

Routledge Studies In Middle Eastern Politics

CRONYISM AND ELITE CAPTURE IN EGYPT

FROM BUSINESSMEN CABINET TO MILITARY INC.

Sarah Smierciak



“This book is both uniquely broad and deep in its approach to understanding Egypt’s development ‘failure’ which has occurred despite massive external support provided to the country. It presents a model by which similar developmental failures, whether in the MENA or elsewhere, can be analyzed and compared.”

Robert Springborg, *Naval Postgraduate School, USA*

“Sarah’s work is an excellent contribution to the political economy of Egypt and the Middle East. It studies Egypt’s globalized trade and investment sectors. It reveals how foreign financial and developmental institutions were part of the networks of state-business relations, which has been hardly addressed before.”

Amr Adly, *American University in Cairo, Egypt*

“Interdisciplinary in methodology and theoretical orientation, *Cronyism and Elite Capture in Egypt* provides the most persuasive account of the networks, domestic and international, that shaped Egypt’s global market integration on neoliberal terms and reaped its benefits. Smierciak also reveals herself as a gifted narrator, and the result is an eminently readable story, absorbing and infuriating in equal parts, of crony capitalism in the late Mubarak era.”

Roberto Roccu, *King’s College London, UK*



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Cronyism and Elite Capture in Egypt

Examining business–state networks in Egypt (1991–2020), this book highlights the complicity of international actors in facilitating inequality and elite capture. Using interdisciplinary methodology, it argues that Western actors promoting market liberalization have served as central partners in enabling elites to capture the fruits of Egypt’s economic reforms.

In the years leading up to the 2011 Revolution, Egypt’s crony capitalism reached new levels of visibility with the appointment of a “Businessmen Cabinet.” The businessmen-turned-state representatives ushered in a wave of “market liberalizing” reforms, expanding avenues for the abuse of power. Providing a detailed look at some of this period’s chief beneficiaries, including a number of Egypt’s wealthiest oligarchs, the volume follows their ascent from former President Hosni Mubarak’s first round of neoliberal reforms in 1991 through his last wave of reforms beginning in 2004 and ending in regime overthrow. The final chapter examines the fate of these elites under the brief rule of Muslim Brotherhood President, Mohammed Morsi, and of Abdel Fattah el Sisi’s current military-backed regime.

Based on five years of fieldwork and dozens of interviews with businessmen and state representatives, this book offers a unique look into the politics of policy, and inequality, in Egypt. It will be of interest to scholars reading political economy, international development, and Middle East studies.

Sarah Smierciak is currently based in Cairo where she writes freelance political economy analysis. She taught undergraduate courses on history and politics in the Middle East and North Africa at Oxford University. In 2016, she was awarded a Fulbright Grant to conduct research in Istanbul with Syrian and Iraqi communities. Sarah co-edited the *Routledge Handbook on Contemporary Egypt* (2021) and wrote *Moon Egypt*, a travel guide for the Moon series (2022).

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Sarah Smierciak

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To Egypt's reform losers—that you someday enjoy the wealth of your country.



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Acronyms

ALICO	American Life Insurance Company
AmCham	American Chamber of Commerce
ATC	Agreement on Textiles and Clothing
AUC	American University in Cairo
BdC	Banque du Caire
BusinessMed	Union of Mediterranean Confederations of Enterprises
CBE	Central Bank of Egypt
CEEBA	Confederation of Egyptian and European Business Associations
CIB	Commercial International Bank
CIG	Century Investment Group
CIIC	Commercial International Investment Company
EAF	Egyptian Armed Forces
EBDA	Egyptian Business Development Association
EBRD	European Bank for Reconstruction and Development
ECES	Egyptian Center for Economic Studies
EDF	Export Development Fund
EEA/ExpoLink	Egyptian Exporters' Association
EEPC	Egyptian Export Promotion Center
EFG	Egyptian Financial Group
EGPC	Egyptian General Petroleum Corporation
EIB	European Investment Bank
EMFN	Egyptian Microfinance Network
ENCC	Egyptian National Competitiveness Council
EQI	Environmental Quality International
ERC	Egyptian Refining Company
ERF	Economic Research Forum
ERSAP	Economic Reform and Structural Adjustment Program
EU	European Union
EUSBC	Egypt-US Business Council
FDI	Foreign Direct Investment
FEC	Food Export Council
FECC	Federation of Egyptian Chambers of Commerce
FEI	Federation of Egyptian Industries

FGF	Future Generation Foundation
FTA	Free Trade Agreement
GAFI	General Authority for Investment and Free Zone
GAFTA	Greater Arab Free Trade Area
GAOA	General Authority for Organization and Administration
GDP	Gross Domestic Product
GIS	General Intelligence Service
GNP	Gross National Product
GOE	Government of Egypt
GOIEF	General Organization for International Exhibitions and Fairs
IDA	Industrial Development Authority
IFC	International Finance Corporation
IFI	International Financial Institution
IMC	Industrial Modernization Center
IMF	International Monetary Fund
IPO	Initial Public Offering
ITC	Industrial Training Council
MedAlliance	Mediterranean Alliance
MENA	Middle East and North Africa
MMID	Mansour-Maghraby Investment & Development Company
NDP	National Democratic Party
NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
PPP	Public Private Partnership
QIZ	Qualifying Industrial Zone
RMG	Ready-Made Garments
RMGEC	Ready-Made Garments Export Council
SCAF	Supreme Council of the Armed Forces
SCZone	Suez Canal Zone
SFD	Social Fund for Development
SME	Small and Medium-sized Enterprise
TEC	Textile Export Council
TMG	Talaat Moustafa Group
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	US Agency for International Development
USTR	US Trade Representative
WB	World Bank
WTO	World Trade Organization

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A special thanks to my parents always and for everything, but especially (for the purpose of this book) for teaching me to question and explore, with equal parts discipline and curiosity.

*Le secret des grandes fortunes sans cause apparente
est un crime oublié, parce qu'il a été proprement fait.*
The secret of great fortunes without apparent cause
is a crime forgotten, for it was properly done.
—Honoré de Balzac



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Introduction

Textile tycoon, Alaa Arafa, crossed the floor of Cairo’s Semiramis hotel café at impressive speed. He was in good spirits, it seemed. Six days earlier, the “clearing of the squares,” known to some as the Rabaa’ Massacre, had put the final nail in the coffin of Egypt’s first democratically elected president, Mohammed Morsi. The military had removed the Muslim Brotherhood incumbent from his post six weeks earlier on July 3, 2013, prompting tens of thousands of protestors to occupy squares around Cairo. In one of the bloodiest days in modern Egyptian history, security forces dispersed the demonstrators, leaving nearly 4,000 people injured and some 1,000 dead.

“*Wallahi ana mabsoot!*” (I’m very happy!), Mr. Arafa said. “I feel like the country has been returned to us!”¹

The “us” to whom Arafa was referring is the subject of this book. Crony capitalists linked to former president Hosni Mubarak had the most to lose in the aftermath of the 2011 Revolution and the subsequent rise of Brotherhood leadership in 2012. Their business success relied heavily on the special treatment afforded them by virtue of their long-cultivated connections to the Mubarak regime. Many of these connections were forged or strengthened during successive economic liberalization programs backed by D.C.-based development agencies, namely the International Monetary Fund (IMF), World Bank (WB), and US Agency for International Development (USAID).

On the macro-level, this book tells a story of elite capture—a form of corruption whereby elites gain special access to resources from the state or donors for their private gain at the expense of the general population—that occurred alongside Egypt’s experience of economic liberalization during Mubarak’s 30-year tenure. I pay particular attention to Mubarak’s “second round” of market liberalizing reforms (2003–2011), which coincided with the rise of the “Businessmen Cabinet.” But I also trace these developments to important roots laid by international partnerships and platforms established during the first major IMF-led reform project of the Mubarak era, the 1991 Economic Reform and Structural Adjustment Program (ERSAP).

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On the micro-level, this is a story of some of the central networks of “globalizers” (Henry and Springborg 2010)—or individuals who rose to become chief mediators for internationally funded initiatives to empower Egypt’s “private sector” throughout the 1990s and 2000s. Specifically, this book examines their ascent in the industrial policymaking space during the tenure of businessman cabinet member, Rashid Mohammed Rashid, inaugurated as Minister of Industry and Trade in 2004. I focus on the role of these networks in capturing the central “business development” programs initiated alongside the reforms of the 2000s—overlaid on the foundations of those established in the 1990s—which served as platforms for accessing immediate rent streams,² and for shaping industrial policies³ that would grant them rents in the future.

The book continues by following a handful of these individuals through their participation in securing one highly controversial industrial policy in 2004: the trilateral Qualifying Industrial Zones (QIZ) trade agreement between Egypt, Israel, and the US. In particular, I highlight the web of individuals and organizations mobilized in the process, providing close examination of the small cohort standing at the center of negotiations. Starting from Egypt’s earliest market liberalizing reforms (Sadat’s 1974 *infitah*), this cast of characters rose to become kings of the country’s largest (non-petroleum) industry: textile and ready-made garments.⁴ Encapsulated in their story we find the story of Egypt’s encounter with market liberalization.

Indeed, the textile and garment industry offers itself as an appropriate stage for this type of examination. The sector not only commands great political and economic import in Egypt—constituting (between 2005 and 2010) 28 percent of the country’s non-petroleum exports and employing an estimated 20–30 percent of the industrial workforce (Ghoneim 2013)—but also holds a unique position in the international arena as a “quintessential global industry” (Gereffi et al. 2009, 3), which has undergone major transformations since the 1970s following globalizing trends.

In this sense, Egypt’s textile and garment sector will serve as a case study of sorts. However, as will become apparent in the chapters that follow, limiting analysis to a particular industry leaves out much of the story. The elite individuals who used this industry as a gateway to the “private sector” have since expanded into traditionally more lucrative, nonproductive arenas—most notably, real estate and finance. Accordingly, emphasis will also be placed on this diversity of economic activity in the portfolios of top business elite, which was intensified during Egypt’s reforms toward greater “financialization” throughout the 2000s (Roll 2010).

But this is only one side of the coin. Economic exclusion—the natural corollary to elite capture—also shares the central focus in this study. Indeed, it is the “reform losers” who provide the core motivation behind this book. I aim to shed light on some of the mechanisms by which the Egyptian majority has been excluded from Egypt’s economic growth during neoliberal reforms of the 1990s and the 2000s; as well as how these structures of exclusion persist in the post-Mubarak era.

The research puzzle and central arguments

This book asks:

- 1) Who benefited from the international support for private sector development during Mubarak-era “market liberalizing” reforms?
- 2) How did this international support and the accompanying “pro-private sector” programs facilitate elite resource capture?

And relatedly:

- 3) Why did the numerous programs funded with hundreds of millions of dollars dedicated to promoting small and medium-sized enterprises (SMEs) during the period in question yield such unsuccessful results?

I argue that the key to answering these questions lies in the exploration of *networks* based on socioeconomic capital that dominate Egypt’s political economy. In order to understand who benefited from Mubarak-era economic reforms, we must trace the flow of resources (both donor and public funds) through the networks of individuals and organizations that received them. What we find is an intricate web of bodies dominated by the same handful of cosmopolitan elites.

Through this investigation, I aim to contribute to the critique of “market liberalization” as a policy plan that expands pathways for corruption. Rather than liberalizing the market, it places the reins of market manipulation more firmly in the hands of elites. As Mitchell (2002) argued, the reforms of the 90s resulted in “not so much an elimination of state support, as the official version of events portrayed things, but more a change in who received it” (277). The reforms entailed “a multilayered political readjustment of rents, subsidies and the control of resources” (*ibid.*). This book demonstrates how Western proponents of market liberalization in Egypt empowered business elites to participate in this readjustment of resource allocation in their favor.

Such arrangements offering economic and political privileges to a select group of individuals go by many names. This book follows Adly’s (2011) discussion of cronyism as: “the abuse of state power in issuing laws, decrees and regulations that would allocate public assets or ensure favored market positions to a politically selected few” (2). As Adly (2011) argues, Egypt’s crony-based political economy was able to both develop and persist due to the combination of “free market” reforms and weak state institutions, which facilitated greater access to national resources in the absence of proper oversight.

