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Egypt: The Dialectics of State Security and Social Decay

As opposed to the »success stories« that became a meta-narrative in development literature, Egypt stands as a particularly sad example of »stories of failure«. By this latter category we mean countries whose performance fell drastically short of expectations aroused by early achievements in the realm of culture and human development, or by their encouraging points of entry into »the modernity project«.

For Egypt, the 20th century was almost a complete failure. At the beginning of the century, the country looked in relatively good shape and was seen as poised for economic take-off. In so many indicators, it was the country in the South that most fitted the model of robust transition to modernity. However, by the end of the century it was amply clear that many other countries that looked far behind it on the scale of development until the late 1950s, have managed to leap forward, leaving Egypt much below on the scale of human and economic development as reported by the UN.

A Society in Crisis

In fact, the story is much more complicated than is read from indicators of economic failure or retreat. The country is in the midst of a comprehensive crisis which has led to a confusion about its very identity, future choices and destiny. Its poor achievements in the economic and social fields force Egypt to reflect on the causes of protracted failure and accordingly on the nature of the society that it aspires to create.

Failure to achieve much on the road to modernity is perceived by many as an adequate warrant for questioning the relevance of »modernity« and its associated »culture of enlightenment«. Counter-attack started as a critique to the concept of progress which furnishes the basis of modernity. Islamists expanded this critique to a universal

assault on the type of society which the modernists strive to construct. The debate over the meaning of progress and the type of society also involved the »epistemic and moral foundations« of modernity as opposed to the model set by Islam. Aside from this, the whole debate was thoroughly soaked in the politics of identity.

The politics of frustration and the search for meaning and self-fulfillment are rooted in the nexus of interactions with the West since the beginning of the colonial age. Foreign policies thus lie at the heart of the debate on the quality and nature of »strategic choices« or the type of society desired. Contradictory choices in the field of foreign policies represent the most confused and confusing issues of debate across the whole Arab world, with Egypt at the heart of it.

At the close of the 20th century though, it seems that Egypt may have escaped the destiny of some other Islamic societies that witnessed Islamic revolutions or coups. In fact, the bureaucratic elite is re-asserting itself in power against both Islamic and secular oppositions. An important factor is the exit ticket from the suffocating economic crisis of the 1980s. The ruling elite has scored modest economic gains but these gains were very important politically. Successes are not made possible by arriving at radically higher levels of economic efficiency. In fact, the very continuity of these successes is increasingly put in doubt. Hence, there are also big questions about the nature of the social and economic policy packages that need to be implemented to allow the country to take off. Better economic performance may have silenced the opposition to the dominant economic strategy. The nation is, however, far from settled as to the nature of the economy that it wants to establish.

Naturally, the question of economic development is by no means isolated from the issue of democratic reforms. Indeed, politics is another area of reversals and fundamental failures. The country

started its long road to democracy with the opening of a pseudo parliament in 1866. By 1923 it had a liberal democratic constitution. The coup d'état of 1952 declared the restoration of »healthy representative political life« as one of its primary six goals. With the establishment of a bureaucratic authoritarian regime, this particular goal was openly betrayed. Having pioneered the road to political (democratic) reforms since 1976, Egypt could have been placed as leading the »third wave« of democratization, if this process were not aborted. Moreover, at the turn of the century, the country is much less democratic than could have been expected and certainly much less democratic than many other countries that came later to the road of political liberalization.

A good part of the ordeal pertains to culture. By all means, certain cultural traits or qualities are part of any thorough explanation of failures and retreats. However, this may not be traced to certain real or imagined cultural »fixities«. The problem may prove to be much more profound since certain mixes of political, social and economic conditions may have so brutally damaged public consciousness that the single most important phenomenon in the political culture of society at this moment is so-called apathy and general disinterest in the public sphere. In this sense, the damage may prove lasting or much more profound unless bravely redressed by »fresh and vigorous endeavor« for restoring self-confidence through renewal and re-invigoration of old and new values. Society will have to come to grips with the profundity of its current dilemmas so that truly rational solutions can possibly be suggested and implemented. Without this act of self-conscious re-construction, the economy could take off, but fundamental distortions and imbalances would certainly grow proportionally.

We shall take a number of these parameters and themes for a deeper and more detailed analysis below.

Cultural Humiliation and the Rise of Islamism

One possible explanation for the failure of democratic transition in Egypt is the rise of Islamic fundamentalism and fanaticism as a major challenge to political stability in the last 25 years.

We may not take this explanation at face value for a number of reasons. In the first place, there is undeniable proof that it is the pseudo-secular state that sanctified the manipulation of religious symbols in the aftermath of the 1967 national defeat. It was also president Sadat that elevated religion into a vital part of regime ideology. He is also responsible for encouraging fanatical religious elements to reorganize and to aggressively relaunch violence in the political arena since 1971. Religion was systematically manipulated at the beginning as an ideology for a new hegemonic coalition that would have replaced the populist coalition of Nasser's regime. There are also some suspicions that the same motives were behind the state manipulation of religious strife starting in 1971 immediately after Sadat's ascendance to the post of President.

The elevation of religion into a central part of regime ideology was further sanctioned in the 1974 (October) paper that was assumed to replace the »national charter« as the major philosophy document of the ruling elite. Religious ideology was later given an even greater push when the constitution of 1971 was specifically amended to achieve dubious political goals through the assertion (in article two) that Islamic Shari'a is the main source of legislation.

