015, and its rate to the GDP was 13%.

Decline of Egypt's external debt during 2015 was really due to repayment of Egypt's obligations towards the Qatari bonds and due deposits during the same year. Therefore, it was not due to the Egyptian government's desire. If the Egyptian government only had had the choice, its concern would have certainly been drawn to the dilemmatic debt, i.e. the domestic debt. It is worth noting, that the

Egyptian government is ignoring all the risks resulting from the external debt increase; and it borrows between \$ five billion and \$ seven billion weekly.

We have to take into account that the government tended during 2014 and 2015 to convert the indebtedness of the foreign oil companies to local and regional banks, which means that what happened was just conversion of debts, and not repayment of them. The government also tended to get loans through economic bodies and holding companies, as the case was with the Suez Canal General Authority (SCGA), which borrowed about \$ 1.5 billion. The Holding Company for Electricity (HCE) borrowed about \$ 350 million, and the General Petroleum Authority (GPA) also borrowed about \$ 3.5 billion. All this happened through government arrangement that the SCGA, the HCE and the GPA get loans from local and regional banks.

The scourge of the economic data of the Egyptian institutions is that they come late. The economic data of September, 2015, will not undoubtedly show that there was a borrowing of \$ 3.5 billion in the last three months of 2015.

What indicates the Egyptian government expansion of the public debt is what was published on the Central Bank's internet site on December 30th, that the deficit of the balance of payments for the first quarter of 2015/2016 reached \$ 3.7 billion. On the same date, the Egyptian Planning Minister said Egypt was considering various sources of funding, including reaching an agreement with the International Monetary Fund, which means getting more loans with new economic and social burdens to be borne by the poor and the low-income people.

XIII- Increasing Concerns About the Future of Egyptian Economy

According to the Central Bank of Egypt (CBE)'s economic bulletin data of November, 2015, the CBE printed LE 9 billion in September, 2015, in the light of the rising domestic and external debt levels, as well as the decline in the foreign currency reserves. This means that the economic policy deficiency strikes all the economic activities in depth.

Many economic sins usually appear in July every year, when the budget final accounts are finished, and the government becomes in need to pay off some of its obligations. It seems that the government found out that its loans from the banking system during this year exceeded permissible limits;

therefore it resorted to printing quantities of cash, not caring about its consequent economic harms and losses.

The government's policy of printing money has been followed for years, not only in September, 2015. What has been printed of cash during the period of the military coup and so far can be monitored through the Central Bank of Egypt's data. The CBE economic bulletin data of September, 2015 indicates that the government printed LE 67 billion during the period from July, to September, 2015. The low-income people, as well as the government and private sector employees who have fixed incomes, may not be aware of the indication of printing LE nine billion in a month. However, they will bear the price rises due to the higher inflation rates, resulting from the process of printing money. However, people will be exposed to another danger through devaluation of the Egyptian pound in less than 6 months, supposed to be within three months due to the nature of the business cycle that relies on imports. However, according to the Egyptian reality of absence of government control over markets, and preoccupation of the regulatory and security bodies with political aspects, traders will take the advantage of this atmosphere, and the poor will be fire-burnt as a result of inflation and decline in the Egyptian pound exchange rate within few days. However, owners of bank savings will realize the reality of the negative actions of the government at the economic level when they see their fortunes crumble under the printing of money and the high inflation rates which exceed the interest rates on their savings.

The Open Import Bill

The Minister of Finance has recently confirmed that the import bill during the fiscal year 2014/2015 amounted to \$ 81 billion, including commodity and service imports, with an increase of \$ 20 billion compared to the previous year. This has also been confirmed recently by the Governor of the Central Bank of Egypt, in the context of justifying the collapse of foreign currency reserves and the devaluation of the Egyptian pound.

Thus, we find that the import bill exactly doubled compared to what it was in 2009/2010, when the Egyptian imports amounted to about \$ 40 billion. However, the justifications, given by some economists and government officials, that these imports were production requirements, tools and

machines, are unacceptable. The deficiency of the import structure is not instantaneous, but it has been known for decades, which necessitated a treatment strategy to prevent its aggravation.

The increase in the import bill, particularly in the leisure and luxury goods, was often promoted as requirements of the tourism sector activities. Unfortunately, tourism was almost “hit to death” over the past five years, yet import of these provocative goods did not stop or even decrease.

Undoubtedly, Egypt has got economic resources that can fill part of the import gap, the simplest of which is the cotton crop that has been compromised by the government through exporting it in the form of raw material. However, the public and private sector spinning plants either stopped working for lack of cotton, or depended on cotton imported from abroad. In fact, there are dozens or even hundreds of commodities that can be produced as intermediate or final commodities through local resources, but stakeholders and “seekers of the easiest solutions” depend on import, as they do not bother themselves with the construction of Egyptian economy properly, through increasing self-reliance in the development projects.

Aid Chandler

It is well-known in development experiences that aid and grants cannot be a mainstay development project, but they come to help at specific times , especially in the moments of the first building or the moments of launching; whereas the local resources are employed mainly to build successful models of development.

Unfortunately, statements of officials and pro-coup economists, often cheered for the support of the pro-coup Gulf States, and photographed to the public opinion that this support began to continue, and that it will not be restricted to these billions of dollars, but direct investments from these countries will come to Egypt excessively as rain

They did not cost themselves the trouble of reading the performance of the Gulf States towards Egypt in investment over the last decades, both in terms of value and quality. They are mostly limited investments as a percentage of the foreign investments in Egypt. Moreover, they are mostly investments in rentier activities in the tourism and real estate sectors, and lately in financial services, in addition to competition between Saudi and UAE companies to take over some foodstuff markets in Egypt.

After the Gulf States' crisis of oil prices collapse and decline in their support to the coup government, the Egyptian officials began to talk about the role of the decrease of Gulf support on the decline in the foreign currency reserves, or continuation of economic recession. They further used this aid decline as a justification to borrow from abroad at the highest interest rates in the world markets. Egypt got a loan of \$ 1.5 billion through bonds raised in the international market in July, 2015, with an interest rate of 6.25%. Instead of submitting a statement of account to the Egyptian people about the true size of Gulf support and how it was disposed of, the Egyptian officials overlooked all this and began to complain of the aid decline.

The Expected Future

There are no signs from which to adopt the scenario or the prospects for optimism about the Egyptian economy, especially in the absence of accountability mechanisms or the adoption of the principle of transparency in the performance of governments after the military coup.

Whereas the stated policies by the government officials is following the agenda of the international institutions, and dealing with Egyptian economy as if it is in normal conditions, and as if it is able to compete; yet the reality is that the Egyptian economy is going through its worst performance stages ever.

Instead of taking advantage of the gaps and opportunities in the WTO agreement and reducing imports, according to the convention on the prevention of imports, which gives the right to use the quota system for a certain period if the import rate exceeded the average of the last three years, yet the government is considering raising the customs rates. It is worth noting that the government knows well that its customs system suffers from significant corruption, which badly affects industries like garments, textiles and drugs through smuggled goods (which are imported from abroad without payment of their taxes).

There are expectations on Egypt's macro-economic indicators, which predict that the coming is the worst, which will have negative consequences on the increase of poverty and unemployment and inflation rates as well as other economic indicators.

XIV-The Economic Legislative Structure of the Military Coup and Legalization of Corruption

The Egyptian regime after the military coup tended from the beginning on the issuance of a lot of economic legislation which legalized corruption and wasted the country's wealth, particularly the decree law, issued in November, 2013, by the coup transit President Adly Mansour, allowing the government to abandon its tenders and assign projects for any company in urgent cases, which contributed significantly in the militarization of the economy, the military takeover of most projects, crowding out the private sector and liquidation of many companies.

In April, 2014, Adly Mansour also issued another law by decree to legalize corruption by prohibiting the appeal of a third party to the contracts entered into by the government with any party, an Egyptian or foreign, whether those contracts were related to privatization, sale of the State land, construction works or others.

Coup Leader Abdel-Fattah El-Sisi issued hundreds of decree laws, after taking office, including many economic laws on March 12th, 2014 (one day before the economic conference) amending certain provisions of Law No. 8 of 1997 on Investment Guarantees and Incentives, the Income Tax Law No. 91 of 2005, the General Sales Tax Law No. 11 of 1991, and Companies Law No. 159 of 1981, considering the foreign investment as a destination not as a goal, and compromising the State resources as an approach.

These amendments awarded the non-Egyptians the right to own land and property, and sometimes they get them free of charge as well. They also allowed the foreign investor to enter and exit the country without any restrictions in a way that might waste the rights of the parties associated with them, particularly the workforce. They acknowledged the absence of criminal accountability to investors and their affiliates. They also allowed the Cabinet to grant advantages to the companies with intensive employment, including getting energy at low prices, loading the country with part of the employees training costs and the costs of the worker's and the employer's share of insurance for a specified period. The amendments also stated the reduction of the sales tax on the machinery and Equipment, provided that these tax yields will be returned to the investors with the introduction of the first tax return.

On July 1st, 2014, Sisi issued a law by decree on amendment of some provisions of the Law of Income Tax, under which a tax of 10% was imposed on capital profits and cash distributions at the Stock Exchange. However, with the businessmen mafia pressure, Sisi dropped his decision and adjourned the capital profits tax for two years, with continuation of the cash distribution tax.

Also, in July, 2014, Sisi issued a decree law, determining the maximum wages for the government and public sector employees at LE 42 thousand per month, representing 35 times the minimum limit of LE 1200. However, he emptied the law of its content after the exception of the judiciary, the police and bank officials of the maximum wages. At the same time, the minimum wages law was completely neglected.

In July, 2015, Sisi issued a law by decree on Electricity, No. 87 of 2015, confining the State role in the Egyptian Electric Utility and Consumer Protection Regulatory Agency as an independent agency with a legal personality. The law pointed out that this Agency is aimed at regulating, monitoring, follow-up and development of all the activities of the electricity production, transport, distribution and consumption. It also aims at attracting and encouraging investment in this field within the framework of legitimate free competition.

This means raising the State's hands from the direct management of the electricity sector, and opening the door to its privatization, and consequently to more sale of citizens to investors. In this context also and in confirmation of this coup policy, Sisi issued a decree law, amending some provisions of Law No. 102 of 1986, and establishment of the New & Renewable Energy Authority and enabling it, with the approval of the Minister of Energy and Renewable Energy, of establishment of joint-stock companies on their own or jointly with other partners to attract investors to engage with the Authority in joint ventures to encourage the production and sale of electricity from renewable energy sources

And more towards the militarization of the Egyptian Economy and crowding out the private sector, which has become the title of the stage par excellence: In July, 2015, Sisi issued a decree authorizing the Defence and Interior ministries and their affiliate agencies, as well as the General Intelligence, to establish companies for Institutions Guarding, and Transfer of Funds. This will take the Army and the Police away from their basic missions of defence and security to the world of the private sector.

Moreover, offering these services with profit-making targets threatens with turning the Army and the Police into units of mercenaries under the name of “private security companies”.

Also, in July, 2015, Sisi issued a decree allowing the Suez Canal Authority (SCA) to establish joint-stock companies on its own, under the Law on Companies (joint-stock companies, limited-share companies and limited liability companies), in a manner, not inconsistent with the nature of the SCA. The general assemblies of these companies are given the authority to issue the financial and administrative regulations of the employees therein, after approval of the Board of Administration of the SCA, without restriction to the provisions of the Law on the Public Sector Employees System, and without prejudice to any advantages enjoyed by workers in such companies. The shares of these companies may be traded once established after approval of the Cabinet. Thus, this law opens the door for the sale of the Canal Zone to foreigners through their purchase of shares traded by those companies.

And it came to allowing the Armed Forces to establish companies on its own or in partnership with the national or the foreign capital. Such decisions take the Armed Forces out of its basic role of guarding the borders. In addition, they expel what is left of the private sector; and even replace the public sector. In December, 2015, Sisi issued a law by decree No. 446 of 2015, amending the powers of the Armed Forces Land Projects Agency (AFLPA), which was set up by presidential decree in 1981 to manage the sale of real estate no longer in use by the Armed Forces. Sisi’s latest decree authorizes the AFLPA to prepare substitute cities and military regions for those evacuated by the Army. The latest amendment now additionally empowers the agency to engage in commercial activity through undertaking all services and activities “to develop its resources, for which purpose it may form companies in all their guises, whether on its own or jointly with national and foreign capital”

During his presidency of the junta, Mohamed Hussein Tantawi was keen on protecting the corruption of the military by amending the Code of the Military Judiciary, in May, 2011, adding a provision giving the military prosecutors and judges alone the right to investigate the army officers’ graft, even if the investigation began after the retirement of the officer and his conversion to civilian life. However, Sisi opened the floodgates to corruption through issuance of the Law by Decree No. 97 of 2015 in August, 2015, amending some provisions of Law No. 62 of 1975 on illicit gain, allowing reconciliation

with the corrupt by refunding what they obtained by illicit gain in any form during the period of investigation, with expiration of the criminal case and the precautionary measures arising from the injunction.

Privileges of the pillars of the military coup; the Army, the Police and the Judiciary, were not limited to only that, but they also extended to issuance of laws by decrees for increasing their salaries and pensions, and also exempting them from taxes. In August, 2014, Sisi issued a law by decree for amendment of the Real Estate Tax Law, including tax exemption of the Armed Forces clubs, hotels, different festivals and occasions houses, medical centres and complexes, hospitals, military clinics, real estate buildings within their scope in addition to other units determined by the Minister of Defence in agreement with the competent minister. Accordingly, they are exempted from the works of the limitation (via survey) and appreciation committees on behalf of the national security requirements, in spite of the objections of the Legislation Department of the State Council. Minister of Defence Sedki Sobhi issued Decision No. 68 of 2015, on June 3rd, 2015, exempting 574 Army establishments from the real estate tax, including: 52 clubs, 29 hotels, 18 summer resorts, 8 cinemas and theatres, a number of festivals and social occasions houses of the armed forces, squares, branches of supermarkets, automatic slaughterhouses, as well as buildings, apartments and villas. A number of seven bodies, affiliated to the Armed Forces and the Police were also excluded from commitment to the Law of Linking to the State Budget, issued by Sisi in early July, 2015, which imposes supplying a rate of 25% of their relayed surpluses to the State Budget. However, all the seven authorities undertake civil profit making activities. On October 1st, 2015, the Prime Minister issued a decision stating these exceptions to: the Defence Ministry's Public Services Authority, the Interior Ministry's Land Projects Fund, the Military Museums Financing Fund, the Defence Ministry's National Services Projects Authority, the Armed Forces Land Projects Authority, the Armed Forces Housing Fund and the Industries and Maritime Services Authority.