Indeed, the record of various forms of abuse occurring alongside Egypt’s market liberalizing reforms of the 1970s and 90s has been well documented (e.g., Sadowski 1991; Mitchell 2002; Sfakianakis 2004; Wurzel 2004), and others aptly demonstrate how this abuse persisted during the reforms of the 2000s (Roll 2010; Adly 2011 and 2013; El Tarouty 2015; Diwan et al. 2019a). However, I expand the scope of elite capture to the international arena, with

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a focus on the close collaboration between Egypt's business elite and foreign capital. I posit that, alongside cronyistic networks within the Mubarak regime, an analogous favoritism occurred between international community representatives and select members of the Egyptian "private sector." The effect was a similar, and parallel, empowering of many of the same individuals who came to be business favorites within the Mubarak regime during the rise of heir apparent—presidential son, Gamal Mubarak.

In particular, this book highlights various forms rent seeking, which often formed the core of these cronyistic arrangements. Special attention is paid to the various lobbying platforms funded by international donors, which placed tens of millions of dollars in the hands of a relatively small group of individuals who served as US and EU interlocutors. More specifically, this book traces a handful of Egypt's business elites through a number of the organizations and funding streams established during the reforms of the 1990s; and follows the development of their relationships with lucrative foreign capital into the second wave of reforms in the 2000s. By focusing on some of the core individuals and organizations enjoying privileged access to foreign capital, we can better see the cumulative effects of international efforts to promote the "private" sector. This, in turn, paints a clearer picture of international complicity in creating Egypt's predatory elite, which has long-term consequences for economic exclusion in Egypt.

This book argues that the exclusion from the "networks of privilege" (Heydemann et al 2004) traced in the following chapters should not be seen as innocuous, but rather actively detrimental for Egypt's economically disenfranchised, or the Egyptian majority. Not only did the capital-poor not benefit from streamlined administrative procedures and the tremendous wealth created at the top during economic liberalization, but the well-endowed "safety nets" put in place to catch them when the ground was pulled from beneath them were placed under the control of the same small group of individuals who *had* benefited from the reforms. Pushing someone from an airplane while stealing his parachute would not be deemed a neutral action. Nor should the capture of economic support during the disruptive repercussions of economic liberalization.

* * *

Literature: business–state relations and networks in periods of reform

Literature on the role of business–state relations in economic development flourished around the debate analyzing the "East Asian Miracle."⁵ Some studies highlighted the positive contributions of effective collaboration (Amsden 1989; Evans 1995), while others emphasized the negative outcomes of rent seeking and collusion (Winters 1996; Hutchcroft 1998). But regardless of the nature of the consequences, few dispute the relevance of business–state relations when considering outcomes of economic reforms. And yet, there remains much uncertainty regarding how these relations function.

Studies discussing business–state relations in Egypt tend to assess interactions at the macro-level with analysis focusing on broad economic consequences (Kienle 2004; Sfakianakis 2004; Roll 2010; Diwan et al. 2019a). What is more, “business” and “state” are commonly conceptualized as monolithic blocks, without proper examination of the complex interactions of actors operating within and between these abstract categories. Such a division has become increasingly problematic in the current era deeply shaped by economic liberalization—particularly following widespread privatization, shifting the ownership from “public” to “private” overnight and creating new “businessmen” in the process.

While existing macro-level studies are informative with regard to the general nature of relations between individuals operating in Egypt’s political and economic spheres, they fail to pinpoint the mechanisms by which collusive relations are formed and, more importantly, sustained. What is missing in the literature is close examination of specific networks as well as the organizations in which those networks are embedded.

Debating agency in comparative political economy

This book aims to contribute to the debate regarding the politics of economic liberalizing reforms. As Heydemann et al. (2004) note, the question of agency is central to this discussion:

Any effort to develop a systematic explanation of reform outcomes based on how relations among a given set of actors are configured must come to terms with the presence of cross-cutting networks and the messy policy environments to which they contribute.

(13)

This book follows their claim that these networks undermine categories typically deemed to be the “principal agents of reform,” and must be foregrounded in order to understand the politics of economic reform.

However, their trailblazing edition leaves a number of pathways to be explored. First, I pick up where Heydemann et al. (2004) leave off temporally by examining business–state networks during neoliberal reforms of the 2000s.⁶ Second, I attempt to add the details of networks absent in the studies above. I aim to provide the nuances of networks and their consequences by examining how funding flowed to small groups of individuals stacked on various executive boards and in positions of influence.

Third, the international dimension—namely, the role of external rents and international connections (or cosmopolitan capital, discussed below)—is not addressed in any meaningful way. Of the MENA reformer countries of the 1990s, Egypt is highlighted as demonstrating among the highest “levels of interaction” between foreign interlocutors and local policymakers during the reform process (Heydemann 2004, 9). And yet there is scarce mention of the roles these foreign contacts played in the cross-cutting networks shaping reform outcomes.

Finally, what is missing from the literature is discussion of where small and medium-sized enterprises (“SMEs”) fit into equations of “business–state relations”—thus further complicating the oft-used binary and failing to take into account a key factor in the exclusion of smaller economic actors. Heydemann et al. (2004) take as their analytical space the “policy domain,” which “consists only of actors having common interests in certain types of public policies ... who must take one another into account in their efforts to influence policy decisions” (Knocke et al. 1996 cited in Heydemann 2004, 25). In turn, the authors are only interested in the networks that directly participate in this domain. While this book similarly takes as its focus these important networks, it also considers networks of the less fortunate.

This study is unique as it reconsiders the analytical framework of business–state relations, examining multiple tiers of interactions—that is, small and medium-sized enterprises and their respective relations with low-level and (what I will call) *quasi-governmental bureaucrats*, in addition to the traditional focus on big business owners and their relations with the political elite. The aim of doing so is to shed light on reform outcomes for average Egyptians, and relatedly, on how inequality is expanded.

Networks, organizations, and institutions during economic reforms

This study takes a cue from Haddad (2012), highlighting the role of institutions to illustrate how networks are “both formed and reformed by the context in which they are embedded” (14). Added to the interaction between networks and institutions—that is, the “rules of the game,” or the “humanly devised constraints that shape human interaction,” which include both formal laws and informal codes of conduct (North 1990, 3)—is an examination of relationships between networks and the “players of the game,” or organizations. As North (1990) contends: “when we examine the costs that arise as a consequence of the institutional framework we see they are a result not only of that framework, but also of the *organizations* that have developed in consequence of that framework [emphasis added]” (4). In the chapters that follow, I highlight the importance of how organizations have been organized—that is, who funds them, who leads them, which networks they are integrated into, and who has access to their benefits as a consequence of the framework in which they have been created. In doing so, I aim to shed light on the determining factors of who gains access to the fruits of economic growth, as well as how others are excluded.

* * *

Theorizing elite privilege: networks, capital, and brokerage

What is actually meant by “network theory” varies considerably from discipline to discipline. This book draws from the sociological perspective, which emphasizes the importance of examining how linkages are created and maintained, as well as *the flow of resources* between them. While network theory

has become a malleable concept, an “underlying intellectual unity” can be found in a few major themes (Wellman 1988, 20). Most importantly: (1) analysis of actions emphasizes the relationship between *individuals*, as opposed to category-based descriptors (e.g., businessman, bureaucrat, minister); (2) individual behavior is assumed to be deeply shaped by “structural constraints on activity” (e.g., social class, institutions), rather than simply based on “inner forces;” and (3) social structure is understood in terms of “a network of networks,” which is potentially, but not necessarily, divided into distinct groups (*ibid.*).

As Wellman (1988) notes, this approach allows us to observe directly “how patterns of ties allocate resources in a social system” (20). In other words, network analysis helps us trace the flow of resources between linkages; it helps us see who is and is not benefitting from existing patterns of relations, as well as the gaps between distinct levels of networks.

Social, cultural, and cosmopolitan capital

Following from a principle of network theory, which emphasizes structural constraints on individual behavior, Bourdieu’s notion of diverse forms of *capital* further offers a useful frame. For Bourdieu (1986), the structure of the social world—that is, the set of constraints governing an individual’s participation in society—depends on the nature of the distribution of three forms of capital: *cultural* and *social*, in addition to the traditional *economic*. Cultural capital, as defined by Bourdieu, is the collection of symbolic traits acquired through being part of a particular social class.⁷ The performance and internalization of one’s cultural capital can then be converted into social capital—that is, “the sum of the resources, actual or virtual, that accrues to an individual or group by virtue of possessing *a durable network of more or less institutionalized relationships* of mutual acquaintance and recognition [emphasis added]” (Bourdieu and Wacquant 1992, 119). In other words, social capital is the currency one possesses, material or not, based on the network of relationships s/he holds.

However, Bourdieu’s three forms of capital are not entirely distinct. Both cultural and social capital can potentially be converted into economic capital; and ultimately, economic capital “is at the root” of each (Bourdieu 1986, 252). Accordingly, Bourdieu finds traditional assessments of wealth and inequality based on economic capital to be highly reductionist. Instead, he foregrounds cultural and social capital as two additional exclusionary devices that strengthen the elite at the expense of those less endowed with this capital trifecta.

In attempts to make Bourdieu’s expanded capital more applicable to present trends of globalization, recent sociology literature has added a transnational dimension, introducing cosmopolitan capital.⁸ This book follows Bühlmann et al.’s (2012) definition of cosmopolitan capital as a distinct resource combining features from both cultural and social capital as they exist specific to the international field, namely: “experiences abroad,

international networks, language skills and transnational degrees” (212). In their estimation, cosmopolitan capital is a phenomenon deserving a category of its own due to the increased need to differentiate between global and national orientations of elites following the internationalization of commerce in the 1980s.⁹

The concepts of cultural, social, and cosmopolitan capital are valuable in understanding both the nature of economic exclusion and preferential inclusion—particularly when discussing the core themes of this book: (1) consequences of partnerships between Egyptian elites and international bodies (whether development organizations, business associations, or financial institutions); (2) unequal distribution of benefits resulting from industrial policies; and (3) the everyday nature of business–state relations for various slices of the socioeconomic spectrum.

By conceptualizing networks as fundamentally based on an individual’s capital, we can better understand why foreign development projects fail to adequately reach their ostensible targets. Instead, international agents rely on the local “English knowers,”¹⁰ possessing shared cosmopolitan capital, often educated abroad or in elite Western-oriented institutions at home. We can also see how cultural and social capital-based networks often define not only who participates in policymaking, but also who benefits from the ensuing policies. And finally, how cultural and social capital-based networks offer space for a “collaboration of convenience” between smaller firm owners and lower-level bureaucrats—a collaboration that serves as a mode of survival, but offers little by way of promoting formal economic inclusion or business growth.

The common thread that weaves throughout this book is the attempt to foreground the role of these capital-based networks—transcending notions of public vs. private or domestic vs. international—in defining how market liberalizing reforms and their accompanying “pro-poor” programs play out on the ground in Egypt.

Bourdieu’s interest in understanding the ways in which dominant classes maintain their positions of privilege makes him an appropriate reference point for this study. Like much of Bourdieu’s work, this book is motivated by the question of how society is reproduced—that is, how socioeconomic mobility is thwarted for the majority, and how others secure their privileged space. It is difficult to grasp the mechanisms of social inequality and exclusion without grappling with the effects of this augmented notion of capital.

Brokerage: facilitating rent streams of cosmopolitan capital

In order to examine how the flow of these rent streams is maintained, the concept of *brokerage* from critical development literature (e.g., Bierschenk et al. 2000; Mosse and Lewis 2006) offers a useful tool. *Brokers* operate “at the interfaces of the development apparatus,” and through their mediation, capture resources along the way (Mosse and Lewis 2006, 2). The notion of brokerage is widely employed in ethnographic approaches engaging with

“the social life” of development projects (e.g., Long 2001). However, rather than confine the broker archetype to the realm of development, this book highlights how *s/he* functions across categorical divides. The broker becomes the mediator between international interlocutors and domestic spaces of the political economy—whether in development, business, or policymaking.