Despite this, there is no specific or obvious correlation between the course of democratization on the one hand and the evolution of fundamentalist challenge on the other. For example, President Sadat introduced the multi-party system in 1976 exactly during the time when his alliance with the Islamists was at its peak. Interestingly, the true spring of democracy in the recent history of Egypt took place immediately after the assassination of President Sadat at the hands of Islamic militants and during President Mubarak's first term in office (1981-1987). The assassination of President Sadat was taken to be the greatest single challenge to political stability in the modern history of the country, but the early response to this challenge was further relaxation of political life.

Reversing the liberalization drive of Mubarak's early rule started in 1986/7, long before the launching – during the 1990s – of the terror campaign by fanatical Islamists. Nonetheless, there is some more persuasive evidence that the Islamic fundamentalist challenge formed a crucial factor behind

the failure of this democratization. In fact, ruling regimes in the Arab and Islamic world pursued both policies of cooperation and confrontation with the Islamic fundamentalist challenge, at times alternatively and at times simultaneously. The fact that totalitarian (and in certain cases medievalist) religious opposition to existing authoritarian regimes is the political and social force which is filling the political vacuum is an indication of the intrinsic weakness of democratic opposition and its failure to take roots. The emerging bi-polar pattern of domestic politics and the increasing unity demonstrated by religious political forces across the Arab and Islamic world have objectively pulled the whole political arena towards violence and authoritarianism. In fact, some of the most dogmatic democrats have come to declare alliance with the ruling regime in the face of what seemed to them to be a totalitarian challenge.

There is profound confusion on the (democratic) response to totalitarian challenge. This is clearly indicated by the Algerian election debacle in December 1991 which was won by Islamists professing their desire to establish a non-electoral system. The Egyptian power elite watched this example with grave alarm since 1988. The dilemma that motivated some of the most sincere democrats to support the state crackdown on liberties is the following: If democracy concedes to the electoral victory of a political force that declares its rejection of democracy, it commits suicide. If, in free election, it fails to accept the will of the people, then it has betrayed its own principle. Democrats would then have to accept accusations of double standards and hypocrisy. The latter seemed to be the lesser of the two evils. Democrats could in theory justify their position by reference to the experience of the Nazi take-over, as well as by stating the exceptional nature of the crisis. Denial of democratic liberties could accordingly be excused by promising a shorter end to the crisis; for example by comparisons with situations in which totalitarian Islamists managed to take over political power such as Iran in 1979. This is what is implicitly advocated by supporters of state authoritarian reaction against the advances of Islamic fundamentalism.

The depth of the fundamentalist Islamic challenge is what concerns us at this juncture. Since its emergence as an organized political (party) action in Egypt in the late 1920s, the fundamen-

talist trend has launched a comprehensive critique of modernity in all realms of life. This critique focused on attacking the so-called renaissance project for imitating the Western model of progress and Western organization of the public realm. Borrowing this model is described as betrayal of Islam or something very close to apostasy. Later on, beginning in the late 1970s, this model was also characterized as dependency, cultural clientelism and intellectual domination. Against the institution of the nation state, which inherited the Ottoman Empire, it called for the revival of the Islamic caliphate system and/or Islamic internationalism whereby the modern legal system would be practically dis-mantled and replaced by Islamic Shari'a. Modern social organizations were variously criticized as expressions of Western hegemony. Demands for the segregation of women received particular attention. Both socialism and capitalism were criticized in favor of re-initiating Islamic economics. In the realm of politics, a certain image of consultative process is the only thing that could constrain Islamic rule that is eventually entrusted to an individual ruler, whose main mandate is the implementation of Shari'a or Islamic law. The long-lived popular myth of the »just despot« has undoubtedly influenced these visions of rule and rulers until now. The incredible momentum gained by this trend is partially fuelled by beliefs in the »intrinsic superiority« of an Islamic panacea that is said to cure all ills of modern life. Shari'a is believed to automatically »fill the world with the lights of justice«.

Social and economic malaise may account for certain features of the Islamic fundamentalist drive in the 1930s as well as in the 1980s and 1990s. One is far from convinced, however, that yearning for social reform triggers the ideology of political Islam, even when touched by a socially radical spirit, as the situation was in Iran in the late 1970s. In fact, in this ideology, the poor and the meek are promised charity and care by the rich and powerful rather than solutions based on self-determination and empowerment.

The real attraction of this ideology lies in its success in awakening in people a profound sense of self-esteem instead of the deep humiliation caused by cultural eradication and denial. The modernity project, as transmitted to them is only telling people that what they had and what they inherited

from their grandfathers is backward and has to be replaced in order to »progress«. The Islamic message is exposing them to a global and universal mission based on the opposite meaning; that they have a morally superior vision and world view.

The real problem of such a vision is that it is abstract, obscure and opposes modernity by archaic social and cultural practices detrimental to the purposes of religion and to human needs and aspirations. More significant is the fact that this archaic ideological form contained impulses for violence that wasted peoples' energies in destructive practices.

However, a thorough and objective assessment of the whole syndrome should clearly subject the authoritarian bureaucratic elite to radical critique on this issue as well. Insensitivity, corrupt attitudes and propensity to violence on the part of ruling bureaucracies should also carry a good part of the blame for the moral and material destruction caused by terrorism in the last quarter of a century.

