

# Economic Crisis and the Politics of Reform in Egypt

Ray Bush



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*This book is dedicated to my  
father and the memory of my mother*

“Know-how” is not one of the things that its [Egypt’s] agriculture lacks, nor was ignorance of agricultural techniques a cause of peasant poverty. On the contrary, the fellahin are excellent farmers, skilled and hard-working. In these respects Egypt was not an under-developed country; it was not the land which was neglected, but its cultivators.

Doreen Warriner, *Land Reform and Development in the Middle East* (1962)

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### Weights and Measures

1 *feddan*[t]=[t]1.038 acres or 0.42 hectares

1 *feddan*[t]=[t]24 *qirat*

1 *qirat*[t]=[t]175 square metres

One U.S. dollar was worth between 3.3 and 3.4 Egyptian pounds (LE) after 1991.

# Acronyms

APCP	Agricultural Production and Credit Project
ASU	Arab Socialist Union
CAPMAS	Centre for Public Mobilisation and Statistics
ERSAP	Economic Reform and Structural Adjustment Programme
ESRC	Economic and Social Research Centre
EU	European Union
GDP	gross domestic product
GoE	government of Egypt
HIES	Household Income and Expenditure Survey
IFI	international financial institution
IMF	International Monetary Fund
LDCs	less-developed countries
LE	Egyptian pound
MALR	Ministry of Agriculture and Land Reclamation
MEED	Middle East Economic Digest
NDP	National Democratic Party
O&M	operation and maintenance costs
PBDAC	Principle Bank for Development and Agricultural Credit
PL480	Public Law 480 (of the U.S. Congress)
SAP	structural adjustment policies
SDR	Special Drawing Rights
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development



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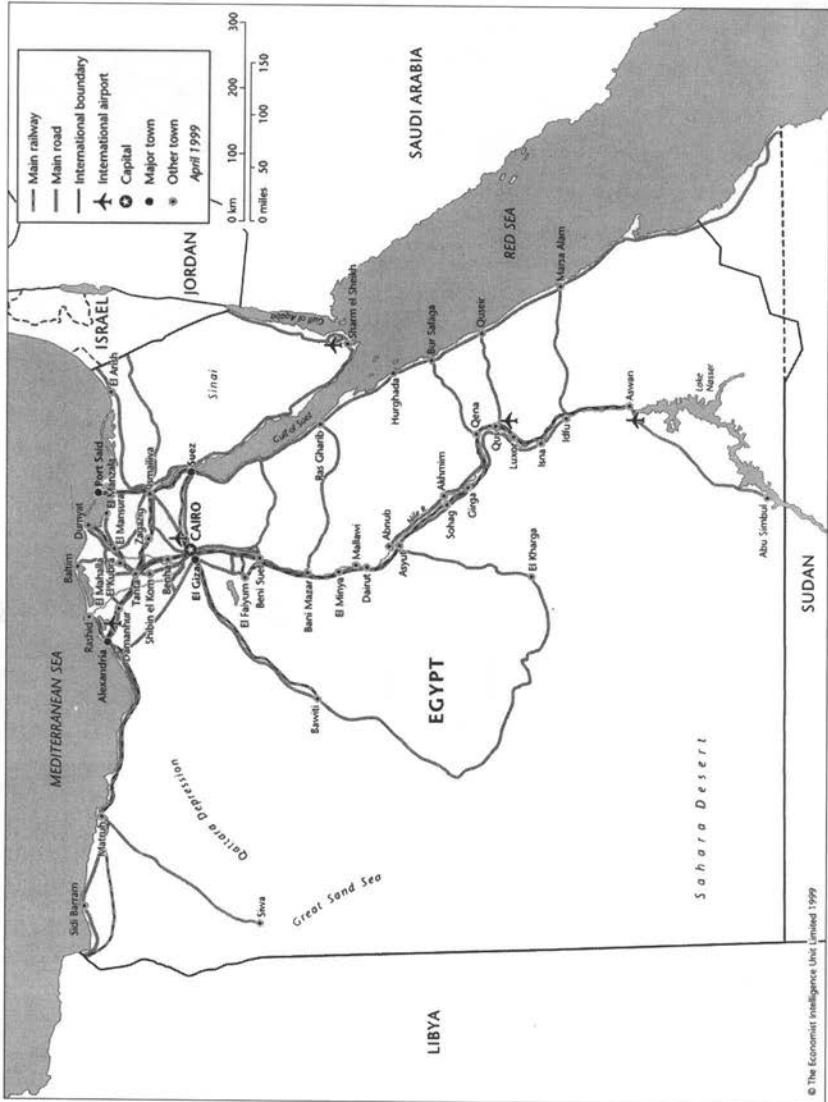
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Map 1 Egypt