Indeed, we see that *skilled brokers*—characterized by “a range of competencies,” from linguistic to organizational and relational (Mosse and Lewis 2006, 16)—perform their brokerage between international financial institutions, foreign governments, business associations, development organizations, and domestic policymaking circles. The skilled broker foregrounds the role of the often elusive middleman, who operates at the nexus of “different world-views and knowledge systems” (*ibid.*, 10)—a figure appearing time and again throughout this book.

The characterization of the skilled broker as an individual possessing certain linguistic and cultural abilities fits neatly into the aforementioned frame of expanded capital. Brokers can, in many ways, be understood in terms of the *cosmopolitan capital* they possess. Indeed, the international angle is inherent to the concept of brokerage—located as it is “within the fragmented politics of the postcolonial state, where power is exercised both through formal bureaucratic logics and through a diverse range of ‘supra-local’ associations and networks, in which there is a flourishing of intermediate actors and organizations” (Mosse and Lewis 2006, 11). This book highlights these “supra-local,” or transnational mediators, associations, organizations and networks at work in defining Egypt’s political economy during the increased market liberalization of the 2000s.

* * *

Scope conditions and broader applications

Empirically, this book contributes a deep dive into a slice of Egypt’s central networks shaping economic liberalizing reforms of the 1990s and 2000s, their entanglement with international capital, and the corresponding networks of elites’ capital-poor counterparts. Conceptually, this book offers an alternative frame for analyzing reform outcomes—with central agency taking the form of networks based on capital (social, economic, cultural, cosmopolitan) rather than of “public” and “private” actors. Thus, while this book is very much about Egypt’s particular reform experience, the scope conditions of the posited conceptual frame have a wider reach. No doubt the form of networks can be expected to vary considerably across different country contexts; But I posit that the basic premise of capital-based networks as central agents in economic liberalizing reform outcomes holds across cases.

Egypt is unique for a number of reasons—to name a few, it is the most populous country in the region; its military is highly active in economic activities; it had been the second largest recipient of US aid, after Israel, between 1978 and 2003 (before the US wars in Iraq and Afghanistan); and it

has experienced (along with Tunisia, Morocco, and Jordan) among the highest levels of interaction with international actors during policymaking (Heydemann 2004, 9). Syria, by contrast, experienced a reform context in which US aid was minimal (ranging from around \$15,000 in 2001 to a pre-war high of \$44 million in 2008) (USAID 2019c), and the country was not bound by conditions of an IMF loan agreement. Consequently, the role of international actors in formalizing and cementing networks of elite capture would not likely apply as it has in Egypt.

On the other hand, for Jordan—a relatively early signatory to a peace agreement with Israel; one of the world’s largest recipients of US aid (reaching a height of \$1.7 billion in 2003) (USAID 2019d); a participant, like Egypt, in a tripartite QIZ agreement with the US and Israel; and an implementer of IMF-led reforms from 1989 to 2004—it’s safe to assume international capital was deeply integrated into the country’s networks defining economic reform outcomes.

Still, while the weight of cosmopolitan capital may vary country to country, the frame of capital-based networks—that is, taking into account the role of other forms of capital (social, cultural, economic) in defining networks of privilege and reform outcomes—may very well remain applicable.

Entertaining the idea of these capital-based networks as central agents in the political economy has wide-reaching implications for economic liberalizing reform projects in general. Particularly (but not exclusively) in countries with weak institutions—or poorly enforced “rules of the game”—and insufficient checks and balances, reforms such as financial deregulation and privatization are likely to free up state assets for greater capture by these elite cross-cutting networks. Meanwhile, the networks existing on the other side of the spectrum—among economically disenfranchised—will fail to overlap with the circles of reform winners, and instead be comprised of collaborations of convenience between small economic actors and low-level bureaucrats in attempts to survive, but not thrive. As a consequence, this study attempts to throw into question the economic liberalizing reform agenda itself, suggesting the equation of reduced government spending on social services, and attempts at “market liberalization” will inevitably fail to produce inclusive growth and equitable opportunities.

* * *

On methodology

Fieldwork for this study was carried out in Cairo and Alexandria over multiple trips beginning July 2013 for my DPhil dissertation, from which this book (after *many* iterations) eventually emerged. I have also spent much of the past 12 years in Egypt, a fact essential to the feasibility of this study as it allowed me to cultivate my own network of contacts on which this project depended. Research was anthropologically informed in order to examine the nuances of how business–state relations play out in the complex webs of Egypt’s political

economy. I utilized a set of qualitative methods, namely: (1) semi-structured interviews, (2) systematic observation, and (3) discourse analysis.

I conducted interviews with individuals targeting four main groups: local and foreign business elites; owners of micro, small and medium-sized enterprises; government officials (from the General Intelligence Service [*mukhabarat*], Ministry of Industry and Trade, and General Authority for Investments and Free Zones [GAFI]—an affiliate of the Ministry of Investment); and civil society employees, particularly those working in the “quasi-governmental” organizations established or redefined during the economic reforms of the 2000s. With regard to the latter, interlocutors included representatives from the Industrial Modernization Center (IMC), Social Fund for Development (SFD), Ready Made Garment Export Council (RMGEC), Textile Export Council (TEC), Federation of Egyptian Industries (FEI), Federation of Egyptian Chambers of Commerce (FECC), and the Egyptian Microfinance Network (EMFN). Additional interviews were conducted with representatives from the World Bank Group’s International Finance Corporation (IFC).

Interviews were conducted in both formal and informal venues. Those with informants from micro and small enterprises typically took the setting of their workshops located in neighborhoods throughout the Cairo and Giza governorates, while interviews with medium-sized enterprises took place in the industrial zones of the Tenth of Ramadan, Sixth of October, El Abour, Burg el Arab, and Amreya, or in downtown Cairo office buildings. Meetings with business elites, state officials, and employees of “quasi-governmental” bodies or SME development organizations also occurred in downtown offices or government buildings (specifically, the Ministry of Finance, Ministry of Industry and Trade, and GAFI), and sometimes in informal settings (restaurants, cafes, and private homes).

The interviews conducted in more formal settings, such as official government buildings and offices, generally contributed to my pool of “official discourse.” Conversations conducted in less formal settings typically assumed a less formal tone and offered a more nuanced depiction of interviewees. I took advantage of informal settings to facilitate my research of “backstage” behavior (Goffman 1959), which was particularly useful when speaking with members of the business elite, government officials, and bureaucrats of “quasi-governmental” bodies who vacillated between official discourse and more candid expression. My interviews were semi-structured to guard against overly deterministic questions, while keeping the conversation centered around my research aims.

During these interviews and conversations, I also participated in systematic observation, taking note of modes of interaction, particularly between members of the business elite. The combination of systematic observation and informal interviews also allowed for access to the more covert face of emerging business–state relations and the complex web of informal networks.

This study is not only concerned with the nature of business–state relations, but also with how language is used to formalize and justify said

relations. Thus, I also collected relevant texts and videos contributing to the body of discourse surrounding business–state relations and SME integration. This included pamphlets, promotional videos, and official websites of “Public Private Partnerships” and SME development organizations as well as reports by foreign donor partners—specifically USAID, OECD, and the WB—and working papers from Egypt’s main neoliberal think tank: The Egyptian Center for Economic Studies (ECES).

* * *

Data analysis

This book employs a combination of discourse analysis (verbal and textual) and network analysis. By using multiple sources of data and data collection techniques, I aim to provide a more nuanced examination of the individuals and linkages involved in political economic developments affecting participation in Egypt’s business space.

As this study primarily utilized qualitative methods, the resulting pool of descriptive data required careful discourse analysis in order to detect patterns and explain significance. Particularly in the case of formal interviews, rather than view the elicited information as truth, I paid close attention to the nuances of language—taking note of packaged phrases often repeated less as a reflection of reality, and more as a reflection of how the interviewees would like to be perceived. Speeches delivered by businessmen, as well as fieldnotes from informal conversations were similarly subjected to discourse analysis.

Additionally, I examined textual discourse provided by sources listed above. This analysis focuses on how publications of SME development organizations, Public Private Partnerships, and elite think tank working papers served to disguise the integration of business elites into policymaking positions—resulting in initiatives that served to benefit the few, while claiming to offer economic inclusion.

During fieldwork, I was conscious of the ways in which my positionality (a “Western” female at a well-reputed institution) inevitably influenced the types of interactions to which I was exposed. Often my positionality served in my favor; While I was fully transparent regarding my role as a DPhil researcher, many conversations took informal tones, revealing various connections and key developments that would not have been shared in a typical “formal” interview with, perhaps, a man in a suit. Meanwhile, the fact that I possess the requisite cosmopolitan capital (institutional if not economic) to access such circles was also key to my ability to conduct research of this nature.

The practice of reflexivity—or continuous “self-aware analysis of the intersubjective dynamics” between researcher and interlocutor—helped me contend with my positionality (Finlay and Gough 2003, ix). During fieldwork and subsequent analysis, I maintained awareness of my position vis-à-vis my interviewees as I considered how they choose to answer certain

questions and “perform.” Often, the informal intersubjective dynamics in motion during interviews allowed me greater access to observing “backstage” activities.¹¹ At times, our particular dynamics created situations of “performing” success, which also revealed great insight into what transpires behind the scenes of Egypt’s arena of economic elites. I have attempted to include the nature of these interactions in this book. By highlighting subjective elements of data collection and analysis, this study seeks to avoid claims to absolute truths, while still contributing to a deeper understanding of the human complexities inherent in Egypt’s emerging political economy.

Network analysis and sources

As previously noted, in order to properly examine these relations and their consequences, close examination of formal and informal networks within and between groups is necessary. Network analysis (or network theory, described in greater detail above) provided a useful paradigm for this aim. By drawing connections between individuals operating throughout various networks, I was able to analyze the consequences of relationships between actors representing various categories (e.g., “foreign,” “domestic,” “state,” “private sector,” “development” organizations). This was helpful in demonstrating the mechanisms of elite resource capture, and the detrimental effects of rent stream creation through foreign funding for development programs.

Sources for this endeavor were provided by a combination of information gained through dozens of interviews and meetings during fieldwork (July 2013–April 2018, nonconsecutive), as well as painstaking examination of: financial statements of companies owned by some of the elite businessmen considered;¹² executive board biographies on the official websites of the organizations and companies discussed; published curricula vitae; media interviews with Egyptian newspapers (*Al-Ahram Weekly*; *Egypt Daily News*; *el yom el sabaa*); international development reports (USAID, OECD) citing interviews with their Egyptian “private sector” interlocutors; and Wikileaks cables between Washington, DC and the US Embassies in Cairo and Tel Aviv.

* * *

Book outline and summary of arguments

Chapter 1 provides context to situate developments discussed in this book. It offers a brief historical summary of Egypt’s reform era political economy beginning with Sadat’s *infitah* (or economic opening) in 1974 until the establishment of the “Businessmen Cabinet” in 2004; and introduces a handful of the central characters who will resurface throughout this book, along with some of the important organizational networks in which they were embedded. This chapter also discusses two key concepts that reappear throughout this study, namely

“SMEs” and “Public Private Partnerships” (PPPs). I introduce the discursive and material functions they served in promoting elite resource capture, which will be argued throughout the subsequent chapters.

Chapter 2, the first empirical chapter, takes on the theoretical framing task of reconceptualizing “the state” and “business,” specifically addressing the concept of “SMEs.” By presenting ethnographic vignettes of how individuals at the lower end of the business hierarchy (i.e., micro, small, and medium firms) experience “the state,” this chapter sets the stage for subsequent, more nuanced, discussions of the forms of economic exclusion that persist despite ostensible attempts by the government and international development community at promoting greater inclusion.

Chapter 3 introduces the central “Public Private Partnership” intended to be the driving force behind Egypt’s national support for SMEs: The Social Fund for Development (SFD). Founded in 1991 to provide a “safety net” for smaller enterprises during the first round of Mubarak-era reforms, the SFD’s mandate would be renewed during the second round with the Small Enterprise Law 141/2004, making it the chief agent for “SME support.” This chapter explores USAID’s push to commercialize microfinance activities and the SFD’s role in the process; highlights the importance of connections for accessing SFD resources, which were used by the ruling party to strengthen patronage networks (El-Meehy 2010); and introduces the archetype of the *quasi-governmental bureaucrat* serving as SMEs’ interlocutors—as well as voices of Egyptians seeking assistance—to shed light on the lived experience of the SFD.