Political Islamic forces will continue to exist in Egypt as elsewhere in the Arab world. The resilience of Islamic culture is also undeniable. This very fact condemns the strategy based on liquidation and eradication of fundamentalism to futility and waste. At the turn of the century, we may safely state that the country is slowly coming to grips with the need for reconciliation and mutual recognition between secular and religious forces. After long and torturous debates amongst the terrorist sector of the Islamic movement, the majority including the old guard is decisively realising the need to renounce violence and to re-enter the political arena as a civil force. This particular trend is still showing (and will probably continue to show) inclination to extremism. However, learning may also play a balancing role. The centrist Islamic force, represented by the Muslim Brothers, have witnessed important transformation that sway them to acceptance of the pragmatic aspects of democracy and modernity. Assets for political reconciliation are thus building up outside regime policies.

A truly historical reconciliation and mutual recognition hinges, though, on devising creative cultural categories that may compromise secular and religious visions of human liberation. This is currently being recognized. Some of the latest development in both Islamic and secular thought

in Egypt clearly show this trend. The purpose is clear; to allow the country to entertain the right to internal peace and to encourage all trends of thought to develop freely and bring to fruition its positive and constructive ideas.

Protestation against the fraud made in the name of modernity is legitimate from a truly critical perspective. Self-critique of the enlightenment project should profess its failure to bring about genuine solutions to problems of underdevelopment; solutions should be cultivated from within rather than simply transmitted from an alien environment. This failure is shared by all major trends of thought and is currently being seen as a common responsibility of all authentic intellectual pursuit in Egypt as elsewhere in Arab and Islamic societies.

The emergence of a new intellectual project will take some time. The existing premises, as we enter the 21st century, are far from adequate or mature. But the essential recognition of the need for this project has already become entrenched.

The Moral Costs of Foreign Policy Pragmatism

In the view of this writer, the real cause behind the swift rise of Islamic fundamentalism and fanaticism is the prevalence of an acute sense of cultural and political humiliation incurred by Muslim societies within the international system. Muslims feel that they are targeted by various hegemonic forces and given inferior and damaging treatment in which their culture and religion are looked down upon.

The obstinacy of British colonialism in the face of decades of nationalist struggle lies behind the birth of Islamic fundamentalism in the late 1920s. The defeat of 1967 and the associated occupation of Arab territories seem to be the main reason behind its re-birth and expansion all over the Arab world and indeed the rest of the world during the last quarter of a century.

In brief, Islamic fundamentalism gained remarkable momentum when the secular nationalist regimes proved their failure to redress the injustice caused by Israel (and inter alia by Western powers led by the United States) against Palestinians, Arabs and Muslims at large. The long and traumatic encounter with the West was portrayed as the expression of Western determination to crush

Arabs and to keep them constrained and tightly subjugated. Western attitudes are explained by reference to a long history of religiously motivated prejudice and hate. The semi-secular position of Egyptian nationalism is thus condemned as the manifestation of servility to Western conspiracy as well as the reason for Arab failures in military and political encounters with the West. It goes without saying that Israel is seen as the proxy or tool of Western – and specifically American – aggression against Palestinians and Arabs. Since fundamentalist forces were showing an uncompromising attitude towards Israel, they tended to deny the legitimacy of existing regimes.

In this perspective, Islamic fundamentalist ideology, of both moderate and fanatic variants, is produced in the context of the crisis of legitimization triggered by national military defeat in 1967.

For this reason, the Islamic fundamentalist trend started to clash directly with president Sadat only on the occasion of signing of the Camp David Accord in 1978 and the Egyptian Israeli peace treaty in 1979. Clashes with Arab regimes since then have continued to focus on the peace process in the Middle East. In the view of Muslim fundamentalists, peace diplomacy overlooked the basic rights of the Palestinian people, including the right of Palestinian refugees to return, the right to self-determination in an independent state, the return of East Jerusalem and the rest of the territories occupied in 1967. Generally these aspects are seen as »structural« and entrenched in peace diplomacy through the exclusion of the United Nations and international legitimacy.

Muslim fundamentalists are not alone in discrediting Egypt's peace diplomacy and the policy of close relations with the United States and the West more generally. In fact, all other radical trends share with Muslim fundamentalism the opposition to the regime's foreign policies. Indeed, the regime itself continued to cherish some of its long valued nationalist traditions in its relations with Israel and the United States.

The present regime has established its very legitimacy on nationalist and anti-imperialists slogans. The Egyptian foreign policies since the independence and until the death of President Nasser were one of the main sources of »third-worldism«, as this unique discourse prevailed in the 1950s and 1960s. The 1967 defeat sharply undermined

Egypt's challenge to what was described as American hegemony and the legacy of Western imperialism and neo-colonialism. President Sadat marshaled a wholesale attack on this Nasserist jargon, basing his legitimacy instead on an almost complete rupture with it. He started presenting himself as a staunch enemy of Soviet domination, a theme which met with complete approval from the army before and immediately after the October war. His master plan of building a close alliance with the United States as a new strategy of foreign policy started to unfold after the October war of 1973. From the viewpoint of the United States, the actual implementation of this policy was tried and tested through Egypt's individual peace with Israel, which left Egypt in tension with all its previous Arab and Third World allies.

Mubarak's regime only introduced minor changes to this policy, making it more rational and less messianistic. In fact, the true essence of this general foreign strategy was achieved during the years of Mubarak's rule. Pragmatism and direct cost-benefit approach has become the guiding principle of Egypt's foreign policy. This by no means contradicts certain highly valued goals, commitments and parameters. The essence of Egyptian foreign policy was transformed from aggressive critique of Western imperialism and hostility against the American hegemony into reliance on the West and building special relations with the US.