XV- Egyptian Tourism Sector Plunges into Bleak Prospects under Security Risks

In the past, the wise people said: “It’s an unfavorable wind” about situations similar to those of the Egyptian Tourism Sector, reflecting its reality and the important roles it plays towards the Egyptian Economy, including its contribution with about 11% of the Gross Domestic Product (GDP).

In April, 2015, the former Tourism Minister Khaled Rami said Egypt aimed at increasing tourism revenues to about \$ 9.5 billion in 2015 and \$ 26 billion in 2020, compared to \$ 7.3 billion in 2014.

Rami added that Egypt aimed at increasing the number of tourist nights to 260 million nights in 2020 compared to 97 million in 2014, raising the spending rate for each tourist to \$ 100 per day against \$ 77 and attracting about 20 million tourists by 2020.

At the end of September, 2015, Tourism Minister Hisham Za’zou said that the Egyptian tourism sector was looking forward to recovery and seeking the attraction of about 10 million tourists by the end of 2015, to achieve revenues between \$ 7.5 and \$ 8 billion.

Za’azou revealed that the number of tourists to Egypt in the period between January and August, 2015, reached 6.6 million tourists against 6.3 million during the same period of 2014, an increase rate of 4.9 %. He said the revenues reached \$ 4.592 billion against \$ 4.509 billion. The Egyptian Tourism Minister expected that Egypt will achieve revenues between \$ 7.5 billion and \$ 8 billion by the end of 2015, and between \$ 9 billion and \$ 10 billion in 2016, as well as increasing the number of tourists up to more than 10 %.

These were the aspirations of the Egyptian tourism officials for the tourism sector, which represents one of the foreign currency resources, inflowing into the country. However, Egypt was at an important appointment, with its repercussions that it would not be able to bear, due to the high unaffordable invoice, at a time when the country was experiencing a crisis of scarcity of dollar resources.

On October 31st, 2015, the ruling coup authorities in Egypt woke up on the news of the fall of the Russian “Metro-jet” plane on its trip No. 9268 over Sinai, with the killing of all passengers and crew on board, numbering 224 people.

The US Carnegie Centre considered the Russian plane crash, a new blow to the Egyptian officials who were trying to convince the world that Egypt was safe and provided a favorable climate for business and tourism alike.

Due to the fact that the Russian tourists make up one-third of tourist arrivals to Egypt, the Egyptian Tourism Sector received a fatal blow after the Russian government imposed a blanket ban on all flights between Russia and Egypt in the wake of the crash, despite the striking warmth of relations between the two countries after the Egyptian military coup led by the army against President Mohamed Morsi, on July 3rd, 2013.

Carnegie Centre predicted a further decline in Egypt's revenues with the erosion of the tourism sector in the wake of the Russian plane disaster, and consequently a decrease in Za'zou's expectations of the \$ 10 billion revenues from the tourism sector in 2016.

About 11 days after the disaster of Russian aircraft downing over the Egyptian Sinai, Tourism Minister Hisham Za'zou announced that Egypt will lose LE 2.2 billion (\$281 million) per month because of Britain's and Russia's decision to suspend their flights. Britain suspended its flights to the Egyptian city of Sharm El-Sheikh, four days after the fall of the Russian plane.

Za'zou said the Russian and the British tourists made up two-thirds of tourism in Sharm El-Sheikh, while the Russians alone represented half of the tourists in Hurghada, on the Red Sea. Under the bluesy tourism scene, Za'zou revealed that he planned to launch a \$ 5-million campaign to promote Egyptian tourism in Russia and Britain. However, Russia says it does not intend to rescind its decision of suspending tours to Egypt soon, adding that it could at least take months.

Under the rising inflation, Za'zou said the government would seek to compensate for the loss of the global tourism through promotion of internal and Gulf tourism, as well facilitating entry visas for tourists from North Africa.

Despite the enormous losses sustained by the Egyptian tourism sector after the Russian plane crash, this is not considered something new for Egypt. In February, 2014, there was a tourist bus bombing in Sinai, killing tourists from South Korea. In September, 2015, a number of eight Mexican tourists were killed when the Egyptian Army opened fire by mistake on a tourist convoy, thinking they were fighters.

Over the past years, well-known tourist destinations in Egypt, such as Sharm El-Sheikh and Luxor, witnessed many attacks. Also, the series of attacks, which took place during 2015, including the assassination of the Egyptian Attorney General Hisham Barakat, formed a challenge to the security forces.

In the light of the importance of the tourism sector to Egypt, its decline leads to a dramatic influence on employment and the foreign exchange reserves, due to the large contribution of tourism in these two areas. One out of eight workers in Egypt works directly or indirectly in the tourism sector. The job losses associated with the tourism sector will pay a heavy blow to the government which gives priority to addressing the problem of unemployment that reached a rate of 13% in the last two years. On the seventh of December, 2015, the Egyptian authorities woke up to the biggest trouble after the Russian airlines announced that it would seek compensation from Egypt.

Due to the fact that numbers do not lie, the official data showed that the era of President Mohamed Morsi, in the fiscal year 2012/2013, was the best period for the tourism sector over years. Tourism revenues then amounted to \$ 9.8 billion. After that, they declined by half to \$ 5.1 billion in the fiscal year 2013/2014, during the rule of the interim President Adly Mansour, the first fiscal year after the military coup. During the first fiscal year of the military coup leader Abdel-Fattah El-Sisi, tourism revenues reached \$ 7.4 billion.

While Egypt was seeking the increase of the tourist spending up to \$ 81 dollars for each tourist per day, during 2015, compared to \$ 74 in 2014, the Central Bank of Egypt's policy of reducing the value of the Egyptian pound against the US dollar about three times to reach LE 7.83 per dollar against LE 7.14 in early the same year, led to a decline in the spending of foreigners in dollars.

In addition to searching for new tourism markets abroad and tending to refine the Egyptian tourist potentials inside the country, the Egyptian government should deal with two main economic priorities, i.e. jobs and foreign currency.

Meanwhile, the extension of security in the country and working for the prevention of acts of terrorism are two key factors for the prevention of the sharp fluctuation witnessed by the Egyptian tourism sector.

XVI- Foreign Funding and Egypt's Losing Bets for Achieving Development

There are many evidences on the decline in the Egyptian development situation during the past four years. According to a statement of Egyptian Planning Minister Ashraf El-Arabi, the average growth rate in the Egyptian Gross Domestic Product (GDP) during the past four years amounted to 2% while the average population growth rate reached 2.5%.

In a sound development situation, it is supposed to have a growth rate three times the rate of the population increase. But when the rate of the population increase exceeds the growth rate, this is what we call "an inverted equation", which reflects the dilemma of development in Egypt.

This does not mean that the development in Egypt before the January 25th Revolution was so good. In the light of the aforementioned relation between the GDP growth rate and the population increase rate, we find out that the GDP growth rate was then three times the population growth rate. But, to complete the picture, there was lack of justice in the GDP distribution, resulting in poor distribution of wealth on the one hand. On the other hand, this dedicated the marginalization of large segments of the Egyptian society, in addition to the accumulation of the numbers of the unemployed as well as the poor people.

This led to the deformation of the development results before the January 25th Revolution. In spite of achieving high rates of economic growth, this growth concentrated on rentier and non-productive sectors, which cost it the ability to create jobs suitable for those who want to get a job, especially the new entrants to the labour market of young people.

It is noted that the development policy in Egypt for decades sees that the funding crisis in Egypt can be solved through relying on the outside through foreign investment or debt.

This policy has remained in Egypt up till now; something that was clearly visible during the recreation of the "Future of Egypt" conference, which was held in March, 2015. "The Economist" published, a few months ago, that Egypt needs an amount of \$ 60 billion until 2018 to achieve a growth rate of 5%. This means that Egypt needs funding flows from abroad at an average of about \$ 20 billion per year which is undoubtedly a big challenge for Egypt under the current circumstances.

The ambition of the Egyptian government does not stop at providing the funding, necessary for development through direct foreign investment, but it also tends to borrow money from abroad,

under the pretext that the Egyptian external debt is still at acceptable rates and that the interest rate of borrowing from abroad is less than that of borrowing from the inside. The government of Sherif Ismail has been exerting great efforts for borrowing from abroad; it has recently signed loan agreements amounting to \$ 4.5 billion with the World Bank and the African Development Bank.

According to the Egyptian government tendencies towards development funding that we mentioned before, there is a group of risks associated with this trend. We can refer to some of them as follows:

The wide-range options of foreign investors

Egypt does not guarantee that the foreign investor will have one single option in front of him, which is to invest in Egypt. However, Egypt occupies a leading competitive position among the countries of the region and the world, with regard to investments. The current circumstances in the countries of the region, including Egypt, make them repulsive to investments due to absence of political and security stability.

Therefore, the foreign investor will be having the option to choose other countries that enjoy better privileges regarding investment. However, the African countries have significantly become a destination for foreign investments, especially from the emerging countries such as China and Turkey, over the past few years. This was behind Egypt's loss of the advantage of being member in regional agreements from which the investor benefits in getting tax and customs exemptions, as these African countries have become an open market for investment, as well as goods.

Different Trends

Unfortunately, with regard to the issue of the government's reliance on the outside world in the financing of development, yet the goals of the foreign investor differ from those of the host country. The foreign investor's eye is usually focused on the profit in the first place, which makes him not interested in investing in projects, which are either needed by the development in Egypt or representing quality and time priorities. The foreign investor may be heading for rentier or quick-profit projects, as happened with the Gulf investments in Egypt over the past few years, which concentrated on the areas of real estate and tourism projects, as well as telecommunications and banking services.

While there is strong need in Egypt nowadays for intensive-labour projects to absorb the unemployment surplus, as well as the pumping of foreign funds in the field of investment in the industry and agriculture sectors, especially those that depend on the achievement of high added value and targeting a policy of import substitution of goods and services, so as to bridge the gap of resources in this regard, estimated at about \$ 20 billion annually.

Looking at the experiences of Egypt's participation in various international and regional conferences, we find that Egypt usually offers a long list of project ideas without organizing its priority needs.

Thinking about recruitment of external funding for development through direct foreign investment causes the aforementioned risks. Furthermore, the development experiences in several successful models such as the Southeast Asian countries indicate that their success was achieved through the domestic savings, which is unfortunately neglected by the Egyptian planner.

With regard to the experiences of the Southeast Asian countries, the foreign investments came to help after the domestic savings succeeded in financing the development investments. Afterwards, the foreign investments came to reap the fruits of success stories and get sustainable and high-profit investment returns, compared to those of their original countries.

Involvement in external debt

If the Egyptian external debt is still in the safe limits as some officials say, yet the supplementing part of the equation is that the domestic debt exceeded all the red lines and became one of the challenges that plague the economic and development policy maker in Egypt.

However, it is clear that the tendency for external funding in the Egyptian case was to bridge the financing gap in the budget deficit funding, or to maintain safe levels of foreign exchange reserves.

The credit situation of Egypt necessitates imposition of high interest rates according to the rules of the international credit market. What raises a lot of concerns is that the funding available in the market is usually in favour of short-term and medium-term loans at best, while the financing of development requires long-term funding, which is not available except through the international financial institutions or bilateral agreements between the countries.

Whatever direction the funding came from, whether external or domestic, this money is not grants or donations, but it has its cost which will finally affect the performance of the general budget and the national economy.

The abandoned alternative

Egypt is still considering a development funding framework that is far from benefitting from the domestic financing. Before thinking about funding, we have to reconsider the priorities for development and then encourage the domestic funding, particularly the “non-formal” one, which is estimated at about LE one trillion. This means that this domestic financing reaches a proportion close to 85% of the volume of deposits available at the Egyptian banking system.

These funds will not be stirred unless they are given the same generous advantages of the foreign investment offers presented by the Egypt government. Moreover, Egypt failed during the past period in marketing its development projects, particularly in the infrastructure areas, through the BOT or the Islamic bonds mechanisms. It is worth noting that the Asian countries and Turkey benefitted so much from these two mechanisms.

XVII- Causes of the Egyptian Pound Collapse In the Military Coup Era

There is no need to say that there is no scientific approach to analyse any economic problem we suffer from in Egypt. Though there are many ailments and problems, specialists can diagnose these ailments and develop appropriate treatment for them in order to get out of the crisis of the Egyptian Economy. However, it is obvious that these problems are deliberately left to exacerbate, even go sour and become more difficult to solve, the spread of the disease across the entire economic body and doctors become unable to prescribe any medication due to its side effects on the economy.

An evidence for this is the deterioration of the value of the Egyptian pound over 70 years. The Egyptian pound exchange rate was LE 0.25 against the US dollar before the 1952 Revolution and the beginning of the military rule of Egypt. Now, it has become nearly LE 8.00 in the official exchange market. Since the military coup against the first democratic experience in Egypt and over two and a half years, the value of the Egyptian pound continued to deteriorate due to aggravation of crisis after crisis.

The year “2015” witnessed a decline in the value of the Egyptian pound by more than 30% during the period of the coup, which negatively affected the purchasing power of the Egyptians and led to increasing inflationary pressures, including raising the prices of foodstuff and all costs of living as well as causing the escape of investors.

The pound has fallen in the official exchange market by 11% since the beginning of 2015. The dollar exchange rate has recently reached about LE 8.60 in the black market versus LE 7.10 early last year. Among the causes of this decline in the pound exchange rate are *internal causes* related to the government’s inability to fulfil any of its promises. Some of them are linked to the monetary policy of the Central Bank and the continuation of the state budget deficit to unprecedented levels, mainly due to the rising expenses and the falling revenues.

The second cause which led to further deterioration of the pound was the result of the inability of government oil companies to repay their debts to the foreign oil exploration companies. The Egyptian General Petroleum Corporation (EGPC) has sought to meet the debt due for the foreign companies operating in Egypt through borrowing from the Egyptian banks and pay arrears to these foreign companies. A group of banks have lent the EGPC \$ 3 billion in December, 2014, and recently in April, last year.