Chapter 4 focuses on two central USAID-funded projects emerging from the 1990s: the attempt to transform the erstwhile governmental FEI into a private sector body beginning in 1994; and establishment of the Egyptian Exporters Association (ExpoLink) in 1997. We see a reappearance of many of the same cosmopolitan elites serving as USAID interlocutors (introduced in Chapter 1), and a repeat of their ability to secure millions of dollars in funding through USAID’s ongoing mission to empower the Egyptian “private sector” throughout the 1990s. I place particular emphasis on these two organizations for their role in shaping Egypt’s industrial policies into the 2000s (Chapters 5–8), and for the leaders’ ability to capture representation of industry with the assistance of their US partners.

Chapter 5 investigates the web of “Public Private Partnerships” intended to serve as the chief agents for industrial development and export promotion established or redefined in the last decade of Mubarak’s tenure (2000–2011). This chapter contributes to understanding modes of economic exclusion in Egypt by detailing: (1) the abuse of “business development” organizations receiving foreign and/or public funding; and (2) the creation of industrial policies—by local elites with the aid of international partners—offering benefits to some, but both *de facto* and *de jure* barriers for smaller firms. I highlight the proliferation of *quasi-governmental* bodies for their role in facilitating elite access to rent streams, and draw attention to the role of international interlocutors in exacerbating effects of predatory business–state relations that harm Egypt’s smaller firms.

Chapter 6 returns to the “reform losers,” and examines how these capital-deficient actors experienced the quasi-governmental bodies that produced so many benefits for business–state elites (detailed in Chapters 4–5). It sheds light on the *lived experience* of the IMC as opposed to packaged success stories provided by the organization’s executive board to their international donor interlocutors—providing a glimpse of the IMC’s quasi-governmental bureaucrat, and a conceptualization of the IMC “from the bottom up.” As this book argues, consideration of how development organizations function at this tier of socioeconomic capital is essential to understanding outcomes of reform era programs.

Chapter 7 examines how some PPP leaders incorporated themselves into lucrative networks of transnational organizations as representatives of Egypt’s “SMEs,” and how these projects overlapped with transnational private equity partnerships that reaped the fruits of Egypt’s financial liberalization, often by privatizing profits from public resources.

Chapter 8 follows a handful of the individuals and networks introduced in earlier chapters to negotiations for Egypt’s controversial 2004 QIZ trade agreement with the US and Israel. It focuses on the complex networks of domestic and international actors central to securing the agreement—which emerged in tandem with the “PPPs” discussed in the previous chapters—and explores how resource capture occurred through the creation of certain industrial policies such as QIZs. No comprehensive study exists regarding negotiations behind the protocol, which accounts for some 45 percent of Egypt’s exports to the US—94 percent of which are from the textile and garment industry (Paulino et al. 2015, vi). This chapter offers an inside look at the networks in motion behind the scenes of the agreement, its effects on Egypt’s textile industry, and the structural economic exclusion that resulted.

Chapter 9 examines two sets of negotiations that followed the initial signing of the QIZ agreement, which demonstrate the complex nature of maintaining networks of privilege, particularly those operating across a range of international actors: campaigns to (1) extend QIZ-eligible territories, and (2) reduce the percentage of required Israeli inputs.¹³ Despite the apparent hegemony of connected elites within Egypt’s political economy space of the 2000s, parallel developments suggest a more complicated dynamic. A series of Wikileaks cables originating from the US Embassies in Cairo and Tel Aviv follow the multi-year negotiation processes. The cables illustrate the complexity of the networks involved—a web of intra-elite tensions between Egyptian businessmen, Israeli counterparts, and US interlocutors—all with unique sets of interests. They also reveal recurring discursive techniques employed by Egyptian business and political elites with their US counterparts in attempts to secure personal gain under the guise of inclusive benefits.

The final chapter of this book highlights instances of the disruption, persistence and reconfiguration of networks following regime change in 2011. It traces the fate of some of the core individuals discussed throughout this study and the various ways in which they have successfully entrenched

compounding gains from their initial privileges as well as reintegrated into new networks of decision makers owing to their early wealth of capital. This chapter also addresses the elephant in the book—the economic interests of the armed forces and their rise to the executive.

The organizations examined throughout these chapters are not random case studies, but rather they comprise the core of the international community's efforts to support Egypt's "private sector" and promote "SME" inclusion during the 1990s and 2000s. By examining slices of Egypt's business–state relations from the bottom of the socioeconomic spectrum to the top, this study attempts to shed light on why "pro-poor" development projects designed to accompany market liberalizing reforms in Egypt fail to achieve their goal of greater economic integration. That is to say, why such projects fail to address the problem of Egypt's "missing middle"—or deficit of medium-size firms—and promote growth among Egypt's so-called "SMEs." Additionally, such a scaled examination aims to emphasize the "politics of policy" (Robinson 2009)—politics that, as I attempt to demonstrate throughout this book, occur at each level of the socioeconomic spectrum to highly varied effects.

All of these chapters seek to inform the broader inquiry regarding how changes in the political and business realms—specifically during Egypt's second wave of reforms in the 2000s—have impacted the potential for integration of a more diversified range of actors, and how they have laid the groundwork for structural exclusion in the future.

* * * * *

Notes

- 1 Author interview August 20, 2013.
- 2 While rent seeking can take many forms—lobbying, monopolies, cartels—in essence it describes a situation in which owners of capital are able to gain more profit than they would in a competitive market (*Economist* 2016).
- 3 Industrial policies are direct attempts by the government "to change the incentive structure and stimulate activities in particular industries," and can include a wide range of mechanisms from subsidies to export zones and trade policies (Robinson 2009).
- 4 Textiles and ready-made garments are aggregated as one sector because many companies operate in both subsectors and most available data combines the two. However as later chapters discuss, the two have become increasingly differentiated in Egypt with state-owned enterprises representing a large share of textile production and ready-made garments the domain of private sector businessmen.
- 5 The "East Asian Miracle" refers to the great economic growth experienced by East Asian countries between 1965 and 1990, led by Japan and the "Four Tigers:" Hong Kong, South Korea, Singapore and Taiwan (see for example, World Bank 1993).
- 6 Much debate surrounds the definition of neoliberalism. This book defines neoliberalism as—at its core—a political economic theory that prioritizes economic

- liberalization (i.e., privatization, deregulation, free trade), calls for the reduction of government spending on social services, and champions the private sector as the entity able to act most efficiently in the economy.
- 7 Bourdieu (1986) then breaks cultural capital into three subtypes: *embodied*, *material*, and *institutional*. The former includes internalized elements (e.g., language, mannerisms), while *material* refers to external markers (e.g., clothing, cars), and *institutional* capital takes the form of credentials, such as educational degrees and certificates.
 - 8 While most studies engaging with the concept offer vague reference to an international or cosmopolitan capital without fully defining the term (e.g., Weenink 2008; Dezalay and Garth 2011; Maxwell and Aggleton 2015), some discuss it as a subtype of cultural capital, stressing the features of foreign language skills and travel savvy (Wagner 2007), and others classify it as a shade of social capital, emphasizing international connections (Carroll 2010).
 - 9 Bühlmann et al. (2012), for example, trace the evolution of Swiss business elite (1980–2010) to examine how hierarchies in elite spaces have been impacted by major trends of internationalization, positing: “the growing importance of experience abroad, of English language skills and of international degrees, has potentially swirled up the relations of power and the hierarchies in national elite spaces” (212). They argue that “internationalized” elites have come to dominate major Swiss firms, while national forms of capital are losing importance.
 - 10 The term “French knowers” was used to refer to a rising European-educated elite in Egypt during the Ottoman era. These individuals became the natural interlocutors for foreign officials and achieved increasing dominance in directing state affairs (Cleveland and Bunton 2009). I use the term “English knowers” as the contemporary manifestation of this earlier phenomenon. This reflects the shift in importance of French to English as the language holding the highest currency value in terms of *cultural capital* in Egypt.
 - 11 The concept of “frontstage and backstage,” refers to the idea that “all social settings consist of a backstage where individuals prepare for a performance, and a frontstage where they are on display” (Travers 2001, 53).
 - 12 Under Egyptian law, publicly traded companies are required to report audited financial statements. Companies not publicly traded are not subject to requirements of public financial disclosure.
 - 13 The initial QIZ agreement stipulated that in order for goods to access US markets duty-free, 11.7 percent of the QIZ manufacturer’s input had to be sourced from Israel. Subsequent campaigns led by Egyptian businessmen and Minister Rashid requested this input requirement be reduced to eight percent, citing the high relative cost of Israeli goods.

1 Providing context

This chapter provides background to the events, ideological debates, and key concepts discussed in this book. The first section offers a brief overview of some of the major developments shaping Egypt's political economy since the first round of market liberalizing reforms initiated under President Sadat (1974–1981) until the rise of the “Businessmen Cabinet” in 2004. In addition to outlining important macroeconomic developments, it also introduces several organizations constituting central nodes in the networks woven throughout the remainder of this book. This sets the scene for subsequent chapters, which will examine interrelated developments occurring at the meso and micro levels of organizations, networks, and individuals throughout reform programs of the 2000s.

The second section provides a summary of the ideological context from which Egypt's reforms of the 2000s arose, and identifies some of the core themes examined in this book—in particular, the role of industrial policies concerning export promotion and small and medium-sized enterprises (SMEs), as well as the development of Public Private Partnerships (PPPs). “SMEs” and “PPPs” are also highlighted as unique tools used to facilitate elite capture of both state resources and international development support—recurring themes throughout this book.

Egypt's waves of market liberalizing reforms, 1974–2004

Sadat's *infitah*, 1974

Beginning with Law 43 of 1974, Sadat's *infitah*, or economic opening, marked the first major steps away from Nasser's era of import substitution industrialization. Central to these reforms was an emphasis on attracting foreign investment in a push toward economic liberalization (Waterbury 1983). This period witnessed three pivotal and interrelated developments in Egypt's political economy. First, there was a major shift in Egypt's balance of trade with a spike in imports and a sharp drop in exports. The balance plunged from –\$467 million in 1973 to –\$2 billion just two years later (World Bank 2020)¹ as import restrictions were lifted and entrepreneurs opted for quick

and easy money—shuttling consumer goods into the country, rather than pursuing expensive and difficult industrial projects.

Second, with Egypt's increased economic participation in the international sphere, the role of foreign interlocutors took on a new importance in shaping the country's political and economic arenas. In particular, USAID—dubbed the “shadow cabinet” for its political influence (Mitchell 2002, 163)—along with the IMF and World Bank, became major participants in setting Egypt's economic agenda. The IMF played an especially significant role, deciding conditionalities for loans from both the Fund itself and US banks (Dessouki 1981).²

Finally, on the domestic front there emerged the “*infitah* bourgeoisie,” a new capitalist class cultivated by the regime (Roccu 2013, 9). State-owned land was sold off to connected individuals at prices well below market value, not only squandering public resources but also channeling investor money toward unproductive activity—particularly evident in the real estate boom (Kandil 2012, 161). The emergence of this new capitalist class also sowed the seeds for increased business participation in politics. With the country's first business lobby, the Egypt-US Joint Business Council (est. 1974)—later called the American Chamber of Commerce (AmCham)—the entrepreneurial elite gained both direct access to the presidency, as well as a forum for creating partnerships with foreign investors and political actors (*ibid.*, 164).

Mubarak's Structural Adjustment Program, 1991

Kandil (2012) describes Sadat as “the founder of the Egyptian dependent state, the nondeveloping, deindustrialized, and randomly liberalized state,” adding, “Mubarak only followed in his footsteps” (161). Indeed, Mubarak did not inherit an enviable economy. Accompanying Sadat's *infitah* was a significant rise in foreign debt, increasing tenfold during Sadat's decade in office from 1971 to 1981 (*ibid.*, 162). Although over half of the country's debt was forgiven in 1991 following Egypt's cooperation with the US during the First Gulf War, Egypt's financial situation remained dire and Mubarak, “under intense American pressure,” adopted the IMF-led reform program (*ibid.*, 205).