Strategic services to the US, delivered by Egypt under Sadat and Mubarak, included blocking the export of the Iranian revolution to the Arab World, aiding Iraq in the war against Iran 1980–1988 and mobilizing against Soviet presence in Afghanistan. The most vital service was helping the US construct the Arab and international alliance against the Iraqi invasion of Kuwait. It also included aiding American policy objectives in the Third World at large and sub-Saharan Africa in particular. However, the most valuable strategic service to the US is maintaining peace with Israel in spite of the latter's failure to act in harmony with the UN resolutions and the principles of international law and international legitimacy.

The reversal and transformation of Egyptian foreign policy under Sadat and Mubarak constituted a fundamental departure from the essentials of identity politics that dominated Egyptian poli-

tical culture for so long. It was simply logical to regard this reversal as betrayal to Islamic fundamentals, Pan Arab principles and the very ideals of Egyptian nationalism. Muslim fundamentalists are not alone in rejecting this policy orientation. In fact, most other trends in Egyptian politics share a critical assessment of Egypt's foreign policy at the turn of the century.

The present set-up of foreign policy may have managed to solicit the support of the majority of the power elite and the masses at large. More important perhaps is the fact that the changes associated with the breakdown of the Soviet Union and the emergence of the uni-polar system have further demonstrated the »wisdom« of breaking away from third-worldism and close ties with the Soviet Union in Nasser's time. However, certain crucial factors have contributed to increasing doubts on the relevance of the present foreign policy. A more profound thinking on Egypt's future role in the international system is yet to emerge but debates may have already started.

In cultural terms, the shift towards crude pragmatism was not accomplished without a heavy toll and grave tensions. The swift rise of Islamic militant opposition, across the Arab world, not just in Egypt, is a clear proof of the toll paid by the Egyptian State. On the other hand, less apparent but perhaps much more damaging on the long run is that the reversal of foreign policy orientation has caused disillusionment on the part of a whole generation of Egyptians, whose consciousness was formed by nationalist and progressive slogans. Indeed, the public at large has lost this unique pride associated with meaningful, even if it were failing, endeavor to reform the international system in the name of the underprivileged.

On the other hand, Egypt had to pay heavily for its determination to maintain peace with Israel, irrespective of what the latter does in the region. For almost a decade, Egypt was boycotted by the rest of the Arab world. Even after restoring Egypt's status in the region in the aftermath of the second Gulf crisis, Egypt is still lacking the ability to mobilize the region behind positive and constructive projects such as the building of a free trade zone or economic community. The erosion of Egypt's leadership is largely explained by the stumbling of the peace process and the failure to

pull the region out of the logic of violence and retaliation. In other words, Egypt's peace strategy was unheeded for long enough to cause the region major disasters such as the Israeli invasion of Lebanon and the Iraqi invasion of Kuwait.

Close association with the United States has also damaged Egypt's moral standing among many communities in the Arab world and the Third World more generally. The increasing monopoly over power within the international system and its use or misuse, in disregard of the United Nations and rules of international law, cause great fears and worries about the prospect of American interventions and destructive wars. Those fears are specially echoed in the Arab world where frustrations over America's failure to act in harmony with international legitimacy are most acutely felt.

This was easily seen during the Gulf crisis when the Egyptian army was marching in unity with the American military towards Basra and Baghdad in 1991, against the shared sentiments of all Egyptians who were appalled by the magnitude of destruction inflicted upon Iraq as a state and society. The continued and incessant targeting of Iraq by the American war machine until the end of the 20th century is supplying ever fresh evidence to those who condemn Egypt's close ties with the US on the nature of American designs and conduct in the region. Egypt is seen as an accomplice to these designs regardless of how heatedly it projects its differences with the US on such issues of military and destructive interventions.

The last few years in the 20th century witnessed growing tensions with the US over regional and international issues. The nationalist overtone born by official Egyptian statements and conscious display of tensions and disagreements inflames enthusiasm amongst the public. The state was more than careful to use these nationalist sentiments but not to allow itself to be carried away from the special and »strategic bond« with the US and its policies in the region.

At the turn of the century, Egyptian foreign policy is still faced with the two major unsettled issues of vital interest to it and to humanity at large. The first is the need to demonstrate the will to forge a new path for the evolving international system based on common interests and common values, on participation and on the ideals of international law. Pursuing these principles will inevi-

tably put close ties with the US in jeopardy. The second is the issue of peace between Arabs and Israelis. Certain minor gains have been achieved, especially in relation to the Palestinian people's traumatic suffering. Nonetheless, it is very difficult to conclude that Israel has actually taken the strategic decision to meet Palestinian demands and rights as formulated by the United Nations and as expected by the Arab public opinion. Egypt will continue to be confronted by this major issue while not having adequate comprehension of the causes of failure or the instruments to correct the path of peace.

Foreign Aid and the Rise of Consumerism

Our brief discussion of foreign policy is not alien to the politics of economic development. In fact, foreign policy played the »leading economic role« in the last quarter of a century. Various foreign sources contributed the greatest part of national income. These sources include foreign assistance, remittances of Egyptians working abroad, basically in rich oil exporting Arab countries, the flow of foreign (mainly Arab) capital and the export of services (basically tourism and the Suez Canal).

Official foreign assistance constituted a crucial source of finance needed for the rehabilitation of infrastructure that suffered an almost complete collapse during the 1970s. The special and strategic relationship with the United States in the last 25 years was certainly the key to the flow of foreign assistance. Not only that, American aid constitutes about two thirds of annual official assistance to Egypt. Other sources such as European, Japanese and multilateral assistance are partly solicited by direct and indirect American opinions.