The third factor has been associated with more consumer imports of luxury and entertainment items, which can be least described as “provocative”. Figures of the merchandise imports of 2014 revealed that Egypt imported raw sugar for \$ 2.6 billion, apples for \$ 400 million, corn for \$ 1.7 billion, food to cats and dogs for \$ 153 million, toys for \$ 55 million, jumbo shrimps and caviar for \$ 78 million, “Yamish Ramadan” for \$ 104 million (Yamish Ramadan: is usually a collection of dates, ‘Qamardeen’ or cooked apricot, reserved figs, apricot, raisin and nuts which Egyptians are used to buying and consuming large quantities of them at ‘sunset’ breakfast in Ramadan, the fasting month for Muslims), meat of peacock, deer and ostrich equivalent of about \$ 95 million, chocolate for \$ 57 million, race cars, golf cars and ‘Beach Buggy’ for \$ 600 million, in addition to import of fireworks and the like for about \$ 600 million.

The fourth cause is associated with more payment of the Egyptian debt instalments. It is worth mentioning that this item is expected to increase due to the growing volume of the foreign debt, reaching \$ 46.2 billion.

The fifth factor is represented in the manipulation of both importers and exporters of import documents in order to smuggle dollars out of the country, and open offshore dollar accounts due to fear from the coup authorities' tendency to confiscate their dollar funds as they did with the money, societies, and schools of the Muslim Brotherhood, and charging Businessman Hassan Malek of causing the dollar rate rise. They also smuggle dollars abroad to finance their imports from their dollar accounts abroad in case of the Egyptian banks inability to provide dollar (for import), as well as achieving capital gains through acquisition of dollar and speculating them on the black market.

The sixth cause is related to the flourishing currency trade outside the banking system. There is a big difference between the official price and the price of the black market, which tempts everyone for demand on dollars, so that they could achieve extremely fast gains, reaching at least LE 0.70 per dollar. This makes citizens prefer resorting to the black market, to exchange their revenues in dollars, to resorting to banks. There was a more dangerous element, associated with this factor, i.e. the collusion of both the importers and the money exchange companies to obtain the remittances of the Egyptians working abroad, particularly those who work in the Gulf countries, as a result of the price difference between banks and money exchange companies or what is called the parallel market. So, the military coup played an important role in provoking fear among all economic entities, which led to panic from a control over foreign exchange, prompting them to hedge, caution and keep their wealth out of the country.

The seventh factor is linked to the drug trade. Statistics indicate that the increased spending on drugs is calling for shock. In 1991/1992, Egypt spent about LE 2 billion on drugs. This number jumped to reach LE 40 billion in 1996, due to seizure of a large amount of drugs in that year. According to a series of data on the expenditure on purchase of drugs in the drug trafficking market, the volume of spending on drug purchase could be estimated at LE 60 billion, according to balanced estimates of specialists.

The demand on drugs is mostly made in the US dollar; hence the demand for the dollar to cover the demand for drugs is no less than \$ 8 billion annually, which inevitably leads to an increase in the dollar price and a decline in the price of the pound. Are the Egyptian security forces not able to eliminate the trafficking of drugs? or Is it left on purpose to drown the Egyptian people in endless problems? However, the Egyptian security after the coup only concentrated on the political security at the expense of other aspects, especially with regard to the criminal offenses. Furthermore, the police might resort to criminals to eliminate the opponents of the coup.

As a result of all these factors, the coup government failed to control the dollar crisis and rein the big traders, speculating in the dollar, and put an end to the black market. Instead, it headed to foreign parties, whether in agreement with Saudi Arabia to provide oil or in arranging for a loan request from the International Monetary Fund to find solutions for controlling the exchange market.

It seems that there is no solutions for the crisis due to the current policies, which leads to fear from the future and the policies of the brutal military coup, which aims at imposing a control over all the economic resources without studying or planning. Perhaps, the collapse of the pound will be a useful lesson in order to rescue the remnants of the Egyptian economy.

XVIII- Crises of Living Besiege Egyptians after the Coup

With this famous statement, “Tomorrow, you’ll see Egypt”, Sisi, the commander of the military coup, launched his promises of stability and achievement of economic welfare to the Egyptian people. The Egyptians thought their homeland would witness the end of the era of living crises, especially after the Army ousted the elected President Mohamed Morsi on July 3rd, 2013.

However, what happened was completely the opposite, when many living crises exacerbated, varying between lack of services, low wages, increased unemployment and price rises in most goods and services, after the government tended to reduce the fuel and commodity subsidies in order to reduce the aggravating budget deficit, as well as many other problems. Here, we will review the most prominent living crises suffered by the Egyptians under the rule of the military coup:

1) Fuel prices go on fire:

We overlook fuel crises from time to time, as the current coup regime raised the fuel prices more than once and most recently an increase up to 78%. Domestic gas prices were raised more than once, after the government reduced the fuel subsidies over the last few years from LE 134 billion (LE 7.83 per one dollar) in the budget two years ago to LE 100.3 billion in the last fiscal year budget, and then to LE 60 billion in this fiscal year. It is expected that there will be another increase in the fuel prices within the coming few weeks according to government statements.

It is noteworthy that the fuel crisis was one of the main reasons that led to the June 30 demonstrations against President Morsi. However, after the military coup, the crisis was repeated at frequent intervals, which led successive governments in the era of the coup to resort to the Gulf Cooperation Council (GCC) for oil materials support. In spite of this, the crises exacerbated and its effects extended to the factories, particularly the steel and cement plants where the production capacity was interrupted by 75% due to lack of fuel, according to statistics of the Federation of Industrial Chambers.

2) The electricity crisis:

The Egyptians also faced the crisis of frequent power outages after the coup in spite of the generous petroleum aid from the Gulf States to Sisi's regime. The power supply outages were repeated in winter as well as in summer, especially during the first period of the coup, before electricity services improved slightly during the last period. However, the electricity bills jumped extremely high after successive increases of electricity prices. Ministry of Electricity reports revealed that there are several reasons behind this problem, including the shortage of gas and the worn out power plants, which prompted the government to resort to diesel to operate them, affecting negatively the capacity of the stations. Moreover, the Egyptian Electricity Ministry suffers from high indebtedness owed by the Ministry of Petroleum, amounting to about LE 60 billion, according to official statistics.

3) The low wages:

One of the prominent problems that faced the Egyptians was the low wages, as the first government after the coup fell on the implementation of its promises of minimum wage application. Kamal Abu-

Eita, the Manpower Minister, who came from the heart of the June 30 protests, promised to lift wages and apply the minimum wage within a month, according to media statements he made in August, 2013. A month passed after the other when the workers discovered that these promises were mirage. The Beblawi government confirmed the application of the minimum wage in January, but these assurances were declined in light of the economic downturn, which stood in the way of raising the wages. The first government after the coup failed, and then came the first and the second governments of Ibrahim Mehleb without application of the minimum wage.

Though the budget included an increase in the item “wages” during the last financial year and this year, yet the wages remained as they were. Moreover, the government threatened to cut the salaries of some categories after the announcement of the Civil Service Law, which was exposed to large labour protests during the last period. The strikes of Labour and professional unions continued, demanding better living conditions and higher wages to cope with the growing burdens of life and the increases in prices during the past two years in light of the deterioration of the living conditions despite the increased security crackdown.

4) Aggravation of unemployment:

The problem of unemployment aggravated in Egypt with the continuation of security unrest and instability of situations, which led to deterioration of many sectors, including the tourism sector which used to absorb a number of 4 million workers before the dramatic deterioration of situations after downing of the Russian aircraft over Sinai by a terrorist act, in addition to closure of thousands of factories.

The unemployment rate amounts to about 13% of the total labor force, around 26 million people, according to official statistics. (i.e. equivalent of 3 million citizens) However, some study centers estimate the unemployment rate at more than 25%.

5) Specter of price rises:

The Egyptians were stung over the past two years by the prices of goods and services. The inflation rate in consumer prices ranged between 11% and 13% according to the data of the Central Agency for Public Mobilization and Statistics.

The higher prices of various goods and service extended to the real estate sector, the fees of means of transportation and others. Expectations indicate that the price rise will continue, in light of the austerity measures taken by the current government due to exacerbation of the financial crisis.

6) The bread queues:

The suffering trip of the Egyptians continued with the subsidized loaf of bread, despite the new system, announced by the government, which pledged to put an end to the bread queues completely. However, the crisis did not stop, but became more complex with the new system, which allocated 5 loaves of bread per person daily through a smart card, reducing the loaf weight by 35% from 130 grams to 90 grams. It is worth noting that Dr. Bassem Oudah, the Minister of Supply, who is currently facing a death sentence, was the first one who applied the bread system of separating production from distribution in 2013, in the era of President Morsi, without reducing the weight of the loaf or determining maximum individual limit. During Oudah's rein, the crisis saw a breakthrough initially in some provinces.

7- Erosion of the Egyptian pound:

The local currency was exposed to great pressures as a result of decline in Egypt's foreign exchange resources, chiefly of tourism, Suez Canal, remittances of Egyptians working abroad and foreign investments, lower than their levels before the January 25 Revolution, in addition to the accumulated rise of imports against exports.

According to international reports, some projects adopted by the government, such as the Suez Canal shunt, contributed in the increased demand on the hard currency. The dollar rate increased during last year from LE 7.15 to LE 7.83 officially and more than LE 8.60 in the black market, which had its negative impact on the Egyptian citizen. Prices have risen in light of Egypt's reliance on import of most of the goods, estimated at \$ 70 billion annually, according to data of the Central Agency for Public Mobilization and Statistics. Egypt's reserves of hard currency decreased from \$ 36 billion before the January 25 Revolution to about \$ 16.4 billion currently, despite Egypt's obtaining of aid and grants from the Gulf countries, estimated at more than \$ 40 billion during the period that followed the coup in 2013.

XIX- Food Gap in Egypt Intensifying

Egypt is considered a net importer of food. It suffers from a food gap in most food commodities, particularly the strategic ones, which led to a high rate of economic dependency on abroad.

The Size of the Food Gap in Egypt:

1) Size of the gap in wheat:

Egypt suffers from a food gap in wheat, where consumption rates are growing larger than production rates. The food production amounted to 8370 thousand tons in 2011, 8795 thousand tons in 2012, 9460 thousand tons in 2013, whereas consumption amounted to about 18015 thousand tons in 2011, 15184 thousand tons in 2012 and 12737 thousand tons in 2013. This resulted in a gap in wheat by 53.5% in 2011, 42.1% in 2012 and 25.7% in 2013. It is noted here that there is an increase in wheat production in 2013 than what was in 2012 by 665 thousand tons, as well as a decline in the gap by about 16.4% in 2013, when Dr. Bassem Oudah, the Minister of Supply during the era of the first elected civilian President Mohamed Morsi, managed the file of wheat in Egypt.

2) Size of the gap in maize:

Egypt also suffers from a food gap in maize, where maize production was about 6830 thousand tons in 2011, 6804 thousand tons in 2012 and 6370 thousand tons in 2013. The consumption of maize amounted to 12696 thousand tons in 2011, 12009 thousand tons in 2012 and 9454 thousand tons in 2013. This resulted in a gap in maize by 54% in 2011, 43% in 2012 and 32.6 in 2013.

3) Size of the gap in sugar:

Sugar production in Egypt reached about 2057 thousand tons in 2011, 2057 thousand tons in 2012 and 1892 thousand tons in 2013, whereas consumption of sugar amounted to 2938 thousand tons in 2011, 3010 thousand tons in 2012 and 2167 thousand tons in 2013. This resulted in a gap in sugar by 30% in 2011, 31.7% in 2012 and 12.7% in 2013. It is clear that the gap declined in 2013 by about 19% against the previous year and fell significantly compared to previous years in an unprecedented way, despite lower production and lower consumption, too. This may be attributed to good management of “the available”, for consumption.

4) Size of the gap in vegetable oils:

The gap in the vegetable oils is considered significantly high, where it reached 75.8% in 2011, 81.2% in 2012 and 67% in 2013. It is also noted that the gap declined in 2013 against 2012, as well as the previous years.

5) Size of the gap in overall meat:

Egypt suffers from a gap in the overall meat (red and white), where consumption is growing larger than the production rates. The overall meat production amounted to about 1582 thousand tons in 2011, 1672 thousand in 2012 and 1655 thousand in 2013 whereas the consumption reached 1826 thousand tons in 2011, 2012 thousand tons in 2012 and 2016 thousand tons in 2013. This resulted in a gap by 14.4% in 2011, 16.9% in 2012 and 18.9% in 2013.

The increasing agricultural and food deficit:

The data of the Ministry of Trade and Industry's International Trade Point show that the agricultural and food deficit between exports and imports during the period between 2011 1nd 2014 ranged between \$ 6.1 billion and \$ 7.7 billion. Below is a review of detailed data during this period, monitoring the food gap sources in Egypt:

Egypt's Agricultural and Food Exports and Imports during the period 2011-2014 (Values are in \$ billion)

Statement	2011	2012	2013	2014	1 st half of 2014	1 st half of 2015
Agricultural exports (except cotton)	2.7	2.4	2.7	2.9	1.9	1.7
Food exports	1.3	1.2	1.4	1.4	0.764	0.679
Total agricultural and food exports	4	3.6	4.1	4.3	3.8	3.1
Agricultural imports (except cotton)	7.9	8.3	7.5	7.9	1.3	1.2
Food imports	2.7	3	2.7	2.8	5.1	4.3

Total agricultural and food imports	10.6	11.3	10.2	10.7	2.5	2
Deficit	6.6	7.7	6.1	6.4	2.5	2

Sources: The table has been derived and prepared by the researcher from the published data on the site of Ministry of Trade and Commerce's International Trade Point: http://www.tpegypt.gov.eg/statistics/egypt_sector.pdf

We notice a drop in the Egyptian agricultural exports for the agricultural imports over the years of the comparison period, due to Egypt's dependence on the import of a set of strategic goods, including wheat and grain. The agricultural imports ranged between \$ 7.5 billion and \$ 8.3 billion, whereas the agricultural exports were very low, between \$ 2.4 billion and \$ 2.9 billion.

In the context of the Renaissance Dam crisis and the possibilities of its great influence on Egypt's share of the Nile waters during the coming period, it is likely that it could affect negatively the Egyptian agricultural sector performance. Therefore, there are expectations of an increase of Egypt's agricultural and food imports, in light of another indicator that is not less important than the expected shortage of water, i.e. the high rates of the over-population which will significantly contribute to the increasing consumption rates.