The Economic Reform and Structural Adjustment Program (ERSAP) had two major aims: macroeconomic stabilization and structural adjustment—the latter, an IMF-imposed program designed to reduce the country's fiscal imbalances. While Egypt was lauded as a poster child of IMF reforms, under the surface, the country's economic growth proved far less impressive. Much of the perceived growth between the 1990s and early 2000s resulted from the previously noted debt relief packages following Mubarak's support for the US during the Gulf Crisis, increased remittances, and other significant aid inflows. Meanwhile, domestic growth continued to exist largely as a result of construction sector activity and other non-tradables (Harrigan 2011, 9).

With regard to structural adjustment, the push for privatization proved superficial and slower than desired by the IFIs. Sale of public enterprises often served to transfer state resources into the hands of politically connected individuals (Sfakianakis 2004),³ and by 1998 only 91 out of 314 state-owned enterprises had moved into the private sector (Adly 2009). Meanwhile, growth was neither labor-intensive nor export-led as the IMF structural adjustment reforms had nominally intended (Harrigan 2011). Instead, private investment in industry (compared to total private investment) decreased from 26 percent in 1992–1997 to just 11 percent in 2000–2003—with public sector investment in industry decreasing even more (Abdel-Latif and Schmitz 2009, 10); and trade activity increased, typically requiring far fewer employees and characterized by a high ratio of imports to exports (Pfeifer 1999). While this produced a decade of wealth for some, the majority faced an opposite trend as these transformations were accompanied by the reduction of government spending on social goods.

These developments prompted changes not only in the Egyptian economy but also in the country's political balance. By 2002 domestic debt had increased from 67 to 90 percent of GDP compared to the previous decade, and “the generosity of regime-friendly capitalists” became a central source of economic support for the ruling powers (Kandil 2012, 211). Mubarak had long cultivated relationships with select businessmen since assuming office in 1981. To build his sociopolitical base, “Mubarak had to clip the wings of powerful business magnates associated with the Sadat era... so as to clear the way for a new set of business magnates entirely loyal to him” (Soliman 2011, 38). These businessmen who once secured their privileges behind closed doors now expanded their presence in the halls of government.

Direct political participation of businessmen could be seen in their growing number of parliamentary seats, increasing from 12 percent in 1995 to 22 percent by 2005 (*ibid.*, 145). Meanwhile, elite business associations—particularly AmCham and the Egyptian Businessmen Association (EBA), established in the early 1980s—had taken on considerable political importance, serving throughout the 1990s and into the 2000s as central vehicles influencing policy direction and decisions (Roccu 2013). But more influential still were the organizations founded and/or chaired by the young heir apparent, Gamal Mubarak.

Gamal stood at the center of many of the top “pro-business” organizations established throughout the reform era of his father. He returned to Cairo in the mid-1990s after working as an executive with Bank of America in London, and quickly set about collaborating with others of Egypt's “globalizing elite” to support the country's internationally sponsored economic liberalization. On the side, he would also begin his foray into conflict-of-interest activities, establishing the investment advisory firm, Medinvest Associates Ltd. in 1996, “which became one of the leading intermediaries for Western investors seeking to purchase stocks and companies in Egypt” (Rutherford 2008, 219).

Accompanying Gamal as co-founder of nearly all of his pet projects was the lawyer, Taher Helmy. Helmy, who also helped draft the legislation behind the 1991 privatization program (Grimaldi and O’Harrow 2011), enjoyed a rich portfolio of capital. He inherited high-level military capital from his father, Samir Helmy—a colonel in Egypt’s Army Corps of Engineers, member of the Free Officers (who ruled Egypt following the 1952 coup), and confidant of former President Gamal Abdel Nasser, under whom he served as Minister of Industry. These links no doubt facilitated Taher’s appointment as the official spokesman for the Egyptian Armed Forces to the Clinton administration in the 1990s (Wahish 2005). And well before his work as liaison between the Egyptian military and US government, Taher had cultivated a wealth of cosmopolitan capital. He graduated from St. Louis University School of Law (1974), joined the Illinois and Chicago Bar Associations in the late 1970s, and became partner at the Chicago office of the international law firm Baker McKenzie in 1981 (Baker McKenzie 2019).

The ECES (est. 1992): formalizing networks of “knowledge”

One of the earliest organizations co-founded by Gamal and Helmy was the Egyptian Center for Economic Studies (ECES)—an economic think tank that would become a central conduit connecting business elites with political decision makers (Roll 2010, 365; Roccu 2013). The organization received considerable start-up funds from foreign “development” bodies, with its most significant endowment a \$10 million start-up grant from USAID, complemented by undisclosed amounts from the World Bank and United Nations Development Programme (UNDP) (ECES 2009, 12).

Along with Gamal and Helmy, a number of Egypt’s most prominent businessmen across sectors participated in the organization’s establishment. Two additional founding board members—Galal Zorba and Mohammed Farid Khamis—will reappear throughout this study in leadership positions of organizations and committees central to defining the industrial policies of Egypt’s market liberalizing experience.⁴ Additional ECES board members of particular relevance to this study included Alaa Arafa, Mohammed Kassem, and Rashid Mohammed Rashid (ECES 2009, 2014).⁵ This formalization of elite business networks not only strengthened ties between individuals within the group, but also facilitated access to policymakers in the public sector (Rutherford 2008).⁶ Indeed, many of the ECES leaders would themselves become public officials, most notably: Rashid, Mohamed Mansour, and Ahmed Maghraby—Ministers of Industry and Trade, Transportation, and Housing, respectively, in the Businessmen Cabinet. Alongside businessmen-turned-politicians, others like chief economist at the ECES and future Minister of Investment, Mahmoud Mohieldin, provided the technical knowledge and discourse to support the neoliberal project.

In addition to cementing pathways of domestic networks, the ECES also facilitated more direct communication with foreign partners interested in Egypt’s economic liberalization. The Executive Director of ECES between

1996 and 1997, Ahmed Galal, served his first round in the position while on leave from the World Bank, where he had worked since 1984 (World Bank 2018). He would take up the role of Executive Director again between 2000 and 2005, before returning to the World Bank (2006–2007) as advisor on the Middle East and North Africa (*ibid.*).⁷ Meanwhile, the think tank’s chief economist, Mohieldin, would go on to serve as Egypt’s WB Governor (AmCham 2007), before becoming the Bank’s Managing Director (World Bank 2010).

With these dense networks of neoliberal-minded businessmen and technocrats serving as the organization’s core, the ECES would become “the conceptual and ideological mastermind” behind the second wave of reforms beginning in 2003 (Roll 2010, 363). And by 2004 with the inauguration of the Businessmen Cabinet those designing the reforms gained more direct control over their implementation—the consequences of which will be a focus of the chapters that follow.

The US-Egypt Presidents’ Council (est. 1994)

The exclusivity of business groups such as the ECES and AmCham would be outdone by an even smaller selection of business elites represented in the US-Egypt Presidents’ Council. Established in 1994, the Council formed a central component to the US-Egypt Partnership for Economic Growth and Development, intended to expand commercial ties between the two countries and promote privatization (US Department of State 1996). Inaugurated under the auspices of President Mubarak and Vice President Al Gore, the Council had a mandate to advise the two executives on “the necessary procedures to improve investment and trade” between Egypt and the US (Fahmy 2002). The group offered public policy recommendations, with calls for further market liberalization their rallying cry.

Comprised of 30 individuals, the Council was split into equal parts between Egyptian and American corporate representatives. On the US side, most members came from either the oil industry, telecommunications, or pharmaceuticals (Momani 2003). As for the Egyptian constituents, there existed a considerable overlap with individuals central to establishing the ECES. Included among the original members were Taher Helmy, Moataz al Alfi, Galal Zorba, and Mohammed Farid Khamis, all of whom sat on the founding ECES board (Momani 2003; ECES 2009). And in 1997 Gamal Mubarak would take over as Chairman, bringing with him key supporters commanding dense connections to the high-level networks under construction—most notably for the chapters that follow, Rashid and Ahmed Ezz (Saleh 2010, 136).

Future Generation Foundation (est. 1998)

The Gamal-Helmy partnership produced another organizational platform in 1998: The Future Generation Foundation (FGF). Coinciding with Gamal’s political ascendancy, the pair co-founded the NGO to prepare Egypt’s youth

for a globalized future by “promot[ing] a workforce culture that was more responsive to a liberalized economy and competitive marketplace” (Saleh 2010, 135). However, of far greater importance than its avowed mission, the FGF served to position Gamal as potential presidential successor. Attempts to transform an arm of the Foundation into a forward-looking political party free from the ruling National Democratic Party’s (NDP) old guard—*Hizb el Mustaqbal* (Party of the Future)—failed only after alleged opposition from the military (Aziz and Hussein 2001, 84).

The FGF is also notable for the cast of characters on its executive board, who presumably would have formed the core of Gamal’s new party and did, indeed, support his political rise. The Foundation’s Vice Chairman, Mr. Alfi, was the Egyptian representative for Kuwait’s most important business family, the Kharafis, with deep pockets and numerous investments in Egypt. Alfi was also the founding president of one of their subsidiaries, Americana Group-Egypt (Knowledge Summit 2018), which controls a range of lucrative US franchises including KFC, Pizza Hut, and Hardee’s—awarded to him through his connections to the Mubaraks.⁸ Under the leadership of Gamal and Alfi, additional founding board members reappear from the previously discussed organizations, including steel tycoon Ahmed Ezz, Zorba, and future Businessmen Ministers Maghraby and Rashid.⁹

The National Democratic Party’s Policies Committee (est. 2002)

With plans for their own political party dashed, Gamal and company began their ascent in the ruling NDP in 2000 when the younger Mubarak was appointed to the party’s 25-member governing body, the General Secretariat (Rutherford 2008, 219). This year also marked the first time since 1952 that businessmen led committees in parliament—most important of which was the Planning and Budget Committee, headed by Gamal confidant and major NDP donor, Ahmed Ezz (Soliman 2011, 146). In 2001, Gamal found himself promoted to the 12-member Guidance Committee of the General Secretariat; and the following year his father appointed him chair of the party’s newly created Policies Committee, making the presidential son, “one of the primary architects of policy reform for both the party and the regime” (Rutherford 2008, 219). Accompanying Gamal on the 20-some person committee were several familiar faces from the ECES founding board—Helmy, Ezz, Zorba, Rashid, and Khamis—as well as six additional soon-to-be Businessmen Cabinet ministers, including Maghraby, Mohieldin, and Youssef Boutros Ghali, among others.¹⁰

These organizations (see Table 1.1) served as key “players of the game” (North 1990) defining the political economic backdrop against which developments discussed in this book took place. Moreover, these early groups, emerging from the first round of Mubarak-era reforms, offered springboards for cultivating valuable social and economic capital—in both domestic and international realms—for Gamal and his fellow “globalizers” throughout the 2000s.

Table 1.1 Gamal's "market liberalizing" platforms of the 1990s–early 2000s.

<i>Name/Affiliation</i>	<i>ECES (est. 1992)</i>	<i>Pres. Council (est. 1994)</i>	<i>FGF (est. 1998)</i>	<i>NDP (PC est. 2002)</i>
Gamal Mubarak	Chair & CF	Chair	Chair & CF	Chair of PC
Taher Helmy	Chair & CF	Chair	CF	PC
Ahmed Ezz	BM	M	FBM	PC
Rashid M. Rashid	BM	M	FBM	Minister
Galal Zorba	FBM	Chair	FBM	PC
M. Farid Khamis	FBM	M	---	M
Mohamed Mansour	BM	M	SG	Minister
Ahmed Maghraby	FBM	---	BM	Minister
Moataz Alfi	FBM	M	Vice Chair	Brother M
Alaa Arafa	Chair & BM	---	---	---

Notes: Positions held at some point between 1991 and 2011. List not exhaustive. Three dashes mean the individual had no official relationship to the respective organizations known to the author. CF- Co-Founder; BM- Board Member; FBM- Founding Board Member; M- Member; SG- Secretary General; PC- Policies Committee of NDP.