# 1

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## Introduction and Argument

This book examines the character and consequences of Egypt's economic reform and structural adjustment programme (ERSAP) of 1991, along with the second stage of reforms in 1996. Despite the very specific conditions pertaining to Egypt's political economy, its experience with the World Bank has relevance elsewhere in the Middle East and Africa. I will argue that, although economic and political reforms have been necessary, the strategy promoted by the international financial institutions (IFIs) and the government of Egypt (GoE) is inappropriate to the needs of Egypt. ERSAP does not address a significant number of issues, and there is continuing resistance within the GoE to reform. Among other things, the economic reforms focus too much on changes in the structure of prices and incentives and not enough on issues of productivity, growth, and the sustainability of markets, including the types of commodities for production, and the importance of political reform.

My focus is agriculture, where liberalisation began in the mid-1980s under Yusuf Wali, the Minister of Agriculture and Land Reclamation (MALR) and deputy prime minister. Agricultural reform has been preoccupied with market deregulation, cash crop promotion, and changes in land tenure. Reformers seldom mention the needs and interests of Egypt's much-maligned fellahin and especially the vast majority of small landholders, with access to 5 *feddans* or less. These farmers represent about 96 percent of the country's landholders and agricultural producers, and the policies pursued by the IFIs are undermining their productive capabilities.

I offer a direct critique of most orthodox commentary on Egypt's political economy. Most of the historical and contemporary characterisations of Egypt's economic malaise are based on fundamental misunderstandings of the social organisation and economic dynamics of rural Egypt. Most accounts of Egypt's economic reform, moreover, use a crude conception of the market as an instrument of economic progress. I now argue

for the importance of understanding the household rather than the farm as the primary unit of social and economic organisation. I also stress the variety of strategies that households create, the important role of women in economic production and social reproduction, and the nature of local responses to environmental problems. In short, I stress the importance and significance of class and gender inequality as factors that shape the character of Egypt's countryside and the organisation of agricultural production. Until these themes are properly accounted for in the strategies of the IFIs and the GoE, as well as in the discussions of academic apologists for structural adjustment, it is likely the reforms will accelerate rural inequality and be economically and politically unsustainable.

This book now puts centre stage the position of Egypt's small farmers and especially those that populate the northern Delta area of northern Egypt. Discussions about agricultural modernisation have for too long failed to include Egypt's farmers, and the negative view of the fellahin has been a continuous thread throughout Egypt's recent past. I examine the ways in which Egypt's farmers have coped with poverty, economic change, and aspects of environmental transformation during structural adjustment. I also indicate how the policy paradigms of the reforms fail to recognise the needs and interests of the majority of Egypt's farmers.

This book also has another concern. Most of the existing consensus on Egypt's economic crisis locates the cause of the country's difficulties in an overburdening state. That state, especially since the Nasser revolution of 1952, is seen to be at best intrusive and inefficient, at worst rent seeking and corrupt. The set of remedies offered by commentators and international agencies is to create a more limited and effective state. In agriculture, this includes rolling back the state from its historically important position and liberalising markets to stimulate export-led growth of cash crops. Yet this set of policies grossly misunderstands a far more complex set of relationships between the state and dominant social classes in Egypt. Capitalist classes are too weak in Egypt to pursue their interests without a labyrinthine collaboration with the state. The "market," in which so much faith is invested by the reforming lobby, is simply not equipped to disentangle the competing interests around the state—or to provide an efficient substitute for government intervention in the economy.

I essentially counterpoise two sets of assumptions. The first are those of the IFIs and increasingly, especially in the agricultural sector, those of the GoE and academic commentators. The IFI argument is that distortions in the Egyptian economy are promoted by the dominance of an unproductive, rent-seeking state. The solution is for the state to retreat from economic activity. The IFIs argue that liberalisation and privatisation will allow Egypt to discover its true comparative advantage in international

markets. They also argue that rising overall levels of welfare will offset increased inequality associated with the reforms. The retreat of the state, moreover, will allow a productive private market sector to emerge. A further IFI assertion is that reforms will promote a more open and transparent policy framework.