When we compare the data of the first half of 2015, concerning the performance of the Egyptian agricultural exports and imports, with the corresponding period of 2014, we find that there is a deficit amounting to about \$ 2 billion. But here it has to be borne in mind that the final data may lead to a deficit rate approaching the performance of the last four years.

There is no doubt that the dollar crisis experienced by Egypt due to lack of resources of foreign exchange may cast its shadows on reducing the volume of imports of agricultural and food commodities with the end of 2015.

In this regard, there is an important note with respect to the year 2013, during the era of President Morsi, whose declared strategy was that Egypt should produce its food, medicine and weapons. The data in the above table, which was derived from a governmental entity, show that the Egyptian agricultural and food exports rose from \$ 3.6 billion in 2012 to \$ 4.1 billion in 2013, whereas the agricultural and food imports decreased from \$ 11.3 billion in 2012 to \$ 10.2 billion in 2013.

The positive data in 2013 was reflected in reducing the deficit in Egypt's foreign transactions in the field of agricultural and food products. The total deficit in this sector decreased from \$ 7.7 billion in 2012 to \$ 6.1 billion in 2013. The deficit rose again in 2014, under the military coup, to \$ 6.4 billion.

Risks of the continuing food gap:

There is a number of risks that raid the Egyptian citizen, in the absence of a program to bridge the food gap, plaguing Egypt for years, due to dependence on abroad, which leads to more dependency, and exposure to the vagaries of international markets. Following is a review of some of those risks:

1) The rising food prices:

Despite the low prices in the international markets during the last period, yet the situation is inversed in Egypt because of the dollar crisis. The citizen bears the cost of the importers' purchase of dollars from the black market rather than to enjoy lower prices on the world markets.

2) The increasing dependence on abroad:

This made Egypt fall under the weight of the risks of the food-exporting countries of vagaries of the climate or due to political conditions, which leads to negative decisions towards continuation of food export. Egypt suffered more than once from those risks with Russia and other countries. In fact, Egypt itself resorted to preventing the export of rice due to the water crisis.

3) Internal social and political instability:

Scarcity of goods or providing them at high prices has a direct impact on the low-income people and the poor, whose numbers are increasing with the passage of time in Egypt, especially in light of the deterioration of economic performance under the military coup.

XX- Uncovering the Truth of Egyptian Balance of Payments Deficit

According to the Central Bank of Egypt (CBE) data for the fiscal year 2014/2015, the foreign exchange resources amounted to \$ 84.6 billion, whereas the total payments of foreign exchange reached \$ 80.9 billion, achieving a surplus of \$ 3.7 billion.

What is wrong here is that the foreign exchange resources include what Egypt obtained of grants and loans during that fiscal year. The weakness of this fault appeared in the data of the first quarter of

2015/2016, when the value of the Gulf support significantly dropped and the balance of payments surplus turned to a shortfall of about \$ 3.7 billion, which means that the deficit is expected to exceed \$ 15 billion by the end of 2015/2016.

In Economics, the surplus or the deficit cannot absolutely be made this way, as this is considered a deliberate misleading to the public opinion. The truth is that each transaction was registered twice in the balance. Therefore, it is considered amplification of the accounts to reflect improvement of the economy performance, contrary to the truth. In fact, the current account which includes the transaction items of goods and services is the one which should be the measurement criteria.

According to the US Reserve Bank, the balance of payments deficit was calculated, considering the deficit of the exports and imports as being in goods only until 1993, after which the deficit of exports and imports in services was added, which is known as the current balance.

Odder still, the US Federal Bank determined that this is the official statement, the news agencies were required to publish, to prevent any misunderstanding or wrong estimates concerning the situation of the US economy. This shows the actual volume of the exports and imports. In fact, uncovering the disease is the first step towards its treatment.

With an in-depth look at the balance of payments data, published by the Central Bank for the year 2014/2015, we find that it showed a rise in the trade deficit to \$ 38.8 billion, an increase of \$ 4.3 billion, earned from the deficit in the trade balance for the year 2013/2014. The question is: Why is there a deficit increase? Is this deficit temporary and can be cured throughout this year or the coming years? Or: Is it a chronic deficit?

To give answers to these questions, we need to look at the exports and imports figures. The data showed that there is a decline in exports to \$ 22.1 in 2014/2015 against \$ 26.1 billion in the previous fiscal year, due to the decline in the oil prices, as the oil exports represented about 27.9% of the total exports.

The total exports are extremely low. The exports outcome reached \$ 29 billion eight years ago in the fiscal year 2007/2008. This means that Egypt is on the verge of a difficult stage due the global tendency to lower the oil prices in the world market. The question now is: Could a country have one third of its exports of a raw material such as crude oil? What is harder is that Egypt's imports of oil

have become bigger than its oil exports. Not only this, but the oil sector has become a burden on the foreign currency resources after it was one of four important sources of the hard currency income. Not to mention that the deficit in oil will affect the electricity generation in Egypt, as 90% of stations are operated by using one of oil derivatives. Everybody knows the negative effects of the accident of the Russian aircraft downing on the Egyptian territories, concerning tourism in Egypt this year, in addition to a decline in the Suez Canal revenues and the big decrease of the Gulf support to \$ 2.7 billion against \$ 11.9 billion in the previous fiscal year. The Gulf support will continue to decrease due to the decline in the oil prices and the wars supported by the Gulf States in the area in 2016.

On the other hand, the imports payments increased to about \$ 61 billion, nearly at three times of the exports, due partly to the increase in imports of non-oil goods by about \$ 2 billion.

We cannot, under any circumstances, modify the Egyptian pound rate against the US dollar. It is natural that we can reduce the luxury commodities, either by raising the customs tariffs or even using the quota style to reduce these imports entirely. However, the coup government does not want to stop the luxury of the ruling class but actually bestows them with innumerable things to the extent that Egypt imports dogs and cats in a society that 40% of them live under the poverty line. However, the big deficit in the balance of payments will make the Central Bank indifferent to restrict imports and accordingly it will not be able to control the dollar rate.

It is expected that there will be a rise in the US dollar rate as a result of this chronic deficit in the balance of payments. In fact, this chronic deficit is just a symptom of a disease as long as the coup continues with its policies of ousting the producers by causing problems to them, in order to reinforce the Army's control over all the aspects the economy, monopolizing the market and stifling all the doors of free competition in the economy, which ultimately leads to the fall of the Egyptian economy in the abyss.

The continued crisis of the balance of payments deficit in Egypt led to the following negative results:

1) The continuation of the dollar crisis: The black market in Egypt will witness a state of sale-ability during 2016 and the Central Bank may find itself compelled to raise the deposit ceiling for individuals and companies to afford their import cost needs after the bank's failure in management of the dollar provision under the exacerbation of the balance of payments deficit and the decline in dollar

resources: of tourism, exports, the Suez Canal revenues and the remittances of the Egyptians working abroad.

2) The natural consequences of the dollar crisis and the black market recovery are price inflammation and significant rising of inflation rates. In light of the budget deficit and the government attempt to adjust its position to sign an agreement with the International Monetary Fund, there will be no action concerning a rise of the wages of the government employees so that they will be capable of facing the inflation rates.

3) Due to the austerity measures, announced by the Gulf States, and the high cost of living there, the dollar transfers of the Egyptians working in the Gulf are expected to decline because of the negative impact on their savings. This will have its impact on Egypt, where these conversions manage the needs of about 5 million Egyptian families. The Egyptians working in the Gulf States will have no choice but to pressure their expenses to cope with the negative developments in the Gulf, and there will be significant possibilities of increasing the recession rates in Egypt.

4) This atmosphere of inflation and recession imposes a deflationary policy on the economic management in Egypt, in order to take some steps including the Central Bank's decision to restrict the imports and demand the importers to provide bank credit for their imports by 100%, concerning the commercial goods other than the medicine and the baby milk supplies. If the case of the deflationary policy imposed itself on the Egyptian government, the head of the Central Agency for Mobilization and Statistics (CAMS) statements complete the darkest picture of the future of the Egyptian economy, at least in the short term. The head of the CAMS indicated the increase of unemployment and inflation rates during the past period, reaching 12.9% and 12% successively.

XXI- Petroleum Imbalance and Economy of the Rentier State in Egypt

Although Egypt has been included among the Petroleum Exporting Countries, since the second half of the seventies of the twentieth century, yet it did not enjoy membership of the Organization of Petroleum Exporting Countries (OPEC), due to its small export share and that it does not possess large amounts in terms of production or export.

Since declaration of Egypt as of the Petroleum Exporting Countries, Egypt has experienced crises in petroleum supplies. The fuel prices were raised more than once, which caused political and social unrest. However, the situation now is a real crisis roiling the Egyptian regime because of the dependence on the vagaries of the international oil markets.

Oil exports returns remained one of the most important sources of foreign exchange until 2008, when the government of Ahmed Nazif made decisions pertaining lifting the state subsidy of the intensive-energy industry within four years. However, the occurrence of the global financial crisis prevented the coming of these decisions into effect.

Unfortunately, the oil export revenues have been used to cover the state budget needs. It is worth mentioning that these needs of the budget have been consumer needs since the implementation of Egypt's economic reform program in 1991/1992.

The petroleum export revenues as well as other resources such as the dollar remittances of the Egyptians working abroad, the fees of transit through the Suez Canal and tourism, were not used well in productive projects. Even the map of the petroleum contracts for research, exploration or extraction was not changed to engage in an advanced stage of oil products refining, especially that Egypt possesses the technical components necessary to do so. Instead, Egypt remained as it was exporting crude oil and importing oil derivatives. However, the Egyptian oil refineries remained as they were without any development and Egypt continued to import oil derivatives instead of benefitting from them in refining imported crude oil which would certainly be cheaper than to import oil derivatives.

Egypt also did not have the infrastructure necessary for natural gas use requirements. The Egyptian government depends on a wrong strategy related to insistence on gas export, although it was advised

through all evidences as well as energy experts' recommendations that it should not export the natural gas, but to keep it for meeting future needs.

Petroleum balance deficit

The data of the monthly financial report for November 2015, published on the Ministry of Finance site describes the evolution of the petroleum trade balance (the petroleum exports and imports), during the period from 2008/2009 to 2014/2015. Below is a review of the components of this period and conclusion of what is shown of analyses to explain the critical situation of the petroleum resources in Egypt:

Petroleum Exports and Imports in Egypt during the period from 2008/2009-2014/2015 (The value is in \$ billion)

Year	Exports	Imports	Surplus or Deficit
2008/2009	11	7	4
2009/2010	10.2	5.1	5.1
2010/2011	12.1	9.2	2.9
2011/2012	11.2	11.7	-5.0
2012/2013	13	12.12	0.88
2013/2014	12.4	13.2	-8.0
2014/2015	8.1	12.3	-4.2

Source: The Ministry of Finance, the monthly financial report. The data was collected by the researcher from Table: 38, on page 65 of the report.

It is to be noted according to the above table that the best of the years in the petroleum balance in Egypt, during the years of comparison, was 2009/2010, when the surplus reached \$ 5.1 billion. This is attributed to the start of the recovery of the oil prices in the international market, after the global financial crisis that took place at the end of the year 2008, which accordingly led to the improvement of the Egyptian oil exports returns.

After that year, the problem began to appear in the Egyptian economy, where the development requirements and the needs to energy for the production and service projects increased, resulting in the decline in the petroleum balance surplus to \$ 2.6 billion in 2010/2011.

With the increasing energy consumption in Egypt during the period 2010/2011-2014/2015, the petroleum balance showed a deficit, with the exception of the fiscal year 2012/2013, despite the political anxiety that accompanied the presence of the first elected civilian President in Egypt's history Dr. Mohamed Morsi. Though the consumption rates in homes and the commercial sector witnessed a crisis in fuel provision during that year (2012/2013), yet the fuel for industry was provided, which led positively to an increase in exports. Moreover, the country headed during that year towards thinking and searching for petroleum substitutes of other sources, in addition to searching ways to save energy consumption and the employment of natural gas as a cheaper and environmentally-better alternative, even though it was manageable through import.

However, it is to be noted that in spite of Egypt's obtaining of a petroleum support estimated at about \$ 8 billion from the pro-military coup Gulf States in 2013/2014, yet the results of the petroleum balance for that year shows a deficit of \$ 800 million, which means that the petroleum balance deficit was expected to increase by an amount equivalent to the value of the Gulf support.

According to the 2014/2015 figures, which the Ministry of Finance data said they were preliminary figures, they show that Egypt's petroleum deficit reached around \$ 4.2 billion, despite the decline in oil prices in the international market by 60%. Meanwhile, the Egyptian government carried out a program to reduce subsidies in the public budget, starting from July, 2014, particularly with regard to fuel and petroleum. The decline in fuel subsidies during that year reached about LE 50 billion.

Exploring the oil crisis in Egypt

The data on the petroleum deficit in Egypt show that the policies with respect to oil and natural gas in Egypt, which have been followed so far, are wrong policies. The government did not realize as from the beginning of the third millennium what is facing Egypt of challenges, related to development and the increase in Egypt's consumption of petroleum products by 3%. Egypt also had long overdue in the adoption of real programs for the use of the alternative energy. The governments of the military coup in Egypt are not different from the previous ones of Mubarak's era. The dimensions of treating the crisis revolve in the orbit of the financial crisis, resulting from Egypt's needs of petroleum, not all requirements of development. However, a natural gas field in the north of Egypt was compromised

in favor of a British company. An agreement was also signed with Cyprus and Israel, excluding Egypt from participation in a large natural gas field in the Mediterranean region.

Egypt is now moving towards the import of natural gas from Israel. At the time when Egypt is signing contracts through loans and by direct contracting on the establishment of power stations, the fact that these stations could be operated only by fuel was ignored by the Egyptian government. The government even did not consider how to provide this fuel in a transparent manner.

Unfortunately, it is clear that Egypt is lacking the infrastructure for the importation of natural gas, which forced it to hire boats for the conversion of the imported natural gas. The government did not even think about the rehabilitation of the Egyptian ports infrastructure, necessary to import the natural gas in the long term.

Egypt remains captive to debts related to the oil crisis. It has recently been published that the debts owed to the foreign companies operating in Egypt in the oil field increased to about \$ 3 billion against \$ 2.7 billion before, in spite of the coup government's employment of local and regional banks to pay about \$ 4 billion for foreign oil companies.