The Businessmen Cabinet and “second wave of reforms,” 2004–2011

By the end of the decade, the economic growth enjoyed due to the short-term gains of ERSAP began to reveal its unsustainability. Inflation and unemployment rose alongside growing domestic debt and fiscal deficit; and by the early 2000s, the Egyptian government found itself back on the brink of national insolvency (Roll 2010). January 2003 brought the beginning of the second phase of fiscal reforms, initiated with the floating of the Egyptian pound and restructuring of the banking sector toward greater privatization (*ibid.*). The team of ECES business elites and the NDP's Policies Committee (led by Gamal) offered the driving force behind these reforms, which would come into full blossom with the cabinet reshuffle that soon followed.

In July 2004, the “Businessmen Cabinet,” dubbed as such for its conspicuous presence of “monopoly capitalists” (Kandil 2012, 210), took office. Under Prime Minister Ahmed Nazif, Rashid—regional president of a major multinational corporation (Unilever) and prominent figure in the food industry—was appointed as Minister of Industry and Trade; and Maghraby and Mansour—cousins and business partners with their main interests in the real estate, financial, and automotive sectors—were appointed Minister of Housing and Minister of Transportation, respectively, in 2006.¹¹ The trio, who began their reform efforts through membership in the founding ECES board, now assumed a more direct role in defining the policies influencing their respective sectors (and those of their peers).

Minister Rashid also stood at the center of Nazif's economic policy team alongside two neoliberal technocrats, whom he had sat beside on Gamal's Policies Committee: Youssef Boutros Ghali (Minister of Finance) and Mahmoud Mohieldin (Minister of Investment). Ghali began his career at the IMF in the early 1980s before becoming chief economic advisor to the Egyptian Prime Minister in 1986—a post from which he would play a

leading role in negotiating the ERSAP arrangements with the IMF. He continued to serve a central skilled broker, liaising between the Egyptian executive and the IMF as Minister of International Cooperation (1993–1996). Before becoming Minister of Finance in 2004, Ghali served in several additional ministerial positions: Minister of State for Economic Affairs (1996–1997), Minister of Economy and Foreign Trade (1997–2001) and Minister of Foreign Trade (2001–2004). For his part, Mohieldin, as noted, previously acted as chief economist at the ECES, Chairman of the NDP’s Economic Committee, and had been one of Gamal’s “closest confidants” (Roll 2010, 365) before being appointed Egypt’s WB Governor (AmCham 2007) and later Managing Director of the Bank (World Bank 2010). This team, Nazif’s “Economic Group,” would take over as the engine behind the new reforms (Soliman 2011, 146). At the core of their project was a continuation of earlier “investor friendly” industrial policies, chief among them tariff reductions, financial sector liberalization, streamlined customs, and corporate tax reforms (Roll 2010; Ghanem 2013).

In the wake of these developments, Egypt was named a “top reformer” between 2007 and 2010 by the World Bank’s *Doing Business* report (Iyer 2011, 10). However, not all of the country’s business owners enjoyed the fruits of “reform.” Instead, as one assessment noted, smaller businesses “continue to complain about the regulatory framework in spite of the recent simplification,” concluding: “It may be necessary to take another look at the processes affecting small enterprises, in consultation with entrepreneurs” (Ghanem 2013, 23). In the chapters that follow, I examine—in consultation with both these smaller businesses and a handful of “winners”—some of the mechanisms contributing to this differential access to reform benefits of the 2000s, and how they have been continued or disrupted following revolution and regime change.

* * *

The international development debate: from Washington to Cairo

Central to understanding developments in Egypt’s political economy during the 2000s is a familiarity with the international debate emerging from the market liberalizing reform era of the previous decade. As subsequent chapters will highlight, the actors shaping Egypt’s policy space were very much engaged in this conversation and used liberalizing discourse to achieve personal gains.

Following the 1990s era of structural adjustment programs, assessments of reform consequences across regions revealed several shortcomings (Saad Filho and Mollo 2006; Soliman 2011). Not only did advertised booms in economic growth and productivity at the aggregate level often fail to materialize, but reforms also produced a number of unfavorable results. Inequality, unemployment, and informal sector participation increased as firms closed and domestic interfirm linkages were weakened following the sudden introduction of foreign and private sector

competition (Ocampo 2004; Harrigan 2011); privatization often occurred in uncompetitive fashion, leading to unfair acquisition of public assets along with unimpressive outcomes in terms of productivity and efficiency (Stiglitz 2002)¹²; and the wealth achieved by a relatively small number of reform winners did not “trickle down” as was originally assumed (Devlin and Mogueillansky 2012).

In the wake of these failures, the “Augmented Washington Consensus,” or “second-generation” reforms included a diverse set of measures—from initiating “prudent” capital account opening to providing social safety nets, and pursuing anti-corruption measures (Rodrik 2006, 10).¹³ Core to the argument was emphasis on *institutional reform* predicated on the notion that poor institutional frameworks were largely to blame for the failures of initial rounds of market liberalization. This camp derived much of its theory from academic literature emerging at the time—in particular, Acemoglu et al.’s (2001) study positing institutions as the fundamental determinant of economic growth. The authors argued that institutions, or the “rules of the game” (North 1990), determine incentive structures for economic actors, which in turn have lasting effects on how production is organized and how investments in human and physical capital are made.

While a general consensus has emerged regarding the importance of institutions in economic development, the difficulties and uncertainties surrounding institutional reform have led some to call for more immediate measures (Rodrik 2006; Stallings and Peres 2011). This second camp argues that excessive focus on comprehensive institutional reform is misguided and “potentially debilitating” (Rodrik 2006, 11). As Rodrik contends, such a paradigm would produce “a policy agenda that is hopelessly ambitious and virtually impossible to fulfill” (*ibid.*). Reforms would be expensive and rapid results unlikely due to the deeply entrenched nature of institutions.

Instead, proponents of this position highlight the success of the “East Asian Miracle” and point to studies demonstrating the central role played by government in achieving economic gains (Johnson 1982; Amsden 1989; Wade 1990; Rodrik 2013). They emphasize the need for *structural change*,¹⁴ and posit targeted industrial policy—or direct attempts by the government “to promote industry” (Robinson 2009, 3)—as the way forward. These industrial policies can include a wide range of mechanisms such as the provision of subsidies, creation of industrial zones, and adoption of trade policies—all of which will be examined throughout this book (*ibid.*).

During Egypt’s reforms of the 2000s, two industrial policies received particular attention: export promotion and SME support—both of which were to be achieved through collaboration between “public” and “private” sector actors, or Public Private Partnerships (PPPs).

1) **Export promotion**

Export promotion receives particular attention in international development discussions of industrial policy. Indeed, in the current context of globalized

markets, export promotion is widely considered a necessary feature of economic development (Moreno-Brid and Paunovic 2008). However, much debate surrounds the details of *how* such support for exports should be pursued. While some call for increased exports—and trade liberalization more broadly—as a general tool for growth promotion (Noland and Pack 2005), others argue that exports should not be an end goal, but rather a means of increasing employment and productivity (Reinhardt and Peres 2000; Ocampo 2004). This book falls into the latter camp, highlighting the failure of Egypt’s selective export promotion in the 2000s to achieve significant gains in employment and productivity, despite the hundreds of millions of dollars poured into the effort from the state coffers.

2) Small and Medium-Sized Enterprises (SMEs)

The global experience with trade liberalization more generally has demonstrated that the removal of barriers to exchange is often beneficial for leading firms, but frequently results in the destruction of smaller enterprises unable to compete in rapidly opened markets (Ocampo 2004). In light of the increased vulnerability of smaller firms, “SME promotion” has also been emphasized as an important industrial policy to complement reforms (e.g., Ocampo 2004; Devlin and Moguillansky 2012). In fact, the need to support SMEs has garnered a rare convergence of opinion, supported by both those in favor of more government involvement, as well as by the private sector-centric supporters calling for continued market liberalization (e.g., World Bank 2001a and 2001b). Opinions on the best methods for promoting SMEs, however, diverge considerably, with some in favor of the state providing grants and export subsidies, and others—most notably, IFIs—focused on empowering “financial intermediaries” and “consulting companies,” which would, in theory, then enable SME growth (World Bank 2001a).

Adding to the complexity of *how* to best support SMEs is the ambiguity in development literature surrounding *what* exactly is meant by the term. Some argue for a universal definition (Ayyagari et al. 2003), while others focus on regional standardization (European Union 2003). Additionally, some studies instead use the term “MSME,” including “micro enterprises” (Heintz 2012), some focus on “micro and small enterprises,” or “MSEs” (Dunn et al. 2006; El-Mahdi 2006), and still others use a combination of two or more of the terms, at times interchangeably (Handoussa et al. 2008; OECD 2010).

In Egypt, an official definition for micro and small enterprises was provided by the Egyptian Small Enterprise Development Law of 2004—the former defined as enterprises with less than E£50,000 paid-in capital and between five and ten employees, and the latter as those with E£50,000 to E£1 million paid-in capital and up to 50 employees (Loewe et al. 2013, 52). During the core period examined in this book, there was no national standard for defining medium-sized enterprises.¹⁵ Meanwhile, the Industrial

Modernization Center (IMC), the “quasi-governmental” development organization operating under the auspices of the Ministry of Industry and Trade as of 2004 (discussed in depth in Chapter 5), differentiated firm size purely on the basis of employment, with micro enterprises represented by firms having fewer than ten employees; small enterprises 10–49 employees; medium enterprises 50–199 employees; and large enterprises more than 200 employees (“IMC” 2009b).

However, as will be highlighted throughout this book, the decades-long ambiguity regarding what “SME” actually means carries great consequence. With billions of dollars of combined domestic and international funds allocated to supporting Egypt’s struggling “SMEs,” *who* falls in the category determines who is granted access to much-needed economic assistance. As will be discussed in the chapters that follow, the term “SMEs” should be problematized for: (1) suggesting a false unity of smaller enterprises, when instead socioeconomic considerations should be foregrounded; and (2) lending itself to become a discursive “object of development” (Mitchell 1991, 19). As I will argue, rather than represent the millions of struggling micro and small entrepreneurs—or, the ostensible target beneficiaries of many of the international development funding schemes examined—“SMEs” instead became a convenient rhetorical tool for business elites to capture resources. To avoid excessive repetition of “smaller enterprises” or worse, “socioeconomically disenfranchised enterprises,” I will at times use the “SME” shorthand with this implied caveat.

3) **Public Private Partnerships (PPPs) and the “quasi-governmental”**

Alongside the cacophony of voices calling for “SME promotion,” many in the international development community have supported the creation of close “Public Private Partnerships” (Rodrik 2004; Devlin and Moguillansky 2012). Rodrik (2004) for instance has argued such collaboration is necessary in order to bridge information gaps, allowing the private sector to shed light on market failures that must be targeted. He posits, “industrial policy making has to be embedded within a *network of linkages* with private groups [emphasis added]” (*ibid.*, 17), adding the caveat that bureaucrats must be characterized by “embedded autonomy”—referring to the Evans’ (1995) concept of close business-state relations, characterized by a merit-based Weberian bureaucracy aiming to promote development. It remains to be seen, however, how this exemplary system of public-private relations might be achieved. Rodrik (2004) suggests only that it would require “social learning” and “experimentation” (18).

The terms “Public Private Partnership” and “quasi-governmental” had a conspicuous presence throughout my interviews with members of Egypt’s business elite and state officials, and were often used interchangeably. The creation of PPPs also dominated the discourse of Egypt’s organizations established for “development” purposes during the reforms of the 2000s.

Defined as “any arrangement between a government and the private sector in which partially or traditionally public activities are performed by the private sector” (Savas 2000, 4), PPPs have been attributed with facilitating a range of consequences—from strengthening government control (Lucas 1997) to deepening neoliberal economic reforms that shift state responsibility to the private sector (Savas 2000; Hanieh 2011).