In contrast with the assertions that underpin Egypt's economic reforms is the view that the strategy has underestimated political obstacles to reform within the state. The strategy has also ignored the need (even in Egypt's authoritarian context) to sustain support among Egypt's working class and fellahin. The strategy is based on a static rather than dynamic notion of comparative advantage, and therefore, liberalisation is unlikely to generate sufficient growth to sustain increases in welfare. It is also a gross simplification for the IFIs to characterise the Egyptian state as merely rent seeking. My argument is that a retreat of the state is insufficient to generate a healthy private agricultural sector. There has, moreover, been no attempt to promote governance and transparency in decisionmaking between the IFIs and the GoE. If anything, the trend in Egypt since 1991 has been towards greater authoritarianism and deliberalisation. That has been reflected in the way in which it has dealt with a perceived threat from Islamists and in the way the "election" of 1995 was conducted, riddled with incidences of intimidation and accusations of corruption.

Beyond the issue of transparency at the level of the state, there has also been the absence of any meaningful attempt to construct rural institutions of decisionmaking and rural empowerment. The absence of this dimension to academic discourse relating to civil society is an indictment of the way in which Egypt's farmers continue to be perceived. At its worst, this view is reflected in comments made by a senior official in one of the IFIs that the problem of Egyptian agriculture was that "the Egyptian village has not changed for 100 years" (Interview 1995). In fact, as we will see, there is very little about the Egyptian countryside that is reminiscent of Egypt in the nineteenth century. Moreover, it is the failure of policymakers to grasp the *dynamics of change* in the countryside that will hinder sustained agricultural growth.

There is a further problem with Egypt's reform strategy. The IFIs and other policymakers apply an undifferentiated view of reforms to Egypt's rural political economy. It is one based essentially on price and institutional change, and it fails to grasp the realities and dynamics of agricultural production and social reproduction in the countryside. The GoE and the IFIs have failed to establish an empirical understanding of the way in which rural production is organised. They have also failed properly to grasp the nature of social differentiation in the countryside, and this failure will lead to greater inequality and social divisiveness. That in-

equality is not only between larger landholders and owners, and those who are not, but also between men and women and between small holders and landless. The World Bank has for some years conceded that the role of women in agricultural production needs to be put much more centre stage in policy calculations, but there is little evidence of this in Egypt. The triple burden carried by women, of child rearing, household management, and production has long been recognised to marginalise women in their relations with men. Nevertheless, what still needs to be situated more clearly, in the discussions relating to policy is the impact on women of the precise way in which they are integrated into every sphere of economic and social existence. Debates about the gender division of labour, and the changes that are taking place in Egypt, need to capture the dynamics of incorporation and marginalisation: how women themselves transform their opportunities and with what impact, if any, on decisionmaking structures. These structures include those in the household as well as beyond in the village and the national decision-making environment, and they take on particular importance during a period of economic reform.

Policymakers are concerned only with monetary aggregates of the productive economy and not with human resources, issues of the reproductive economy, and indicators of health, nutrition, and skill development (Elson 1994a). Male bias of policymakers may also disregard women's work because it is not part of the economic matrix constituting national accounting figures. Women's work is not accounted for because much of it takes place on family farms or is income earned within the household. It is also the case that women are assumed to be able to withstand the rigours of adjustment of agricultural "modernisation" because women's time is seen to be infinitely flexible. There is also the overall assumption that economic policies of the IFIs are gender neutral yet this view fails to recognise the differential way in which women enter into economic (market) relationships. The IFIs and the GoE assume all economic relationships are solely structured around tradable activities. They therefore fail to recognise the range of activities done by women and the way in which they are incorporated into markets (see also Dasgupta 1993:305-342).

The IFIs and the GoE fail to understand the different types of rural production system, the levels of inequality within them, and the struggles that they create. To illustrate that, I draw on new data from four villages in the governorates of Qalyubiya, Dumyat, and, to a lesser extent, Giza and Daqahliya. These data focus especially upon villagers' access to resources and responses to changes in economic life chances. I have not tried to make a direct correlation between household responses and adjustment, although evidence does indicate an intensification of economic hardship since 1991. ERSAP has failed to recognise the character of rural