This indebtedness will remain a sword of Damocles against Egypt, because of the nature of the production contracts that grant foreign companies a share ranging between 40% and 60%. Moreover, the entire Egyptian share of natural gas production was waived in favor of the British Company, in the field located north of Egypt, in return for Egypt's purchase of the entire production of the field at a price 2 dollars less than the world price per million BTUs.

The problem in Egypt remains that things are run away from a strategy, within the framework of the "day by day" policy, no matter the cost of the financial and developmental burdens were, in spite of being not consistent with Egypt's current or future potentials. Moreover, Egypt continues to rely on the support of Gulf States, in the field of petroleum supplies. Saudi Arabia has recently announced that it will offer about \$ 8 billion to Egypt over the coming years in the field of investment and imports of petroleum.

XXII- Dimensions of the Increasing Gap between Energy Production and Consumption in Egypt

The issue of energy is considered a central issue because of its relation to the future of development as well as meeting the community needs of fuel to conduct the requirements of their living. The life of Egyptians with its various aspects is connected to the constant flow of energy on a regular basis. However, in light of the data of the Central Agency for Public Mobilization and Statistics, it is noted that the energy crisis is on its way to take more negative dimensions, which will affect the Gross Domestic Product and change the living style of the Egyptians who are suffering under the current conditions of the high rates of inflation, unemployment and poverty.

The statistical bulletin of the Central Agency for Public Mobilization and Statistics for December, 2015, shows that there is a gap that is viable for widening between Egypt's production and consumption of energy over the period between May and October, 2015. Egypt's total production of oil and natural gas reached 34.6 million tons during the period from May to October, 2015, while Egypt's consumption of oil and natural gas amounted to 37.1 million tons during the same period. Thus, the gap between production and consumption was 2.5 million tons by 7.2%.

Reading these figures may not reflect the energy crisis correctly. The ratio of the difference between production and consumption does not exceed 7.2% during the period in question. The fact is that Egypt does not control the production entirely in terms of ownership. The producing companies get no less than 40% of this production, so if we wanted to reach the real numbers and see the deficit between production and consumption of oil and the natural oil in Egypt, we have to reduce the value of the production share of the foreign partner to reach then approximate results concerning the gap between the production and consumption up to 47% - 50%.

The reality of the foreign partner share appeared when the Egyptian government resorted to buying the foreign partner's share to cover its needs of energy, which put Egypt in the trap of accumulated indebtedness to these companies. Whatever was repaid of debt shares by the military coup government to the foreign companies operating in the field of oil production, they were immediately replaced by new debts, so that these companies would continue doing its job in the production

process. These companies threatened previously to pull out of Egypt or stop work in the oil and natural gas production, unless they got their financial dues.

According to the data of the Central Bank of Egypt for 2014/2015, Egypt's petroleum exports represented 40% of the total exports of goods, which amounted to \$ 22 billion. The petroleum imports to Egypt during the same year reached 20% of the total imports, which amounted to \$ 60.8 billion. Concerning the performance of the exports and imports during the first quarter of 2015/2016, the Central Bank of Egypt data showed that the petroleum exports represented 32% of the total commodity exports which amounted to \$ 4.6 billion whereas the Egyptian petroleum imports reached 20% of the total imports which amounted to \$ 14.6 billion.

Perhaps, the accurate follow-up of the period of the data, available in the bulletin of the Central Agency for Public Mobilization and Statistics, can put us on the evolution of the crisis. Therefore, we will review them through the following table:

Egypt's Consumption of Petroleum and Natural Gas (in thousand tons) during the period (May-October),2015

Month	Production	Consumption	Gap	Gap Ratio to Production
May	5805	6101	296	5%
June	5734	6168	434	7.5%
July	5882	6359	477	8.1%
August	5845	6147	329	5.6%
September	5626	6191	565	10%
October	5750	6191	441	7.6%
Total	34642	37184	2542	7.2%

Source: The data of the table was compiled by the researcher through the CAPMS bulletin for December, 2015, Table 19, page 5.

- It is noteworthy that the month of July was the highest among the months of the period in terms of the amount of production, with a share of 5626 thousand tons. However, the average monthly production during the period in general was about 5773 tons.

- In terms of consumption, the month of July also represented the highest month of consumption among the months of comparison by about 6359 thousand tons. The lowest month in consumption among the months of the period was May, with a share of 6101 thousand tons. The average monthly consumption during the period amounted to 6197 thousand tons.
- The gap between the production and consumption during this period in terms of percentage was in September as the highest percentage among the months of comparison by 10%.

The dimensions of the growing energy gap in Egypt:

1) The financial dimension is one of the most important dimensions for Egypt at this time, when Egypt suffers from a gap in resources and a large financing gap. As for the resources gap, Egypt suffers from the value of the commodity and the service imports, estimated at \$ 32 billion.

Perhaps the decline in the oil prices in the global market is considered one of the most important opportunities for the Egyptian government to reduce the payment bill of the energy gap. However, we should evoke Egypt's crisis of its non-capability of immediate payment, which prompts Egypt's purchase of its energy needs at higher prices, in return for what it gets of credit facilities; or borrowing to be capable of immediate payment.

2) The Egyptian economy components during the coming period will be subject to the performance level of prices in the global market. In the case of the price increase, it will be reflected on the levels of goods and services prices, as well as on the goods prepared for export. In both cases there would be lack of competitiveness of goods and services produced in Egypt.

3) The gap also describes the size of culpability of the military coup against the Egyptian people because of signing two contracts concerning the production of natural gas; one in the north of Egypt, where Egypt's share of production was waived in favor of the British Company, and the other one was in the waters of the Mediterranean Sea, where the coup government signed an agreement excluding Egypt from participation in this largest natural gas field, under geographical range claims, in favor of Israel and Cyprus.

4) It is feared that the performance of the Egyptian parliament, which holds its first session on January 10th, towards the Egyptian government policy concerning energy, adopting or approving them, which means increasing the gap between the production and the consumption of energy dramatically. In

fact it is a gold opportunity for the parliament to decline the agreement signed by Adly Mansour when he was occupying the position of the interim President of Egypt in the transition period after the military coup.

5) The governments of Egypt under the military coup are still heavily dependent on the Gulf's role in the supply of Egyptian oil needs whether in the form of grants and aid, or through medium-term credit contracts. It must be taken into account that the Gulf States adopt this policy for political considerations the region is going through. On the other hand, the low oil prices make the Gulf States willing for the existence of a buyer for their oil, under the state of the increasing oil supply in the global market and its low prices. However, when there is an opportunity of oil prices improvement, the Gulf States will then re-consider their stances, which will put Egypt at that time in a big crisis. We can say that Egypt will suffer during the coming period from the problems of water and energy shortage, which will put it in a critical economic situation.

XXIII- Tax Imbalance Continuing under the Military Rule

Tax returns represent an important aspect of the general revenues of the state. In addition, they do several other tasks, including the achievement of social justice, contribution in the achievement of the goal of equitable distribution of wealth. Taxes are also used in other economic areas, including the protection of domestic industry through the reduction of tax rates on certain industries in order to encourage and protect them in the face of foreign products.

Unfortunately, the situation in Egypt reflects an upside down state in the tax performance of all the previous missions. This was evident in the crisis of the state budget of decline in revenues and in not keeping pace with what was included in the budget of public expenditure, resulting in a worsening of the budget deficit crisis.

There is a general note on the tax structure in Egypt that all estimates of tax returns in the state budget are overpriced. The real figures show a sharp decline in the earned taxes against the budget estimates, which means creation of a state of confusion for the maker of the fiscal policy. This also indicates poor technical estimation by the Ministry of Supply despite the existence of cadres who are capable of doing this at a high degree of precision. However, it seems that this comes within the political employment framework, so that the budget deficit should not appear as a great figure and

lead citizens to despair, though this despair is achieved at the end of the year with the final account data.

We will give evidence to the previous result through the data of the Egyptian Ministry of Finance's monthly financial report for November, 2015, where the data published in Table (12A), page 28 explain that clearly. The estimates of the total budget for the public revenues in the fiscal year 2014/2015, were LE 622 billion whereas only an amount of LE 465 billion was actually realized, according to the final account statements, a decline of LE 157 billion, by 25.2 of what was estimated. As for the estimates of the total tax revenues in the budget, they were LE 422 billion, while only an amount of LE 305 billion was actually earned, a drop of LE 117 billion, by 27.7% of the previously estimated number.

The same thing is applied to all tax revenue data: the tax estimates on income profits and capital gains were LE 158 billion in the budget of the same year, while only an amount of LE 129 billion was virtually achieved, a drop of LE 29 billion, by as much as 18% of the estimated number in the budget. The general sales tax on goods and services were estimated in the same year at LE 184 billion, while the actual collected revenues were only LE 122 billion, a decline of LE 62 billion, by 33.6% of the estimated number.

Manifestations of Tax Imbalance

Data of Some Tax Sources in Egypt

During the Period Between 2009/2010-2014/2015 (The value is in LE billion)

Statement	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Total Revenues	262	265	303	350	456	465
Tax Revenues	170	192	207	251	260	305
Salaries Tax	11.4	13.3	16	19.7	22.2	26.8

Petroleum Authority Taxes	32.1	34.3	34	45.8	46	36
Suez Canal Taxes	9.4	10.9	11.8	12.1	14.3	13
Taxes of other Joint-Stock Companies	18.5	25.3	23.6	25.2	25	38.5
Tax on Sales of Goods and Services	67	76	84.5	92.9	91.8	122

Sources: The data of the table was compiled by the researcher through Table No. 21/A, page 28 Of the monthly financial report of the Egyptian Ministry of Finance for February, 2015.

It is to be noted from the data contained in the table that there is a great disparity in tax burdens load on various segments of the society, reflecting the bias in favor of the rich at the expense of the poor. We will discuss this in the following points:

- The proportion of the tax revenues contribution to the total public revenues reached between 64% and 65% during this period, which shows how important the tax revenues are to Egypt and that any imbalance occurs in these revenues could lead to a confusion of the state general budget.
- The tax revenues derived from the salaries of the employees amounted to LE 26.8 billion in 2014/2015 while the taxes earned from the Suez Canal revenues reached only LE 13 billion, which means that the taxes earned from employees were twice the number of those earned from the Suez Canal revenues. Moreover, the taxes on salaries of the employees amounted to 70% of the total taxes earned from the taxes on the joint stock companies in the same year, including the public and private sectors companies.

- The increase in the taxes on the salaries of employees between 2009/2010 and 2014/2015 amounted to about LE 15.4 billion, an increase rate of 135% while the tax increase earned on the joint-stock companies (public + private) during the period of comparison amounted to about LE 20 billion, an increase rate of 108%. This means that the difference of the value earned from the two groups reached LE 4.6 billion in favor of the joint-stock companies. In terms of percentage, the tax increase on salaries was 27% higher than the increase rate earned from the joint-stock companies.

- It is due to the bad omen of the military coup in Egypt and its poor economic management that the taxes earned on the Suez Canal revenues declined to only LE 13 billion in 2014/2015 against LE 14.3 billion in the previous year, which means that the decline amounted to LE 1.3, a rate of 9%. The data of the period from 2009/2010 to 2013/2014 showed an increase in the tax returns from the Suez Canal. Undoubtedly, it is expected that there will be a drop in the tax returns on the fees of passing through the Suez Canal during the coming years, because of the decline in the canal's revenues in general, as well as the increase of its commitments in light of the burden of the debts of financing the project of the new Suez Canal Shunt, which reached LE 64 billion as well as an annual interest of LE 7.5.

- One of the manifestations of the tax imbalance is that taxes on the joint-stock companies (private + public) amounted to LE 38.5 billion in 2014/2015, while the tax on the sales of goods and services amounted to LE 122 billion, equivalent to more than three times the tax revenues earned from the private and public joint-stock companies. This is an evidence of the lack of efficiency in the Egyptian tax organ, due to its reliance on the collection of indirect taxes such as the sales tax, as well as the emergence of default in the collection of direct taxes from the big joint-stock companies.

Among evidences of the unfairness of the tax system to the poor in Egypt is that the sales tax gets such great value equally from the rich and the poor while the taxes of the rich achieve less amounts, due to their ability to evade them or settle their accounts in crooked ways.

The issue of tax reform remains neglected on the agenda of the military coup. After talking about the progressive tax, it was "undone" despite the few slides this tax was supposed to earn from. The collection of the taxes on the stock market transactions was postponed while the real estate tax was

activated, with the exception of the civil institutions owned by the army including clubs, restaurants and tourist institutions.

It is not expected under the new parliament, which was “elected” under the military coup, that the legislative agenda will include any tax reforms. The administrative reform inside the tax organ will also be away from the interests of the new members of parliament, who will keep on the path of the vice-Mubarak, seeking jobs for their relatives and acquaintances in the Tax Authority.

XXIV- Poor Direct Gulf Investments in Egypt

The direct foreign investments in Egypt at this stage are of great importance in light of the funding crisis, experienced by Egypt. The alternative to these investments is the expansion of public debt either internally or externally, which is another problem Egypt fears of its economic and social consequences. The ceiling of expectations and dreams was at its peak, following the military coup in Egypt in July, 2013 towards the direct Gulf investments flows; that some Gulf media men declared that the Gulf States would pump investments of \$ 100 billion into Egypt if Sisi, the commander of the military coup, came to power as president of Egypt.

However, the reality was different and those dreams have vanished; the Egyptian economy found traditional performance of the Gulf investments. Even the increase of Gulf investments in Egypt witnessed by the year 2014/2015 was very humble, about \$ 2.4 billion.

Describing this amount as humble was due to several reasons; first, that Egypt needs at least \$ 20 billion of direct foreign investments, according to estimates of some officials. The second thing is that this amount which the Gulf States pumped was of little value, compared to the foreign investment wallets of these countries. The third thing is that the United States alone pumped equivalent of 87.5% of what the Gulf States pumped of investments in Egypt in the same year.

The nature of the foreign investments in Egypt

In general, the foreign investments in Egypt need to be reconsidered, as its component does not lead to achieving a breakthrough or significant change in in the performance of the Egyptian economy. A rate of 60% of these investments goes to the extractive industries (of oil and gas) , a rate of 36% is

directed to service sectors, such as construction and tourism projects, and 4% at most is the share of the industrial sector.