Proponents of this second camp posit the discursive construction of PPPs as nothing more than a “euphemism for privatization” (Hanieh 2011, 2). As Savas (2000) notes, it is “a useful phrase because it avoids the inflammatory effect of ‘privatization’ on those ideologically opposed” (16). This book agrees with the latter characterization of PPPs as vehicles for deepening neoliberal economic reforms; however, rather than draw a boundary between the domain of “the public” and “the private,” I focus on particular networks of individuals involved. As Wurzel (2004) demonstrates with regard to Egypt’s market liberalizing reforms of the 1990s, structural adjustment resulted in a reconfiguration of incentives and identities, complicating “usual categories of agency” (124). Thus, arguments theorizing actors as homogeneous groups (e.g., “the state” or “the private sector”) are deeply misleading. Instead, we must look at the individuals embedded within these networks of exclusion—regardless of whether they function primarily in the private or the public sector.

Accordingly, I argue the PPPs of Egypt’s Businessmen Cabinet era neither “enhance[d] the capacity of the state” (Lucas 1997), nor simply shifted state services to the private sector. Instead, I posit that the discourse of PPPs was used to benefit select *networks* of actors permeating Egypt’s public and private spheres. The ambiguous category of *quasi-governmental* provided those party to the networks with rent streams from both public resources and those intended for the broadly conceived “private sector”—the latter courtesy of international donors championing market liberalization.

This book highlights three main functions served by PPPs for the benefit of these networks of exclusion knitted together by Egypt’s business elites: (1) facilitation of access to public resources and policymaking circles; (2) creation of channels to secure foreign funds and export markets; and (3) the discursive transfer of state responsibility for SME inclusion to these new “quasi-governmental” bodies, along with their *quasi-governmental bureaucrats*. These PPPs—the central agents for implementing industrial policies under Egypt’s Businessmen Cabinet—demonstrated how “the politics of policy” plays a considerable role in determining outcomes of industrial reforms (Robinson 2009, 9). As Robinson observes, “if interests and institutions are not aligned then industry will not get promoted” (*ibid.*). This book assumes the existence of weak institutions in Egypt (e.g., World Bank 1994; Zaki 2001; Kaboub 2013) and attempts to offer a nuanced look at how industrial policy has played out in this setting.¹⁶ I highlight the political spaces in which structural change and industrial policy have been, and continue to be, defined.

In the case of Egypt in the 1990s–2000s, interests and institutions did align for a small segment of the country’s industrial actors, and their enterprises did get promoted. What this meant for the majority of Egypt’s manufacturers whose interests failed to factor into the “political equilibrium,” however, was continued marginalization and exclusion from the rents earmarked for industry.

* * * * *

Notes

- 1 Values in current US dollars. The balance of trade is calculated by total exports minus total imports.
- 2 One of the earliest and most notable consequences of IMF demands for Egyptian austerity was the 1977 Bread Riots—mass demonstrations that broke out across the country after the government lifted subsidies on basic commodities, which was a central conditionality for accessing IMF and US loans. Sadat’s cash-strapped government had conceded—after two years of pressure—to what they knew would be an explosive issue, demonstrating the extent of the President’s dependency on the body for seeing through his new economic vision (Dessouki 1981).
- 3 Many of whom entered the business world during the earlier reforms of *infatih* beginning in 1974 (Mitchell 2002; Roll 2010).
- 4 For full list of ECES Founding Board Members, see ECES (2009, 12).
- 5 Many of these executive members would also go on to head the organizations that were newly created or reconfigured throughout the 2000s (discussed in Chapters 5–7). In addition to serving as Chairman of the ECES (2005 inclusive), Galal Zorba wore many hats, such as President of the FEI (2004–2013) and ExpoLink (1997–2005); Taher Helmy was also President of AmCham; Mohammed Kassem, Vice Chairman of ExpoLink, Chairman of the Ready-Made Garments Export Council, and Chairman of the High Council for Textiles (relevance of these organizations will be discussed in Chapters 5-6 and 8).
- 6 According to Alaa Arafa, ECES Chairman (2010–2013), the Center was primarily created as a forum for private sector businessmen to bring their problems to the attention of policymakers and “affect policy in a direct way” (Author interview August 20, 2013).
- 7 He also served briefly as Minister of Finance (July 2013–February 2014) before the cabinet resigned.
- 8 Mr. Alfi, whom we may recall from the original delegation of the US–Egypt Presidents’ Council also served as Vice Chairman of the Social Fund for Development (discussed in Chapter 3).
- 9 Zorba, Ezz and Rashid were also founding board members of another of Helmy’s organizations established in 1998: Egypt’s International Economic Forum (EIEF). This served as yet another venue for promoting market liberalization through policy lobbying. The Forum offered a platform for Egypt’s cosmopolitan elites to shape the domestic “business agenda” and participate in international networking events with “strategic business contacts” (Saleh 2010, 134). Alongside Helmy, Zorba, Ezz and Rashid, sat Helmy Abouleish (skilled broker businessman of Chapter 5) and three additional members of the US–Egypt Presidents’ Council members also sat on the 15-member executive board of EIEF (*ibid.*, 136).

- 10 Not all of these men were businessmen, but they served on the Nazif Cabinet (2004–2011), also known as the Businessmen Cabinet.
- 11 The pair are business partners in Mansour-Maghraby Investment & Development (MMID)—an investment firm through which they also founded Palm Hills Developments: a leading real estate developer surrounded with controversy (see for example, Adly 2011). Maghraby also served as Minister of Tourism prior to his appointment as Minister of Housing.
- 12 Of course, not all instances of privatization yielded poor productivity outcomes. But as Stiglitz (2002) described after working as chief economist and senior vice president at the World Bank from 1997–2000: “Unfortunately, the IMF and the World Bank have approached the issues from a narrow ideological perspective—privatization was to be pursued rapidly;” and the IFIs’ scorecards counted the number of privatizations, with little regard to how prudent the transactions were (54).
- 13 Rodrik (2006) explains this “Augmented Washington Consensus,” but argues against it. Williamson’s (1990) originally proposed “Washington Consensus” (WC) described what he saw to be the dominant mindset regarding policy advice provided by DC-based organizations—particularly, the IMF, World Bank and US Treasury. His WC listed ten points, with macroeconomic stabilization, privatization, and trade liberalization the fundamental elements of the reform programs that would be applied throughout the “developing” world.
- 14 As Rodrik (2013) explains, the essence of structural change is “the emergence and expansion of new industries, and movement of labor from traditional industries into modern industries.” He argues this to be a central factor in achieving long-term sustainable growth and provides Asia as a prime example, attributing the region’s success to rapid industrialization and export-oriented production.
- 15 The Central Bank of Egypt reset the national definition in 2017 with categories based on annual revenue—defining micro enterprises as those with less than E£1 million annual revenue, small enterprises as between E£1–50 million, and medium as E£50–200 million. For newly established enterprises the categories are still based on paid-in capital, with less than E£50,000 paid-in capital for micro enterprises; E£50,000–5 million turnover for small industrial enterprises; E£50,000–3 million turnover for small non-industrial enterprises; E£5–15 million turnover for medium industrial enterprises; and E£3–5 million turnover for medium non-industrial enterprises (CBE 2017).
- 16 By institutions, I mean the “rules of the game” (North 1990, 477). “Weak institutions” implies that the rules governing society are not enforced in a fair and consistent manner.

2 Reconceptualizing “business” and “state” in business–state relations

Literature discussing business–state relations often conceives of “the state” in a rather homogenous manner. While different typologies are suggested—developmental (Wade 1990; Leftwich 1995) or predatory (Kohli 2004), for example—each individual “state” is commonly referred to as a unified entity, usually hierarchical in structure with those at the bottom participating in the agenda set by those on top. Despite long-held debates over conceptualizing “the state,” as Hertog (2011) suggests, “most political scientists still implicitly treat the state as a unitary actor” (12).

Meanwhile, with regard to the “business” of business–state relations, literature tends to emphasize the role of a monolithic entrepreneurial elite as it relates to important policymakers (Evans 1995; Heydemann 2004; Kohli 2004). Even when business–state relations are discussed in terms of socially situated actors (Haddad 2012), the connections examined are often confined to those existing at the upper levels of socioeconomic hierarchies.

A discussion of this nature will follow in later chapters. But first, this chapter argues that in order to understand the consequences of “business–state relations” on any given political economic arena, both “business” and “state” should be understood as existing in various manifestations, depending on the level of the economic or bureaucratic hierarchy at which the individuals are functioning. As Ferguson and Gupta (2002) contend, “we need to view states as themselves composed of bundles of social practices, every bit as local in their materiality and social situatedness as any other” (992). Rather than understand “the state” as a hierarchical continuum of actors working toward the same agenda, we must situate the representatives of “the state” in their social contexts. A similar case can be made for “business” and the need to understand firm owners as partaking in an economy characterized by “social embeddedness”—or the notion that economic activity is dependent on institutions that are not themselves inherently economic (Granovetter 2005, 35).

While analysis of the Egyptian “state” is beyond the scope of this study, this book proceeds with this assumption of “the state” as social (Mitchell 1991; Gupta 1995). Instead, focus is placed on “business”—in this chapter as it exists at the level of “SMEs.” I emphasize the misrepresentative nature

of referring to micro, small, and medium-sized enterprises as “SMEs,” a concept which, I argue, suggests a false unity.

Throughout my interviews I found key barriers to growth for SMEs to be significantly different depending on where each particular enterprise stood on the spectrum of micro to medium—barriers corresponding to each group’s unique social world. For micro and small economic actors, mundane impediments imposed by lower-level state actors posed the biggest hindrance, while medium-sized businesses placed far greater emphasis on lack of access to markets and fickle policy changes—or “the state” as a black box. That is to say, while micro and small enterprises suffered most from a “social embeddedness” (Granovetter 2005, 35) in the form of rent seeking from low-level bureaucrats, we see among medium firms another form of social embeddedness at work—that of selective transmission of information and denied access.

In what follows, I include brief snapshots of conversations, selected for their illustrations of common themes reappearing throughout my interviews with micro, small, and medium-sized enterprises. These vignettes of interviews with research informants are intended to provide a richer image of the individuals often discussed as de-personalized categories throughout the rest of this book. In addition to providing a human face to sterile references of “business owners,” these cases also highlight the necessity of differentiating micro and small enterprise owners from medium-sized business owners—both in terms of their social characteristics as well as their distinct relationships with “the state.”

Décor Amaar: micro to small-sized furniture enterprise

At the back of a furniture workshop in downtown Cairo, a man in his mid-40s sat hunched over a desk with tired eyes, flanked by an assistant reupholstering a chair beside him. I navigated between the stacked skeletons of tables and couches, balanced on top of each other like a puzzle. The man behind the desk, Mahmoud, handed me his card: “*Décor Amaar*” it read. “Gilding, cleaning, repainting and furniture production. Haj Amaar and his sons.”¹ On the back of the card Mahmoud, son of Haj Amaar, had written his name in ballpoint pen.

Over the course of my fieldwork, I met with Mahmoud numerous times, our conversations lasting between two and three hours. I learned that Haj Amaar had died in 2006 and Mahmoud had taken over the family business. His father first opened the modest business in the early 1960s after beginning as an apprentice in a furniture workshop at the age of 15. At its peak, *Décor Amaar* employed 14 people. Now it was just Mahmoud and Abu Mohammed, the elderly man working quietly beside him.

Earlier that week I had met with an upper-level official in the Ministry of Industry and Trade who recited a litany of government initiatives in the form of “Public Private Partnerships” intended to help SMEs. I was curious to see

what Mahmoud thought of the various partnerships. However, it quickly became apparent that I was asking the wrong questions. It was not these PPPs that defined Mahmoud’s relationship to state “services,” but something quite different.