A simple and straightforward comparison of Western attitudes – between the Nasserist period (1952–1970) and the period of both Sadat and Mubarak (1979–1999) unambiguously demonstrates the correlation between strategic affinity and generosity of foreign aid. Waiving half of Egypt's official foreign debt further indicates this correlation by various western debtors in response to Egypt's role in supporting the American plans against Iraq, on the occasion of its invasion of Kuwait.

The flood of foreign capital during the last 25 years has coincided with a generally modest eco-

nomic performance. The enormous volume of foreign financial flows failed to empower the country to take off or to achieve levels of economic growth adequate for passing major bottlenecks. In fact, economic distortions and imbalances grew in vast proportions during the 1980s. The economy was virtually collapsing during the very period that witnessed the greatest injection of foreign money capital in the history of the country. Improvements in the economic situation only started in the second half of the 1990s after, and largely by virtue of, the implementation of the IMF stabilization program which was aided by writing off and re-scheduling Egypt's foreign debt and debt service.

The modesty of economic achievements in times of huge injections of foreign aid can be explained by some technical factors as well as by reference to the concrete conditions under which the re-integration of Egypt into the world economy took place. Technically, foreign aid was largely invested in infrastructure projects with long gestation periods and delayed spillover effects.

This odd phenomenon may also be explained by reference to the so-called Dutch disease. The export of labor, especially during the 1980s, has suppressed all other exports and reduced the competitiveness of the economy at large. However, the sickness in the economy did not manifest itself on the side of exports but rather on the side of imports since Egypt was traditionally a very low export economy. The economy was transformed into heavy reliance on imports. The open door policy – in Arabic »Infitah« or opening – was generally condemned as anarchic and consumption oriented. Thirst for imported luxury consumption goods is a traditional manifestation of stress associated with protracted war economy.

Another explanatory model is based on the notion of the rentier economy. According to this perspective, the Egyptian economy has evolved in the same direction as other Arab oil exporting economies characterized by exceedingly heavy reliance on oil exports. Reliance on rent income tends to suppress the development of other commodity sectors, especially manufacturing. This theorem is deeply rooted in modern economic science since its inception which witnessed the struggle against a landed aristocracy privileged with high land rent. The situation of oil exporting countries is rather different from the model of conflict between pro-

fits and rents. Additionally, the trade between resource and manufactured commodities should not be approximated to rent versus profit or landlords versus entrepreneurs. At any rate, the model of rentier income with the associated suppression of productivity could not possibly be applied to Egypt who is a very modest exporter of oil. As indicated earlier, the real yield of labor exports is greatly higher than the export of oil or any other natural or resource commodity.

What holds true in these models is the fact that the country had for a relatively long time deferred the hard decisions it should have taken for restoring health to the economy and resuming serious economic development endeavor. The flow of capital from relatively cheap foreign sources made this deferral possible. It is a mockery of history that a truly poor country could use so much foreign capital in order not to improve its productivity and foreign competitiveness but on the contrary to finance very high levels of consumption, basically through importation.

Some of the decisions needed to restore the economic health were taken in the early 1990s (instead of the early 1980s), with the implementation of the IMF stabilization program. Some others are still to be taken for the purpose of better mobilization of resources and improvement of productivity.

Better administration of state finances has allowed much better economic performance. However, the country is still far from being qualified for economic transformation or take-off. On the most immediate level, the resource gap is still huge. Egypt continues to rely on foreign sources for financing a major part of investment. Gross domestic savings have significantly improved with the implementation of the stabilization program; from 7% of GDP in 1992 to 15% of GDP in 1997. The resource gap sharply declined from 12% to only 6% in the same years. Nonetheless, the latter figure is still very high. More important indeed is the fact that the investment performance of the country is still very meager when measured by the ratio of gross domestic investment to GDP; a modest 18% in 1997. But if the country is hoping to improve its status or achieve take-off, it should raise this ratio to at least 25–30%. In turn, this high level of investment demands not only very efficient economic management but, more

importantly, the willingness to sacrifice and endure hardships.

The real test of determination to achieve economic take-off lies precisely in the capacity of a given society to mobilize resources for investment and accordingly to temporarily control consumption. Asceticism is not only a moral virtue, it is also a precondition for building momentum towards economic progress. It could also be viewed as a transparent indicator of how serious a society is in breaking with economic stagnation and poverty.

The economic philosophy which prevailed in Egypt during the last quarter of a century, possesses entirely different inclinations. Instead of controlling consumption, this philosophy did precisely the opposite by pushing the country towards a consumption economy. On the abstract level, it is assumed that the momentum for economic growth could be built by propelling demand. Demand-driven growth is advocated by reference to Keynesian economics. More significant perhaps is the assumption, which gained some fame through modern media culture, that the American economy is a vindication of this growth model. This propagandistic image of the American economic model is further consolidated by advice given by American experts and American aid agencies which focus on reducing government spending while promoting private demand.

Actual economic performance clearly demonstrates the fallacies of this propaganda. Demand generated in the Egyptian economy was met largely through foreign, rather than domestic, production. Hence, the freeing of foreign trade formed an important dimension of economic policy, at the risk of a chronic and constantly growing trade deficit. In brief, Egypt helped develop foreign rather than local production. A quarter of a century of open-door policy, so understood and so implemented, ended up in actual de-industrialization and transition to a service economy.

A thorough understanding of the choices made and results achieved so far have much less to do with economic arguments than with political parameters and political objectives. The re-integration of Egypt into the world economy during the 1970s was modeled with political purposes in mind; specifically the creation of a false sense of prosperity as the economic base for political stability of the regime in power.