The direct foreign investments did not achieve a boom in Egypt in terms of increasing the exports, the elimination of unemployment or in bringing technology. The dominant feature of direct foreign investments in Egypt, especially those that came out of the extractive industries, was the contention of local industries, and many of them sought for the establishment of a monopoly position in the Egyptian market, as happened in the detergent industry and some of the food industry. Some of the Gulf investments have recently taken the same path when they started to go towards the food industries in Egypt.

The dominant feature of the Gulf investments in Egypt is that they are in the framework of the tourist and real estate projects, and some of them in the light of the privatization projects, which suffered many problems during the last period, because of suspicions of corruption, where the Egyptian Judiciary issued rulings of the invalidity of the majority of contracts of the Gulf deals and projects of selling the factories that were privatized.

The implications were clear after the military coup in Egypt, with respect to the orientation of the Gulf States' direct investments in Egypt, when Saudi Arabia and the United Arab Emirates were the first to call for the Conference of Donors in Egypt, after the elections that brought the leader of the commander of the military coup as president of Egypt. The Gulf States performance in Sharm El-Sheikh Conference in March, 2015, receded to a Gulf program of deposits to support the foreign exchange reserves with about \$ 6.8 billion, as well as some petroleum grants and cash.

The Gulf States presence in the conference's investment contributions was missing. It is to be noted that some of the projects that were associated with UAE companies did not enter into force and announced their failure, as was the case with the one million housing-unit project as well as the new capital project.

The reality of Gulf investment flows in Egypt

In light of the available data, we find that it is appropriate to look at the reality of direct Gulf investments in Egypt during the period from 2010/2011 to 2014/2015, due to the stance of the Gulf States' support of the military coup in Egypt since July, 2013.

We also believe that it is appropriate to make a comparison between the performance of the five Gulf States and the United States in the field of direct investment flows to Egypt, in order to show that there is a role, drawn carefully to the nature of the aid or investments offered to Egypt from abroad. These investments and aid were meant to serve as relievers of the situation in Egypt. They should not enable the country to come out of its economic crisis, so that its role as a regional power would remain under control.

This result was taken for granted with regard to the United States and other countries towards Egypt over past decades. However, the new thing this time was that the Gulf States practised the same role, in a clear political employment framework, especially in light of the political and economic developments, witnessed by the Middle East region recently.

The Direct Gulf Investments Flows to Egypt

During the Period (2010/2011-2014/2015) (The value is in \$ million)

State	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	Total
KSA	206	240	192	284	649	1571
UAE	411	560	481	401	1383	3236
Kuwait	59	64	46	130	237	536
Bahrain	66	153	263	194	137	813
Oman	12	13	11	13	12	31
Total	754	1030	993	1022	2418	6217
USA	1791	578	2183	2230	2116	8898

The source: The table was collected and prepared through the data of Table No. 37, page 61 of the monthly financial report of the Ministry of Finance for November, 2015.

Through the data of the above table, we find out a number of facts on the situation of Gulf States' direct investments to Egypt, in comparison with similar investments pumped by the United States during the same period. Following are the most important items of the comparison:

- The year 2014/2015 was the highest among the rest of the years in terms of the flow of direct Gulf investments to Egypt, an investment value of \$ 2.4 billion, while the year 2010/2011 was the lowest, an investment value of \$ 0.75.

- The UAE tops the Gulf States in terms of the value of direct investments in Egypt, about \$ 3.2 billion over the period from 2010/2011 to 2014/2015, followed by the Kingdom of Saudi Arabia, about \$ 1.5 billion. The investments of the UAE and KSA represented a ratio of 77.3%
- The year 2014/2015 is considered the highest among the years of the period in terms of the value of the Gulf investments in Egypt, reaching \$ 2.4 billion. It is also the only year that the Gulf investments exceeded the American investments in Egypt, amounting to \$ 2.1 billion.
- Over the five-year period of comparison, it turned out that the five Gulf states, supporting the military coup in Egypt, pumped direct investments to Egypt of \$ 6.2 billion, while the USA alone pumped \$ 8.8 billion, thus surpassing the Gulf States in direct investment flows by \$ 2.6, an increase of 43.1%.
- The average annual flows of direct investments from the Gulf States to Egypt during the period was about \$ 1.24 billion, while according to this indicator, the US direct investments flows reached about \$ 1.77 billion, which means that the direct investments of USA in Egypt was more important than those of the Gulf States in terms of the value.
- It can be said that Egypt's bet on the Gulf States' direct investments flows during the coming period is a failed bet, in light of what the Gulf States are going to face of difficult economic situations, due to decline of the oil prices, the recent raging crisis between Iran and the Gulf States, in addition to the emphasis on the strategic rooted view towards Egypt, 'to remain captive of want and need', and that the investments offered should not meet its requirements for achievement of development or renaissance.

XXV- Decline of Exports and Its Impact on the Increase of Unemployment in Egypt During the Period (2011-2015)

The Egyptian exports witnessed a consecutive decline in exports during the period (2011-2015). In 2011, the exports amounted to about \$ 31.574 billion, which fell to \$ 29.339 billion in 2012, then to \$ 28.735 billion in 2013 and to 26.771 billion in 2014. The total exports fell in the first half of 2015 to reach \$ 11.225 billion, compared to \$ 14.148 billion in the first half of 2014, a decline rate of 23%. This is reflected directly on the size of employment in Egypt, especially in sectors which have seen a marked decrease in the volume of exports.

To find out the impact of the decline in exports on the rate of unemployment in Egypt, it is required to identify the structure of the Egyptian exports, and know: which goods are exported?, what are the sectors that can absorb employment?, how big is the decline in the exports of these sectors?, and how far did this decline affect employment in each sector?

The petroleum exports decreased from \$ 9.237 billion in 2011 to \$ 7.548 billion in 2013 and then to \$ 6.261 billion in 2014. The oil exports also declined to \$ 2.112 billion during the first half of 2015 against \$ 3.471 billion in the first half of 2014, a decline rate of 39%.

The data show that the commodity exports in 2013/2014 represented about 9.1% of the Gross Domestic Product. The oil exports accounted for 47.7% of the total commodity exports, reflecting the weak contribution of the oil sector in the GDP on the one hand, and the inability of this sector to absorb a large number of employment and reduction of its relative importance in employment, on the other.

The non-oil commodity exports also witnessed a consecutive decline. In 2011, they amounted to about \$ 23.326 billion and fell to \$ 22.856 billion in 2012, a decline rate of 2%. They then decreased to \$ 22.090 billion in 2013, a decline rate of 3%. In 2014, the non-oil exports in goods achieved a 1% increase, reaching 22.261 billion. In 2015, there was a collapse in the total exports, reaching \$ 15.361 billion, a decline rate of 31% against the previous year. The total exports also fell in the fourth quarter of 2015, reaching \$ 1.429 billion against \$ 5.060 billion in the fourth quarter of 2014, a decline rate of 72%.

The impact of the decline in the non-oil exports on employment appears through recognition of their contribution to the GDP, the employment and the degree of employment flexibility for the size of exports. The rate of the non-oil exports to the total exports reached about 53.3%, which reflected directly on the size of employment in Egypt, especially in the sectors that witnessed a prominent decline in the volume of their exports.

As for the relative importance of the structure of the non-oil commodity exports, the data of 2014 indicates that the industry of the chemical products and fertilizers ranks first with a rate of 22%, followed by the construction materials with a rate of 21%, the food industry with 16%, the engineering commodity goods and electronics with 12%, while the contribution of the leather,

footwear and leather products industry comes in the last place with only 1% of Egypt's total non-oil exports.

The main commodity exports which plunged in value were in the sector of chemical industries and fertilizers, which declined from \$ 3.74 billion in 2011 to \$ 3.552 billion in 2013 and then \$ 3.124 billion in 2014. They also decreased from \$ 1.793 billion in the first half of 2014 to about \$ 1.005 billion in the first half of 2015, a decline rate of 44%. The exports of this sector constitute 22% of the total non-oil commodity exports. About 16.3% of the total employment rate in Egypt, a number of 2570500 workers, worked in the manufacturing industries sector in 2015.

It is a very low percentage compared to the employment in agriculture and fishing, which are estimated at 6.7025 workers, by about 28% of the total employees. The manufacturing sector also witnessed a decline in the growth rates because of continuation of the partial or total halting of a great number of the industrial establishments.

The construction materials sector occupies the second position in the structure of the non-oil commodity exports at a rate of 21%. Data of 2015 indicated that the rate of the workers at the construction and building sector reached 14.4% of the manpower. This sector has a medium importance as a contributor to GDP, and its operational flexibility, relative to the size of the exports, is high. It must be pointed out that it is extremely important to note that the production in the construction sector is mostly for local consumption, and thus it is not affected by the shocks that occur in the foreign trade.

The food industry sector occupies the third position in the exports structure by 12.5% of the non-oil exports, which increased to 16% in 2014. It achieved exports of \$ 13330 million in 2011, which decreased to \$ 1220 million in 2012. The exports increased to \$ 1412 million in 2013 and to \$ 1443 million in 2014. Then, they decreased to \$ 679 million during the first half of 2015, compared to \$ 764 million during the same period in 2014, at a decline rate of 11%.

The labor force working in agriculture and food-related industries constitutes 30.2% of the country's workforce. In spite of its importance, this sector suffers from big problems, the most important of which are: the poor infrastructure available to the industry, intensity of foreign competition and its

weak competitiveness in overseas markets, as well as the low wages in the manufacturing industries in general.

The textile and garments sector also contributed with about \$ 3.437 billion in the non-oil exports in 2011, at a rate of 15.39%. This contribution decreased to \$ 3.1 billion, at a rate of 14% of the non-oil exports. The exports of the sector declined in the first half of 2015, reaching \$ 1431 million, compared to \$ 1530 million during the same period in 2015, at a decline rate of 6%.

This decrease in the volume of exports is due to a number of problems, the most important of which are: the low infrastructure quality, the negative impact of the political and security turmoil that followed the January 25 Revolution, particularly after the military coup on July 3, 2013, and the consequent rise in transactions costs, related to the exports of the sector, due to higher cost of freight and its delay, as well as the deterioration of the cultivation of cotton locally, which adversely affected the production of the sector, especially in the face of the rising prices of the domestic cotton, compared to what can be imported from other countries such as India and Pakistan.

XXVI- Funding For Youth Projects Implicates the Egyptian Banks

The Egyptian economic management has been witnessing false performance and undergoing weaknesses and lack of coordination between its components since the military coup in Egypt. Abdel-Fattah El-Sisi has recently issued his orders or assignment to the Central Bank of Egypt to provide through the banking system an amount of LE 200 billion for the financing of the small and medium enterprises, possessed by young people, at an interest rate of 5%, while the interest rate in Egypt is moving to touch the ceiling of 13% for depositors and 18% for borrowers.

This is not the first time that the military intervene in the economic affairs and violate the economic rules and conventions. The project of the Suez Canal expansion was undergone upon orders from the military without introducing any feasibility studies, and the Central Bank was then hired to arrange debt securities of about LE 64 billion for the Suez Canal General Authority.

The performance of the commander of the coup in Egypt, Sisi, during Sharm El-Sheikh Economic Conference, which was held in March, 2015, was an unacceptable image for the management of the economic affairs. When the holders of exposed projects and ideas estimate the cost of implementing a particular project at a certain amount of money, he interferes asking for the implementation at

lower costs. When they offer certain periods of time, ten years for example, for the implementation of a project, he asks for reducing the time to only five years, as he exactly did with the Suez Canal Shunt, which was destined to have a period of time of three years, using equipment owned by domestic companies. He ordered that it should be implemented in only one year, which led to contracting with foreign drilling and dredging companies and caused the depletion of the little reserve of foreign currency.

When we consider the economic landscape in Egypt, we should not forget the Army control over the economic potentials of the country. The Army has become a competitor with the Business Sector in the food production and the construction materials. These abuses extended to the degree of allowing the Egyptian Army to establish partnerships with foreign investors. The question is, what has remained to the civil economic society of space to work in?

The recent trend of the military coup commander's announcement to help the youth by financing their small and medium projects at an interest rate of 5% implicates the banking system in many economic problems, which will limit its economic role and load it with costs, if not losses which it cannot endure.

Below is a review of the negative effects of this decision, including the following points:

The violation of the Central Bank independence

The military language which was used in order to carry out this decision was a misuse of the Central Bank of Egypt (CBE), which by virtue of the Constitution and the law, has its own independence to carry out its entrusted task, i.e. the monetary policy-making and economic control over the banks. The project could have been introduced in a better form, through a government program, or via a project sponsored by one of the ministries, provided that it should be clearly defined, in terms of the way of fund provision, the conditions to benefit from the project and the source of affordability of the cost difference, which the banks, accepting to enter the project, will be mired in.

Actual losses to the banks

The average interest rate that banks pay to depositors is 10%, and about 2% is added to it in the case of re-lending these deposits to investors and users of these loans, as operating expense, as well as a

similar proportion as dividends to the bank, so that it can carry out its activities. Thus, the normal interest rate for borrowing from banks should not be less than 14%. The question is, how will banks bear this difference, which is estimated at 10%, or about LE 20 billion? If we imagine that the banks will be able to undertake the “impossible” and implement this project, the first losses are the returns that would have gone to the state budget as a result of profits. No bank will be able to achieve profits under the project of financing the small and medium projects of the young people at an interest rate of 5%. Neither the private sector nor the foreign banks will accept to finance such project.

Deepening the lack of competition

Among the basic rules of economics is the existence of a state of real competition among the economic operators in the market. This exception that came within the framework of Al-Sisi’s orders to the Central Bank returns Egypt back to the pre-financial and monetary reform, carried out during the period of (1991/1992-1995/1996), when there were several different rates for borrowing from banks.

And so far as the issue of the lack of competition between the projects, the cost of funding will vary among the workers in the same industry or field, as one of them obtains financing with an interest of 5% while the other gets a financing with an interest of 15%. No doubt, the one who gets a lower interest rate will have a lower cost of production of goods or services than that of others, thus there will be a lack of competition and a creation of abnormal cases of competition in the Egyptian economy.

Opening a new door for corruption

In the eighties of the twentieth century, among the doors of corruption, was that many Members of Parliament (MPs), as well as other state officials used to establish fake projects and apply through feasibility studies to specialized banks to give them loans at interest rates lower than the commercial banks, about 3% or 4%. After obtaining these loans, they used to deposit them in commercial banks to get a higher interest. When the date of repayment comes, they actually repay them after benefiting from the interest rate differences. The real loser here is economy due to absence of real

goods or services, in addition to the losses borne by the state general budget through supporting the interest rates of the specialized banks.