The paramount objective of Egypt's integration into the world economic system is to secure itself political cooperation internationally. Hence, what is important is the stability of the regime and its peace process with Israel. For this reason, Egypt was exempted from strict adherence to the IMF and other international organization rules during the 1980s. When this was eventually demanded after waiving almost half of the official debt (about 26 billion dollar), it managed to gain the most lenient austerity program. While the adjustment program carried the same economic medicine as is usual with IMF programs, including the lifting of food subsidies and the reduction in the growth of public spending as well as raising new revenues through direct and indirect taxes, implementation was gradual and was compensated for in a number of ways.

The fear of popular unrest prevented international economic institutions from exerting hard pressures for reducing private consumption. The specter of food riots in January 1977 continued to frighten policy makers away from measures which may have drastically reduced the living standards of the poorer sector of the population. And while the living standards of low middle classes tended to stagnate, or perhaps slightly decline, during the last decade, spending by upper middle classes continued to expand unabated.

Some of these indicators are shown in the table below.

Table 1:
The structure of demand in the Egyptian economy
 (selected years)

	1970	1992	1997
Government spending	25	14	10
Private spending	66	80	78
Gross domestic investment	14	18	18
Gross domestic savings	9	7	15
Resource balance	- 5	-12	- 6

Source: The World Bank. World Development Report, Washington D.C. 1975, 1998/9.

In fact, manifestations of consumerism are sometimes surprising. Some of these manifesta-

tions are simply expressions of hedonism. In a country, which lies at the lower end of the low-middle-income countries in the World Bank development tables, such manifestations are shocking.

Egypt is acutely aware of the social and cultural anachronisms demonstrated by the spreading of consumer culture in an underdeveloped society. It is, however, much less interested in taking note of the detrimental implications of the present »development model« for the economy and its prospects for take-off and sustained development. This aspect will force itself onto the agenda if the economy is hit with shocks similar to the recent Asian crisis.

Private Appropriation of Public Assets and Rising Inequality

During the last quarter of a century, the formation of a consumer society was only one dimension of the government's domestic strategy. Another dimension was the quest for the highest level of social and political stability through social equilibrium.

So, while the state was quite hospitable to the upper classes, it has also been careful to maintain the satisfaction of middle and upper middle classes through various forms of bribery. In fact, the state actually strives to gain the satisfaction of all social classes, even by risking the economic health of the country. This has in fact continued for such a long time that the system has come to show certain absurdities. For example, the state bureaucracy as such continues to employ almost one quarter of the active labor force, mostly in very low or even negative-productivity jobs. Moreover, it continues to carry the burden of running an extensive network of social services, some of which have no match anywhere in the world. In fact, the post-populist state has expanded on a number of social commitments beyond the levels known during the heydays of populism in the 1960s. One such commitment is cheap housing for low-income groups. The cost of running subsidized housing projects is staggering by the standards of a poor country with a limited national budget.

Some social programs, such as new housing projects, need budgetary commitments. However, maintaining social stability called on the state to sustain social programs the costs of which are

either paid by certain social groups or by future generations. An example of the former is the system of rent fixation for old housing units. Landlords of old urban real estate have been forced to bear the burden of fixed rents since the mid-1960s while new real estate (not subject to rent fixation) has been highly commercialized.

But future generations are going to pay the costs of ongoing social programs in a totally different sense. Most, if not all, social services are delivered on a nominally free basis by means of keeping wage levels extremely low and by neglecting maintenance and running costs, not to mention new investments. With the passing of time, the people who run these social and government services learn to cheat the system and to sharply lower its standards. Free services become bad services. Various vital social institutions are sharply undermined in efficiency and effectively privatized in the distributive sense.

In fact, the whole social system is falling victim to a grave sickness. The most crucial manifestation of sickness in the social system and the body politic is the vast erosion of the state's capacity of maintaining the system's functional efficiency. The state budget can only maintain its large army of employees on very low salaries. In a society seized by consumption and striving for better styles of life, petty but large-scale corruption has prevailed in almost every field of public service. The damage has been greatest in cases that needed a high level of functional control such as urban development and urban management, but also in the field of education and health services. The cancerous proliferation of urban settlements is a clear manifestation of functional grotesque, partially resulting from systematic payment of bribes in return for freeing construction regulations and rules, or the usurpation of public land. This has resulted in making the evolution of cities and city life a true absurdity.

The situation in the education system is even more absurd and certainly more worrying. The extremely low level of pay for teachers and educators forces them to expand the practice of private tutoring. This is a question of necessity rather than choice. However, a number of factors have also made this phenomenon a consensual, almost habitual and contractual arrangement to the point that official schooling is becoming the complementary

rather than the principal source of education. Due to budgetary constraints, investments in infrastructure and schools have been stopped for almost a quarter of a century up until the early 1990s. This fact led to vast deterioration of schooling conditions. The same phenomenon applies to universities. Overcrowding, lack of teacher discipline and lack of resources for laboratory training or fieldwork also pushed university education downwards. In so many ways, the continuation of the same old institutional forms of free education is helping effective, legal and illegal, privatization of the education system to accelerate. Vicious circles start to prevail whereby private tutoring is thriving because of the deterioration of public education and vice versa.

The same phenomenon of private appropriation of public assets is observed, amongst others, in the field of health.

The real effect of obsolete institutional arrangements is that most, if not all, services and institutions in the public sphere are functionally defunct or sharply distorted. The consequences on the economy are glaring, with waste of scarce resources being the most obvious. The damage is greater on the moral level. An acute sense of chaos or system breakdown is spreading, leading to public apathy and sometimes despair. This same situation urges people to care for their own individual interests even when this is accomplished in violation of important public interests, with the consequence of generalizing the act of privatizing public assets.

The phenomenon of corruption, political and bureaucratic, is the manifest and most shocking form of private appropriation of the public sphere. In fact, bureaucratic corruption is much more than a simple misuse of power. It is a social contract on the basis of which an almost complete distributive system is erected parallel to the formal one. Moreover, what distinguishes corruption at the turn of the century from earlier manifestations, is that it is a part of a general complicity, in which a number of social categories are taking part. In fact, a vertical coalition of all those who command control over any significant asset of power is more or less involved in corruption in a certain capacity. It goes without saying that strata and elements that belong to all major social classes form this coalition. Since this informal and illegal distribution

system is completely arbitrary and highly differentiated, it becomes the main source of maldistribution of national wealth.

The immediate and logical result of all this is a remarkable increase in inequality, with the associated expansion of poverty. Available studies show consistent patterns of increasing inequalities in income distribution. Figures on poverty are certainly much less definitive. In the most generous estimates at least 35 % of Egyptians live under the poverty line.

A more salient feature of inequalities is the tendency to cause such deep rifts in society that the very understanding that only one society exists becomes increasingly presumptuous. Upper and upper middle classes place their children in private schools to which they are driven by large cars from rich neighborhoods. They are treated in certain private clinics and have a distinguished nightlife and altogether totally different life styles. A huge mass of people from poor and middle classes share the fact that they are »incubated« (in every material and metaphoric sense) within an ailing or ill-maintained public or private space to which institutions of housing, schools, hospitals, employment and the like belong. Treat people so and they will come to lose their political and moral independence as well as their dynamism and energy.

Society becomes fragmented into loosely connected social realms. Social policies come to lose their significance as instruments of class balance or justice. The social system at large loses efficiency and even normal functioning. At the turn of the century, the state and society are showing alarm at the social situation. The President is calling for a new social contract. However, the common wish is for the promotion of a social safety net. Only a few show true understanding of the need for an entirely new institutional set up or indeed a new social system.

The Politics of Legitimacy and Control

A good part of the responsibility for signs of system breakdown and inefficiencies lies with the interconnections between bureaucratic and market forces. Maintaining a huge public sector formally regulated according to old price levels and remuneration systems, in the midst of a buoyant

transition to the market system, proved to be detrimental to the health of the social system as a whole. Relations between the public and the private spheres become mutually poisonous, where the public rigidly controls the private, while the private is corrupting the public. The situation tends to eventually resolve itself through exchanging controls for kickbacks. Good controls and good business practices are thus sacrificed.

Another level of explanation is simply based on politics. The state that fails to achieve transition to democratic and contractual politics, in poor societies, tends to buy people's consent and acquiescence to the political order at the expense of functional necessities. After experimenting with various forms of fraud and violence, the state acts in such an accommodative and forgiving manner that the most essential requirements and standards of good practice in various functional realms are ignored, or severely undermined.

The most obvious example is the traffic in Cairo. The anarchic character of the traffic results from many factors. A policy that encourages the possession of private automobiles was applied with such consistency that even the most elementary requirements for maintaining equilibrium in the urban system are ignored in practice. The fast increase in automobiles clearly contradicts the essential designs and engineering of Egyptian cities which were built with no notion of automobile traffic in mind. In fact, complete neighborhoods have no roads broader than ten feet. Cities that are rapidly swollen with floods of migrants from impoverished rural areas are further strained by all sorts of pollution and traffic problems. This contradiction entails the sinking of large investments into improving road networks and traffic infrastructure. The race between infrastructure development on the one hand and increases in the magnitude of traffic on the other, has acquired a compulsory nature, with waste of resources and destruction of the environment being the obvious results. In fact, the traffic has proven so difficult to regulate that the state has practically given up on any attempt to regulate driving behavior and safety measures. The result is increasing brutality in driving ethics.

General apathy to law is also noticeable in many other realms. One of the most hazardous

is pollution. There is a law on pollution which prohibits discharging industrial waste into the Nile River and its canals as well as a whole range of other acts of aggression against the environment. Interestingly enough, the law itself gives ample reason not to implement it with the result that there are indeed very few cases of implementation. Disposal of all kinds of waste practically everywhere has pushed the country to the verge of an environmental disaster.

A major source of strain on urban systems is the mushrooming of »arbitrary settlements« as they are called in the official lexicon. The term arbitrary implies illegal construction of housing units and housing projects which lack even the minimum standards of good engineering. The construction of housing projects or units, with or without legal license, in arbitrary neighborhoods implies neglect of all standards, many of which are required by law.

The ease with which people have managed to ignore minimum requirements of housing projects is only matched by the ability of certain individuals to extend their control over public land. Usurpation of state-owned land for commercial and speculative purposes formed one of the main channels of wealth and corruption during the last quarter of a century. The law itself converts usurpation to a legal practice in the name of usufruct. Moreover, the law meticulously arranges for acts of conciliation between state agencies in charge of public domain on the one hand and those who subjected this domain to effective private control by illegal means on the other. The privilege of stealing state land for private commercial uses are by no means granted to everyone or equally but the practice was far from confined to people holding political or bureaucratic power.

The state and state property is effectively privatized in innumerable ways. The fact of the matter is that this effective privatization shows the state, that seems so powerful and so insensitive and intrusive with the slightest forms of political opposition, to be truly soft or weak vis-à-vis major social interests, irrespective of their harmony with law or public good.