It is natural under the great state of corruption now, to exercise the same past experience, especially that the difference of the interest rates is attractive and helps drain the bank funds, or whatever source that pays the difference of the interest rate imposed by the military coup commander.

Covering up the liquidity crisis in Egypt

It is notably that there is a liquidity crisis with the Egyptian banking system which has LE 1.8 trillion as deposits, including about LE one trillion withdrawn annually by the government in the form of bills and bonds to service the burden of the state budget deficit.

In view of the reality of this problem, which crystallizes in the government's crowding out of the private sector in borrowing from the banking system, the banks resorted to raising the interest rates up to 12.5% and sometimes to 13% with the aim of getting more deposits and the providing a new area of new deposits.

The fact, from our point of view, is that the regime wanted to reduce the mandatory reserves of banks with the Central Bank, but within an acceptable argument, which is exempting the amounts lent to small and medium projects for the young people of the proportion of the mandatory reserves, so that it would be a natural cover for the move.

According to the figures of the Central Agency for Public Mobilization and Statistics, about 98% of the establishments operating in Egypt are small and medium enterprises, and thus it would be easy to tamper with property records for projects already in place, to meet the conditions and defraud the banks to get these discount loans.

Wrong characterization

The characterization of the problem of small and medium enterprises as a funding crisis is wrong. The issue in Egypt is the high cost of production because of dependence on abroad in providing production inputs, production lines and spare parts. The problem of financing may be one of the problems but it is not the most prominent among the problems faced by these projects. It is well known that the informal savings available in the Egyptian market are approaching in amount the

actual savings in the banking system. In fact, it is easy for these projects to deal actually and significantly with these informal savings.

XXVII- The Real Value of the Decline in Suez Canal Revenues in 2015

There is a general rule which the economists usually deal with in economic analysis, i.e. “Figures describe reality, but they do not reflect facts”. So, we find that many of the figures for the macro-economic indicators in Egypt are not displayed in the proper context, in addition to hiding real data and showing false ones. This introduction is to explain what has been recently circulated of a decline in the Suez Canal revenues, by about \$ 290 million, at the end of 2015; the canal revenues reached \$ 5.1 billion in 2015, against \$ 5.4 billion in 2014, a decline rate of around 5.3%.

Lest it is to be thought that the shortfall or decline in the Suez Canal revenues was only \$ 290 million, we should necessarily explain that there are many other things that show the reality of the decline in the canal revenues in 2015, including what the Suez Canal revenues will bear of interest payment to holders of the bonds of the Suez Canal expansion, through the new shunt which was opened in August, 2015. The cost of this interest only amounts annually to about LE 7.5 billion, equivalent to \$ 1 billion at the official exchange rate in Egyptian banks.

The decline in the Suez Canal revenues at the end of 2015 amounted to \$ 1.2 billion. However, the real effective yield of the canal revenues will be about \$ 4 billion, or a little less than that. The seriousness in this matter is that it comes under a severe crisis plaguing Egypt since the military coup, concerning the provision of hard currency to cover the import for consumption needs and industry requirements, as well as the services sector needs.

The decline in the Suez Canal revenues will further deepen the dollar crisis in Egypt. On the other hand, the burden of repayment of the debt of the Suez Canal Authority is not restricted only to repayment of the local bonds obligations, estimated at LE 64 billion, but the local banks also provided loans in hard currency to the Suez Canal Authority during 2015, amounting to about \$ 1.3 billion, as well as \$ 200 million as an annual interest on these dollar loans, owed to the local banks.

The reality of decline in the Suez Canal revenues is also reflected through the fact that the state budget obtains two types of revenues from the Suez Canal; the first of them is the tax returns on the canal revenues. In the light of the decreasing revenues of the canal in 2015 and repayment of

commitments of debt interest on its loans, there will undoubtedly be a significant decline in tax revenues accruing to the benefit of the state budget on the annual Suez Canal revenue.

The monthly report of the Ministry of Finance for November, 2015, shows that there is a noticeable decline in the tax revenues derived from the Suez Canal Authority during 2015, by about LE 1.3 billion, compared to what it was in 2014. The earned taxes on the Suez Canal revenues reached LE 14.3 billion in 2014, but dropped to LE 13 billion in 2015.

The second thing, related to the impact of the decline in the Suez Canal revenues on the state budget, is that the non-tax returns are earned on what is left of the canal revenues, representing an important revenue of the state general resources. According to the data of the same report, it is clear that the Suez Canal revenues reached LE 19.2 billion, within non-tax revenues in the general budget in 2014/2015, compared to LE 18 billion in 2013/2014.

Here, we should confirm that the data recorded on the fiscal year 2014/2015 took into account the exchange rate difference, which reduced the value of the Egyptian pound against the dollar. Thus, the canal revenues appeared with an increase of LE 1.2 billion, which is not actually a result of a real rise, but due to the drop in the Egyptian pound value, or the so-called exchange rate differences.

Giving the economic management of the military coup in Egypt a free reign to confuse the Suez Canal revenues, including the consequent escalation of the dollar crisis and the decline in Egypt's foreign exchange earnings, is unacceptable, especially after the foreign currency resources in Egypt was negatively affected in more than one area, such as the tourism revenues, turning the surplus in the petroleum sector into a deficit for years, and recently the noticeable decline in the dollar transfers of the Egyptians working abroad, as indicated by the data of the first quarter of the fiscal year 2015/2016, by \$ 417 million. This decline is also expected to escalate in light of the economic crisis of the Gulf States.

The effect on the budget's general revenues, in general, will be devoted to the worsening of the public budget deficit crisis, which represents a challenge to the Egyptian governments under the military coup.

Under the decline in the Suez Canal revenues and the consequent decline in the budget's public revenues, the Egyptian citizen expects that the public services will undoubtedly be affected. Actually, this is apparent in the higher inflation and the price rise of several commodities and public services.

Further decline

Economists used to classify the Egyptian economy, a period of time ago, as a rentier economy in spite of the economic diversification opportunities it has enjoyed over a period of time, whether through human, natural or financial resources. However, those who managed the Egyptian economy for decades used to depend on the rentier returns without bearing the hardship of incorporation for an Egyptian development project.

Due to the nature of the Suez Canal position in the international trade equation, and being a dependent variable as a water conduit, the canal returns remain hostage to the international trade movement, which is suffering from recession and slow growth rates, due to the fragile recovery of the development rate in the global economy.

It must be taken into account that the ships passing through the Suez Canal represent only 12% of the global trade volume. Moreover, under the Chinese crisis and its expected negative connotations on the global economy, the movement of ships passing through the canal is expected to decrease due to the decline in the demand on oil from China and the rest of the world.

The question now is: Isn't it reasonable and correct that we should refer to trial all those who wasted about \$ 8 billion dollars in the Suez Canal new shunt, which did not add anything to the Egyptian economy but affected significantly its revenues because of the annual commitments, represented in the interest rate as well as the larger commitment by the end of 2016, when the Suez Canal Authority will be required to repay the basic loan to the holders of the Suez Canal bonds?

On what basis was the project's feasibility study made? Had the decline of the Suez Canal revenues been only \$ 290 million, the impact would have been less than the financial burdens resulting from the canal expansion loan, which exceeded three times of the decline in revenues at the end of 2015.

XXVIII- The Inability of Domestic Savings and Investments in Egypt

The domestic savings are the backbone of any successful development process, a fact which has been confirmed by many of the experiences of the emerging countries, whether the South-East Asian countries or China, where the average ratio of the domestic savings to the Gross Domestic Savings (GDP) ranged between 30% and 35%. In fact, the experience in Egypt reflects a large gap between the reality of the domestic savings and development requirements. While about 850 thousand persons of the new entrants flow annually to the labor market, the potentials of the Egyptian economy are unable to provide the job opportunities required for them. According to the economic estimates, Egypt needs to achieve an annual growth rate in the GDP by at least 7.5% for a period of not less than ten consecutive years, so that it can interact positively with the new entrants to the labor market, and alleviate the current unemployment which is approaching 13% of the labor force. In order that Egypt reaches an average growth of GDP that is commensurate with the development requirements on the one hand and keeps pace with the increase in the population rate on the other, the GDP growth must be equal to three times the rate of population increase which reaches 2.5% annually. This means that the required GDP growth rate should not, in any case, be less than 7.5% per year. However, the achievement of this annual growth rate in the GDP necessitates that the domestic savings should reach 30%, so that these savings be directed to the domestic investment system, especially in the context of the productive sectors in particular, which helps in providing permanent and stable job opportunities on the one hand and reducing the pressure of dependence on imports on the other. In fact, the widening of the investment range would necessarily lead to the provision of the goods and services, especially those that are currently imported from abroad.

The Reality of Domestic Savings and Investments:

There is a big gap between the reality and the presumption (the default) in Egypt, which has been one of the performance defects of the Egyptian economy for years that intensified strongly after the military coup in July, 2013.

Following is a review of the figures of these two indicators during the period from 2010/2011 to 2014/2015 to stand on the reality of the performance of the Egyptian Economy, intensification of the

unemployment problem, the increased reliance on abroad and the permanent escalation of the import bill:

Domestic Savings and Investments as a Proportion of GDP in Egypt
 During the Period (2010/2011-2014/2015)

Statement	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
GDP In \$ Billion	235.9	276.3	285.9	301.5	330.7
Proportion of Savings to GDP	13	8	7.9	5.3	5.9
Proportion of Investments to GDP	17.1	16.2	14.3	13.8	14.4

Source: The table has been prepared by the researcher from the monthly financial report of the Ministry of Finance of November, 2015 through the data published in the table on page 1

Through the data in the above table, we can notice the following:

- There is a permanent decline during the years of the period in the ratio of the domestic savings to the GDP. In 2010/2011, the rate of savings reached 13% of the GDP while in 2014/2015, this figure dropped dramatically to reach only 5.9%. This has a variety of indications, including that the incomes of citizens were no longer enough for their living requirements significantly, as evidenced by the decline of their savings to the GDP. Second, the decline in savings also reflects the financing gap that prevailed in Egypt and which made it resort to borrowing from abroad. However, the military coup government started to fill part of the financing gap through obtaining grants, aid and deposits from the Gulf States, as well as borrowing from abroad, both from the regional and international institutions or through offering bonds in the international markets.
- The decline in the ratio of savings to the GDP between 2010/2011 and 2014/2015 amounted to about 7.1%. At the same time, it is noticed that the GDP as a value increased by about \$ 94.8 billion,

which means that the increase was achieved through the public debt, both from inside and outside, which can be monitored through the figures of the Ministry of Finance on page 4 of the same report. The domestic debt increased during the two years from LE 808 billion to LE 1988 billion, an increase of LE 1180 billion at a rate of 146% while the external debt during the two years reached \$ 39.8 billion in March, 2015, compared with \$ 33.6 billion in June, 2010, i.e. the increase amounted to \$ 6.2 billion by 18.4%.

It is obvious to the reader that the adoption of the financing of the gross domestic debt is one of the things that shackle development and cost the state general budget new burdens, which are also considered an extra burden on the coming generations.

- If we look at the indicator of the domestic investments in proportion to the GDP, we find that it also fell during the period of comparison, particularly after the military coup. While the domestic rate was 17.1% in the year 2010/2011, it fell to 14.4% in 2014/2015. Thus, the humility of the investment rate to the GDP reflects the reality of the humility of the Egyptian GDP in general, in a country approaching 100 million people in its population. However, there are countries, with population equal to only one-third of Egypt's population, that achieved a larger amount in GDP than that of Egypt. For example, the GDP of Malaysia, which has a population equivalent to one-third of Egypt's population, reached about \$ 338 billion in 2014 while Egypt's GDP only reached \$ 301 billion during the same year.

- It is necessary here to stress the existence of a large gap between the domestic savings and investment in Egypt, and the importance of linking between the two indices, as the savings are the source of financing for investment. While the gap between the savings and the investments in 2010/2011 was about 3.9%, it widened in 2014/2015, reaching 8.5%, i.e. the gap between savings and investments as a share of the GDP, doubled between the two years of comparison.

Reasons for the decline in savings and investments

Undoubtedly, Egypt has been living a state of political and security instability since the January Revolution, 2011. This state intensified significantly after the military coup, and tourism was hit to killing by the incidents of violence that targeted tourists and tourist areas in the most important tourist destination in Egypt, Sinai.

With regard to savings, it is to be noted that the average GDP per capita in Egypt is still modest. In its best condition, it reached \$ 3761 per capita in a year, while it was around \$ 2966 in 2010/2011. This means that the increase achieved in the average per capita of the GDP after five years was around \$ 795, i.e. an average of \$ 159 annually. So, the domestic savings are decreasing and they are not sufficient for making the required rise for the achievement of the necessary breakthrough in the domestic investments.

With regard to investments, they suffer from many shackles in Egypt, especially in the light of the high rates of corruption and bureaucracy in the government system. The investment climate in Egypt after the military coup also witnessed a major intervention by the Army in the economic life, as well as its increased crowding out of the private sector in various economic fields.

XXIX- Egypt's Trade Deficit with Arab Countries Increasing

There is a new twist in Egypt's commercial relations with the Arab countries, especially the transformation of the surplus in the trade balance between the two parties from the Egyptian side to the side of the Arab states. Undoubtedly, there is a range of economic variables after the military coup which led to this negative result.

According to the data of the Egyptian Ministry of Trade and Industry's International Trade Point, the trade surplus for the Arab States during the period from January to September, 2015 amounted to \$ 989 million against around \$ 264 million during the same period in 2014.

Perhaps, this is a natural consequence in the light of the decline in Egypt's exports in general and the increasing deficit in the Egyptian trade balance after the military coup. The data of the Central Agency for Public Mobilization and Statistics indicate the existence of an increase in the Egyptian trade deficit from \$ 37.1 billion in 2013 to \$ 46.2 billion in 2014.

On the other hand, there are developments in the nature of the relationship between Egypt and the Arab countries, represented in the existence of preconditions by the Arab States for the economic transactions with Egypt, related to the support offered to the military coup, that it would be in kind with respect to oil and its derivatives. Moreover, the Kingdom of Saudi Arabia has recently confirmed more than once its contribution for supporting the Egyptian economy on condition that this would

be only via Egypt's import of Saudi commodities, in the light of Saudi Arabia's support of the export program of its domestic industry.