Ordinary people are careful to take note of this obvious gap between the strong interest in »policing« society coupled with the failure to implement the law necessary for the healthy functioning

of the social system. In fact, even the poor manage to take their share of the cake by properly blackmailing the state or simply exchanging complicity for state laxity in implementing standards and laws akin to the proper functioning of the social system. For example, criteria for passing exams in the educational system are relaxed, requirements for good higher education, including medical and engineering education, are overlooked with the purpose of allowing the largest possible numbers of students in.

The deal for those in the top echelons of society is even better. University professors, for example, are practically forgiven when they fail to observe the minimum standards of good academic performance, including sometimes protracted absence from their classes. The irony of this particular example is that safeguards and privileges originally designed for protecting academic freedom are abused for the sake of granting a bureaucratic privilege in a context characterized by disrespect to academic freedom and academic integrity.

The scope and frequency of violations and simple neglect of the most elementary rational and functional safeguards in various realms of life contradicts the legacy of an old and immobile bureaucracy. The key to resolving this puzzle is exchanging people's consent for political legitimacy.

Maintaining tenure in political power as well as bureaucratic privileges becomes the only rationale which explains failure to implement minimum standards of good and professional practice in so many fields. But the prime condition for the continuity of such a situation is its generalization through collective complicity. Social arrangements evolve with time so that the system accumulates adequate support from within at the expense of the rational schemes of things. All such tacit arrangements specifically designed to maintain the security of the given functional regimes have one common denominator which is the over-all state security and security apparatus. Changes in these matrices of control and privileges correlate with »strategic« state security considerations and state security maps.

For example, during the period 1979–1988, the black market was allowed almost total control over the main sources of private financial flows, especially the remittances of Egyptians working abroad.

The phenomenon of blackening almost dominated the market for hard currencies. Interestingly, however, this phenomenon was strongly linked to Saudi forms of Islamic fundamentalism. The coupling of the two phenomena, in the years 1979–1988, created what was known as Islamic investment houses. These latter are notorious for being the greatest fraud in the social history of the country. The role of the state in all of this needs to be fully uncovered. Political and bureaucratic corruption attracted most of the attention of those who tried to explain the government failure to implement law against this fraud. In fact though, the main reason for the sudden crackdown on Islamic investment houses was the shift in state policy from alliance with a Saudi-inspired brand of political and cultural Islam to an uncompromising hostility to it, at least within Egypt. When the state eventually intervened in 1988, a huge number of small savers saw their life-long savings disappear. Equally interesting perhaps is the fact that the matrix of control over workers' remittances has changed. The more conventional bureaucratic and corporate forms later replaced the »Islamic form« of control. Security was at the heart of this shift.

We may indeed follow this analytic model in order to come to grips with changes in trade and economic policies at large. The central banner around which new coalitions of business interests were formed in the 1990s is said to be the transition from consumption-oriented opening towards productive opening. Under this banner a number of changes were made such as promoting the shift of trade agencies to manufacturers of the same articles of consumption which they used to import. A whole new compound of industrialists/entrepreneurs gathered around a hard core of commodities and services consumed by the upper middle classes, basically housing articles and automobiles. In the course of this shift not only the structure of the economy changed but the matrix of privilege and control also shifted. Heavier industries almost lost ground altogether. Even the class of big private entrepreneurs who had been ridiculed by Egyptian intellectuals for being crooks and thieves have gained a certain measure of »social respect« due to their role in »re-industrializing the country«.

We may also follow this analytical model for understanding the mechanics of consent and con-

trols akin to different social categories and groups. Two major conclusions emerge from it. First, overall social arrangements fail to generate adequate sources of change from within. Generalized complicity is giving the system inertia and continuity. The only possibility for change in the short run is the alarm caused by waste and erosions and by the loss of potential for take-off and self-sustained development. This alarm may give adequate warrant for change when it affects top policy makers who are receptive to the truth revealed to them by honest scientists and intellectuals.

A second conclusion pertains to the dismal situation of democratization in Egypt at the turn of the century. In the type of society which we portrayed above, the ruling regime is not hostile to participation in the economic sphere. Access to participation in the economic realm is far from blocked even for those of obscure roots or class. Access to political participation is, however, totally controlled or restricted. This also applies to civil activities that may not have immediate political significance, such as sports.

After a decade and a half of continuous struggle for freeing civil society from harsh prohibitions, the state managed to re-introduce most of these prohibitions in a new law. It passed this law against the objections of all concerned parties, especially human rights activists. All this is indeed tied to the big question of political legitimacy. Military and authoritarian regimes are normally justified in the name of public order and efficiency. In the case of Egypt, the regime, which turned conservative in the 1970s, is clearly willing to compromise efficiency for legitimacy and stability, partly by overlooking functional necessities and partly by carrying on with its populist heritage even when new circumstances render this heritage obsolete. But the main instrument of perpetuating itself in power is the systematic blocking of peaceful and democratic avenues of change. The ruling regime has consistently rejected demands for guarantees to fair elections and constitutional reforms.

Resistance to genuine democratization will continue for some time to come. But reforms which allow more liberal politics and participation may gradually get introduced. The best case scenario is presented by the possibility of a negotiated approach to democracy, regardless of how long the transition may be.

Transition to participatory and democratic politics equipped with transparency and a spirit of frankness and honest negotiation may serve the best interests of all sectors of society. Many difficulties are involved in this transition, including the charting of a whole new social bargain conducive to auto-development and take-off. This may cause some worry. A call for creativity is warranted. ◀

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