The Arab markets have always been classified as markets that should be flooded with the Egyptian exports for considerations of geographical proximity. In addition, the Greater Arab Free Trade Agreement allowed the Egyptian exports a comparative advantage in entering the Arab markets compared to the exports of other countries. According to the data of the Egyptian Ministry of Trade and Industry's International Trade Point, Egypt's foreign trade with the Arab countries amounted to \$ 17.1 billion in 2011, representing 18.3% of Egypt's total foreign trade which amounted to \$ 93.8 billion. The data of the year 2014 showed that Egypt's trade with the Arab countries increased to \$ 19.3 billion, representing 19.8% of Egypt's total foreign trade, which amounted to \$ 97.6 billion during the same year.

Below, we will look at data for the development of Egypt's trade relations with the Arab countries, and a monitoring of manifestations of the decline in favor of the Arab states during the period from 2011 to 2014, as well as the first nine months of 2015.

Egypt's Exports and Imports with Arab Countries from 2011 to 2014 (The value is in \$ million)

Statement	2011	2012	2013	2014	January- September 2014	January- September 2015
Egypt's Exports to Arab Countries	9129	8977	9368	9464	6813	5963
Egypt's Imports from Arab Countries	8059	9343	8783	9909	7077	6952

Surplus or Deficit	1070	- 366	585	- 445	- 264	- 989
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Source: The Egyptian Ministry of Trade and Industry's International Trade Point data.

Through the above table, we notice that there was a trade imbalance with regard to Egypt's commercial relations with the Arab countries; as the Arab market has always been a target market for the Egyptian agricultural and industrial products. This is shown clearly from the results of the trade balance in 2011, when there was a surplus in favor of Egypt by more than a billion dollars while during the period after 2011, the result of the Egyptian trade balance changed to turn into a surplus in favor of the Arab states, with the exception of 2013, which ended with a surplus of about \$ 585 million in favor of Egypt. It is to be noted that this increase was achieved during the same year of the rule of President Mohamed Morsi, the first elected civilian president of Egypt, as it was a unique year with regard to both exports and imports; the Egyptian exports increased by about one billion US dollars while the total imports decreased by about \$ 3 billion.

The figures of the first nine-month period of 2015 also show that the balance of trade deficit in Egypt increased compared to the corresponding period of 2014 or even to the deficit achieved in 2014 as a whole. Moreover, the deficit reached \$ 989 million during the first nine months of 2015, against \$ 445 million in the entire 2014, and only about \$ 264 million during the first nine months of 2014.

The Petroleum Problem

Egypt suffers from a large deficit in its energy needs. Egypt has also received, since the military coup, a Gulf support of petroleum products, whether through the free petroleum grants or through credit facilities granted by the Gulf States to Egypt over the second half of 2013, or in 2014 and 2015.

It is expected that the deficit in Egypt's trade balance with the Arab countries as well as its imports will increase during the coming period in the light of its increasing consumption of oil and gas and the decline in its oil and natural gas production. However, if it had not been for the decline in the oil prices in the international markets, Egypt's trade deficit with the Arab countries would have been reached very high rates.

It is also noted that the nature of the exchanged goods between Egypt and the Arab countries is “traditional” and they do not include high-tech products, tool-kits or machines because both Egypt and the Arab countries do not produce such commodities but depend on importing them from abroad. For example, Egypt exports building materials, chemicals, fertilizers, engineering and electronic goods, garments, furniture and home furnishings to the Arab countries, while it imports petroleum and its products, reinforcing steel and chemicals from the Arab countries.

There is no doubt that the Egyptian exports to the Arab countries in particular and the rest of the world countries in general will face a host of challenges during the coming period because of the economic policies which would raise the cost of the Egyptian exports, such as the high cost of energy for industry as well as the other services of water supplies and production requirements. Thus, the result of the trade balance during the coming period is expected to be in favor of the Arab countries at higher rates than what was achieved in 2014 and 2015.

XXX- Egypt’s Payments on Foreign Investment Rising

The Egyptian governments have always sung for the foreign investment and placed their hopes into it; that it is the magic solution to Egypt’s economic problems. Economic zones of various forms were created for foreign investment and legislations were enacted to open the doors widely for both direct and indirect foreign investments.

After all the years that had passed on foreign investment in Egypt, the result was negative and the “gain” that the Egyptian governments expected from these foreign investments turned into “loss”. The foreign investment did not achieve a breakthrough in the Egyptian exports or help to alleviate unemployment. It did not bring in the advanced technology or achieve stability in the stock market with regard to indirect investments, either.

The results of the balance of payments show the negative outcome of the existence of these foreign investments in Egypt. The funds that are transferred outside Egypt in the form of returns on the foreign investment, far exceeds the proceeds in favor of Egypt from its foreign investments. However, the Egyptian laws allow unconditional departure of the entire profits of foreign investors. The foreign investments did not face any problems in transferring their profits abroad except after the emergence of a problem in dollar resources, due to the decline in Egypt’s reserves of foreign

currency. However, the Central Bank devoted its efforts to put an end to this problem after about six years of 2015, when the stock market foreign investors obtained their entire profits and transferred them outside Egypt.

The foreign investors did not cease to get funding for their projects from the Egyptian banks, whether during the stage of incorporation, or during operation. The Egyptian laws do not enforce foreign investors to supply the entire capitals for their projects while the complete profits exit the country under the protection of the Egyptian laws. However, this does not make a balance between gains and losses for the existence of these companies in Egypt.

Below is a review of Egypt's proceeds and payments for investment to find out the extremely negative performance in this concern, which reflects that Egypt has turned into just a consumer market.

Egypt's Income and Payments of Investment

During the Period (2010/2011-2014/2015)(The value is in \$ million)

Statement	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Investment Income	419	246	198	194	213
Investment Payments	6468	6726	7604	7490	6228

Source: The Egyptian Ministry of Finance, the monthly financial report, November, 2015, Table 38, page 65.

- It is to be noted from the above table that the total revenues of Egypt's investments abroad over five years amounted to \$ 1.2 billion while what Egypt paid for the foreign investments on its territories reached \$ 34.5 billion during the same period, which means that the deficit in favor of the flows of foreign investment returns outside Egypt amounted to about \$ 33.2 billion and that Egypt achieved only 3.6% of the total returns of the foreign investments on the Egyptian territories that actually exited the country.

- Second, Egypt's returns on its investments abroad amounted to \$ 419 million in 2010/2011 while they decreased to \$ 213 million in 2014/2015, a decline value of \$ 206 million, representing a decrease rate of 49%, compared to what was in 2010/2011.
- The year 2010/2011 is the best year among the years of the period in terms of the returns of about \$ 419 million while the year 2013/2014 was the worst in terms of the returns of the Egyptian investments abroad, which amounted to \$ 194 million. We can conclude here that the value of the Egyptian investments abroad are very modest to the point that the returns are limited to such a degree, or that the Egyptian investors abroad prefer to keep the returns of their investments outside Egypt rather than bring them inside the country.
- The year 2014/2015 is considered the least among the years of the period in terms of payments for foreign investments by about \$ 6.2 billion while the year 2012/2013 was the largest among the years of the period for withdrawal of the investment returns from Egypt by about \$ 7.6 billion.
- The figures of the table reflect the impact of this matter on the dollar crisis in Egypt during the years of comparison, when the dollar resources in Egypt declined dramatically. Regrettably, the foreign investor still continues the movement of transference of his profits and returns of his investments via the Egyptian banking system, which provides him dollars at official rates. Meanwhile, this investor does not want to bear any risks for management of his profits from the black market.
- The situation of the foreign investment in Egypt remains in need of reconsideration to discuss many gaps that led to economic losses to Egypt. Egypt did not earn the desired fruit from the foreign investment, while the experience was successful in other countries, such as the Southeast Asian countries, where common interests were achieved between the two parties and each party was keen on the existence of the other.
- It is strange that the foreign companies located in Egypt announced more than once after the military coup in 2013 that they would leave the Egyptian market because of the dollar crisis, and that the banks failed to provide them necessary dollars for importing the production requirements. Meanwhile, these companies are keen on transference of their entire annual profits and do not use part of them in meeting these needs to alleviate the pressure on the banking system, as well as alleviating the demand for the dollar and reducing the exchange rate in the black market.

It is to be noted that the foreign oil companies alone got their previous dues through 2015 by about \$ 5 billion, as well as the stock market investors who practiced unprecedented pressures on the military coup government in Egypt, such as their rejection of the law, imposing taxes on the stock market transactions, and threatening to get out of the Egyptian market and go to the neighboring countries which do not impose taxes on their stock market transactions.

The foreign investments in Egypt have become a burden on the Egyptian economy. After crowding out the Egyptian industry and the monopoly of markets of some important goods, concerning food and detergents for instance, the issue of the exit of profits comes to represent an important figure in the performance of the balance of payments.

The results shown by the figures in the above table are supposed to make the decision maker and the economic policy maker seek to put control on the movement of these funds so as to ensure stability of the exchange market and lead to a balance in the demand for dollar, especially that Egypt is experiencing a severe funding crisis, which gives it the right to impose exceptional circumstances, such as to allow a certain percentage of the profits of foreign investors to be transferred outside Egypt, not all the funds.

However, the economic administration under the military coup finds itself in front of a general economic crisis, where the decline in the dollar resources represents only one of its aspects. So the government exerts all its efforts to maintain friendliness with the foreign investor, without caring for consequences on the Egyptian economy.

XXXI- The Government Deprives the Egyptians of Enjoying Oil and Food Lower Prices in the Global Markets

Among the statements that many Egyptian officials used to repeat for pride, is that Egypt is part of the world and should be linked and intertwined with the global markets in prices and in the foreign trade of exports and imports. Based on this hypothesis, the Egyptians should enjoy the decreases in the prices of goods and services in the global markets. However, the fact is that the Egyptians pay only the bill of cons for merger in the global economy, including flooding and global prices for the majority of goods and services, despite denial of the second half of the equation. The Egyptians do

not feel any impact of the price decline of goods, in the global markets, on the domestic markets as well as the fact that their wages are not linked at all to the global system.

According to the “Economist” magazine, the prices of food and agricultural goods declined by 40% at the global level while the prices in Egypt continued to increase. Meanwhile, the Egyptian government claims that it supports the food commodities provided to citizens, in spite of the poor services provided to Egyptians in education and health, as well as deterioration of public facilities such as roads, bridges and others.

In addition, after the rise of inflation rates to about 12% according to the government figures, corruption pursues the Egyptian citizen in the most essential elements of his life, i.e. food. Between now and then, the import of carcinogenic wheat is announced, as well as the death of large quantities of fish in the Nile, with presence of fears of diverting these dead fishes into markets. Some drinking water stations in areas of Lower Egypt governorates were closed due to the high rates of contamination of the Nile water after the death of large quantities of fish there.

Another example is the “earthquake” of petroleum price collapse, which led to a decline in the prices of oil and its derivatives all over the world, except in Egypt. Why should the oil prices decrease in the whole world except for Egypt? In the United States, the fuel prices fell to quarter, the lowest price level they reached over about 13 years. Prices in most developed countries usually take the directions of ups and downs while in Egypt the prices take one direction, which is always only going up.

However, the irony is that the government always raises prices of all goods and links them to the international prices but it does not reduce the prices when they fall in the world markets. Of course, there is no link in Egypt between local and global wages.

The government suffers from a general budget deficit due to the support provided for energy, which goes mostly to the factories of businessmen. The support of energy swells every year. After it had been about LE 40 billion, equivalent of about \$ 5 billion in the budget of the year 2006/2007, it increased to about LE 125 billion in the budget of 2013/2014, LE 100 billion in last year’s budget and then was reduced to become LE 61 billion in the current fiscal year, 2015/2016.

The question now is: If the oil price per barrel dropped to less than \$ 30, why don’t we cancel completely the energy support, which is directed to industry and get rid of this burden on the

Egyptian budget? The military coup government had a gold opportunity to leave the energy prices to the forces of demand and supply and to improve the quality of the market in distribution of resources. However, this government, which has a network of rooted corruption with the businessmen sector, cannot make decisions that could limit the deterioration of the performance of the Egyptian economy.

It is supposed that the decline in oil prices would lead to a positive improvement, represented in reduction of Egypt's expenditure on the petroleum imports, as Egypt imports most of its needs of oil derivatives from abroad while it exports crude oil. Undoubtedly, expenditure on imports of petroleum products should inevitably decrease, leading to increased dollar supplies. But, did this actually happen in Egypt? On the contrary, we find that the dollar exchange rate continues to increase, exceeding LE 8.67 in the parallel market recently.

The decline in petroleum prices will have various negative effects, including those which are related to direct foreign or Arab investment in Egypt. Take for example a country like Saudi Arabia, which is considered a key supporter of the military coup in Egypt. Saudi Arabia produces 10 million barrels of oil per day, and after the collapse of the price of a barrel of oil from \$ 110 to \$ 30, there is a deterioration of one billion dollars a day in its revenues, i.e. \$ 350 billion annually. Will Saudi Arabia be able to invest in Egypt in light of the successive decreases of oil prices in the global petroleum market?!

The same thing would apply to the foreign companies; the Italian company "Eni" which announced in August of last year that it discovered the largest inventory of natural gas in the world, in Egypt, will be forced to retreat from its investments in Egypt with this drop in oil prices like; as investment in the oil sector has become useless economically. Moreover, there are strong expectations that the support of the Gulf States to the government of the military coup in Egypt will decrease due to the decline in petroleum revenues, which affected the economic situation in the Gulf States. The most prominent example for this is the lifting of oil and fuel prices in Saudi Arabia by 30% recently.

The Gulf States will not be able to support this government as it was before. What emphasizes this fact, is the coup government pursuit to borrow \$ one billion from China to support Egypt's dollar reserves, as well as its announcement of entry in a privatization program, including profitable banks

and companies to cover its financial deficit, and thus sacrificing the wealth of the country and losing the role of maintaining balance in the market as well as scaling down the excesses of the private sector, through giving up the state ownership of enterprises and public banks.

The question that baffles the Egyptian citizen now is: why should the blessings turn into curses in Egypt? While the decline in the prices of energy and food in the world markets should have been a boon to Egyptians, it turned into a curse at the hands of this stricken government. Isn't it a puzzling matter that Egypt and Egyptians are a burden on the world?