Government assistance: conceptions of “the state”

When I asked Mahmoud and Abu Mohammed if they had heard of the Social Fund for Development (SFD)²—describing the organization’s services as they had been explained to me by a technical officer in their imposing 11 story headquarters in an upper-middle-class neighborhood in Cairo—Mahmoud replied with a definitive no, adding: “We don’t have those kinds of things in Egypt.”³

I proceeded down the list of “quasi-governmental” organizations charged with offering “business development services” to smaller firms, which had been provided to me by the Ministry official. Abu Mohammed interrupted: “The government *takes* from us! How could we expect help from them?”

“In Egypt, you don’t succeed except through your own efforts,” Mahmoud added. “No one is going to help you.” I asked them to use their imagination. “Let’s say a government representative came to you right now and asked what you wanted, what would you ask from them?” My question elicited a hearty laugh from both Mahmoud and Abu Mohammed. “That would never happen,” said Abu Mohammed. “But if we were to suppose” I insisted. “The thing is, we’ve supposed a lot,” replied Abu Mohammed. “The government takes. It doesn’t give.”

The banality of exclusion

Mahmoud continued by recounting the numerous visits from government officials.

If the government sends us someone who asks for E£700 [apx. \$100 at the time] for the water bill, how can we expect it to help us? I tell him to look at the meter. The meter says I owe E£60. Why are you asking for 700? He told me to pay and we could sort it out later. Of course I didn’t pay, and he said he would cut off my water. I’m not a cafe or a laundry shop. I use the water to make a cup of tea or wash my hands, wash my face. It’s cheaper to buy a few bottles of mineral water each month and use it to make my tea. So that’s what I do.

“You see!” Cried Abu Mohammed. “How do you expect the government to help us?”

Mahmoud rummaged through his desk drawer to find a slip of paper from the Administration of Works [*idarit el ishghalaat*]. The paper demanded the store owner “pay the appropriate dues stipulated by the 1956 Law 140

regarding use of public pathways [*fi sha'in ishghaal el turuq el 'amma*].” “This paper tells me that I have to pay a fee because I disturb the street. Do you see that out there?” Mahmoud asked, pointing to the sign above his shop.

It sticks out into the street 40cm, so I had to pay to get a license for it. And each year they send me a piece of paper like this that tells me to go and pay to renew the license.

The paper specified no amount. “How much does the license renewal cost?” I asked. “They don’t tell you. When I go there to pay, that’s when they tell me how much it will be. Every year is different. Sometimes it’s E£100, sometimes it’s E£150.”

Mahmoud explained that not only were the payments a burden to his business, but the process of paying them was equally so.

I get dizzy trying to pay the fees at all of the government offices. In the end, one might get fed up with them in the middle and go home. There are long lines and employees sleeping at their desks. I mean literally sleeping. You know the jokes that come on TV? An employee sitting at her desk peeling potatoes or something like that? It really is like that. There are employees snoring at their desks.

Mahmoud related the story of his final trip to *idarit el ishghalaat* (the Administration of Works) when he was determined not to play by the rules of the corrupted system. He was determined to do it “the right way.”

I went to renew the license and I told myself, ‘I’m not going to pay any bribes. I’m going to pay E£100 to the government. I’m not going to pay more than that.’ I went to the fourth floor and I told the employee, ‘I want to pay this fee.’ He told me I had to go talk to a man on the first floor. So I went to the first floor and the employee wasn’t there. Someone told me to go to the third floor. Then when I got there, they sent me back down to the first floor. I kept going up and down until in the end I gave up and said I’ll just pay the extra E£20 and be done with it. So I added E£20 to the 100 and asked him to sign for me. He opened up his drawer and I slipped the money in and he signed. Then he said, ‘you need these other guys to sign, too.’ So this guy signed and took money and this guy signed. In the end E£100 became E£200. And if I didn’t do that, my whole day would have been wasted. I would have gone home when the building closed without having accomplished a thing.

Returning to my question of whether or not he sought assistance from government organizations or their “quasi-governmental” affiliates, Mahmoud added in a tone of resignation: “When I try to *give* money to the government it’s this difficult. Imagine if I were going to ask for something from them.”

Mahmoud concluded his saga by recounting a new strategy.

Now for these things I just wait for the inspector [*el mufattish*] to come to me and ask to see my paperwork and I pay him the extra. Or I might know someone from the Federation of Industries [FEI]⁴ and I tell him that I want to renew my commercial license [*sageel el tugari*], for example. So I pay him the E£100 plus an extra 50 and he signs the paper and that’s it. Or maybe I’ll meet someone randomly and find out he works there, and I’ll give him the extra money and have him sign for me. Or a state employee [*mowazzaf*] will come and sit at the coffee shop on the corner there to smoke sheesha. Either way I’m going to pay extra. I might as well spare myself the trouble of spending the day with the government.

Mahmoud shuffled through his well-kept files, their orderliness incongruous against the piles of furniture and tarps strewn around his workshop. There were papers from the General Administration of Commercial Registration, the Ministry of Supply, the Ministry of Justice. I made a comment about the number of different governmental bodies he had to deal with. “Oh yes, we have a lot of ministries ... and a lot of ministers. The government wants to appoint so many wonderful ministers it makes ministries just for them,” he said with no attempt to hide his sarcasm.

He pulled out a crumpled sheet of paper with “National Authority for Social Insurance” written at the top. The paper had a long introduction that I skimmed cursorily to find at the bottom a requested fee of E£7,340, a sum (at the time) exceeding \$1,000. Mahmoud explained that the government required any shop to have at least one member of the enterprise have this “social insurance.” The government rebuke on the crumpled receipt said that this fee was the backlog of what Mahmoud’s brother owed—the accumulated sum after four years of not paying the required monthly payment, plus interest for missed payments. His brother, Ahmed, now lived in Dubai after the factory he was working for as an accountant in Sharm el Sheikh closed—a job he originally began because the family furniture business was not lucrative enough to support both brothers and their families. “What happens if you don’t pay this?” I asked.

They’re very patient. They just keep sending these bills, each time they grow bigger and bigger. Between social security payments and taxes and visits from the Administration of Electricity, the Administration of Water—you feel like you’re drowning.

Mahmoud went on to explain that the worst part of the government fees is the fact that you get nothing in return. “My father paid E£100 every month for 65 years for his social security. How much do you think he got when he retired?” I estimated on the low side judging from how he phrased the question. He laughed with a shake of the head—the recognizable sign of resignation seen again and again with mention of the government, or *el nizam*, “the system.”

“In the end he got E£36 a month. That’s why no one knows how to grow a project,” Mahmoud added. “I have to pay left and right. And for what?”

While we were on the subject of grievances concerning the government, I raised a complaint certainly not unique to Egypt. I asked Mahmoud if among his piles of paper he had anything related to taxes. “Taxes... now this is the real craziness!” He replied.

Really, the people who work in the tax office are crazy. A guy sitting at his desk looks at the paper and says, ‘Ok the gold-covered chairs from the parlor, this one month you got two to work on. In a year, you must get 24.’ Then he says, ‘One must be E£5,000 ... from that your profit is E£3,000. That means we want from you E£1,500 for each one.’ He takes half of my earnings. I have no idea how they calculate it, but somehow in the end they ask for E£50,000 for a year or something crazy like that. If I made E£50,000 in a year, I wouldn’t be in the state I’m in now.

Mahmoud’s average annual income over the last ten years was E£25,000 (apx. \$3,500), with considerable fluctuations over the previous three years of political instability (2011–2013). I asked how he dealt with the situation if he did not have E£50,000 to give. He said he had to pay a lawyer who knew people on the inside so the lawyer could pay a bribe and get them to reduce the taxes.

Weighing the benefits of informality

Our conversation flowed naturally into discussion of the informal sector, which offered refuge from such impositions.

You know the man who always stands on the corner here with his cart and roasts sweet potatoes? Three days ago, a police officer came and told him that he couldn’t stand here anymore because he didn’t have a license. So they had a big fight and the man went just around the corner and sold there for a couple of days before coming back to his spot here. For him it’s not a problem. He can just take his cart and go somewhere else. But for me, if they closed my shop even for a day, it would be a problem. People would lose their trust in me.

It seemed at first that the difference between people in the informal sector and Mahmoud was that the informal sector was comprised of individuals often so poor they had nothing to lose. The police could not extract rent from the sweet potato seller because he had nothing to give. They had a type of power that Mahmoud lacked. The power of complete disenfranchisement. But I was corrected. “Actually,” said Mahmoud,

a lot of them make more money than I do. When you take into account all of the fees I pay—taxes and bribes—and the increasing prices of

wood and paint materials. Sometimes I think I would be better off selling sweet potatoes.

As a formal micro enterprise, *Décor Amaar* was a rare breed. Although micro and small firms comprise an estimated 99 percent of Egypt’s enterprises, more than 80 percent are believed to operate in the informal sector (Handoussa et al. 2010, 36). I was curious with all of the clear detriments to formality why Mahmoud did not then join the ranks of the millions of Egyptians who work in the informal sector. Why, if Mahmoud experienced so much strife and such little benefit, would he not close his current location and open a new workshop on the sly?

This workshop was my father’s and has been here for over 50 years. We have a good reputation in the neighborhood. Everyone knows Haj Amaar. They trusted him, so they trust his sons. Even if I don’t have many customers at the moment, *inshallah* things will get better. If I became informal and left this place, then the reputation my father worked so hard to build would be gone. I’d have to start from zero.

However, Mahmoud did concede that he was not averse to participating in the informal sector to supplement his major source of *rizq*—livelihood, sustenance. On days when he had no orders he would rent a tuk tuk (motorized rickshaw) from a man in his working-class neighborhood of Imbaba, usually making around E£200 in a 12-hour shift. After a quick calculation, he noted that he would make more money if he left the shop. “But that’s no one’s dream,” he added.

After all that training and ambition, in the end you go and ride a tuk tuk all day? It’s like a toy. You want to have a factory, something you can be proud of and nurture and grow. What are you going to leave your children? *Inshaallah* not a tuk tuk.

* * * * *

El Arco Design: medium-sized furniture enterprise

Mr. Mohammed Karim waved me down on the side of the highway outside El About Industrial Zone, wearing a collared shirt unbuttoned to mid-chest. We arrived at the gates of his small warehouse/office building after driving through the dusty streets populated by other gated factory sites. I followed Mohammed into the humid warehouse where he showed me their items in stock—a variety of furniture pieces, from fancy office chairs and big wooden desks to children’s racecar beds and chaise lounges. It was clear that El Arco Design had seen better days. The crown molding lining the bottom of the wall leaned toward the ground like a loose tooth and Mohammed pushed it together with a shake of the head, cursing under his breath that everything was falling apart.

There were few people to be seen around the office at 11:45am on a Wednesday aside from Tamer—a tall, slow moving man who brought us coffee and appeared on command whenever Mohammed shouted his name. We sat down in the stuffy office where he closed the windows and turned on the air conditioner, pulling out his packet of cigarettes—the sacred combination that never failed to appear in my meetings with bureaucrats and businessmen wealthy enough to have the former. “So you want to know the difficulties I face as a medium-sized business?” He asked. “I will tell you the difficulties.” Mohammed began his monologue. “There are three key points to being a successful businessman,” he continued. “First, you have to work in what you understand. Second, you have to know who you want to sell to. Third, you have to know where the money will come from.”

“And is this last point is difficult in Egypt?” I asked. “Incredibly!” he shouted: “It’s very very difficult to get a loan from the bank if you’re not known [*ma’roof*] there. I mean, if you don’t know someone inside the bank, and you never had a loan before it’s basically impossible.” Mohammed explained that this was as true in the banking sector as it was in business in Egypt more generally: “Look, here in Egypt there is a closed circle [*diera mughlaqa*],” he said as he illustrated his explanation on a piece of scrap paper. “If I don’t have connections [*wasta*], I won’t know how to get into this circle.” He continued:

Wasn’t there a barter system [*muqayda*] before money was invented? This is what these people do between themselves in this circle. In any country you’ll find that the people from rich families, they are the ones who are in control of the important commodities—steel, cement, fertilizers, car franchises.

Each commodity corresponded to a rectangle that he drew around the circle. “They close this circle on themselves and invite their friends from other sectors in, and everyone left outside of it are just little crumbs [*fatafeet*].”

I asked Mohammed about some of the biggest difficulties he had faced during Mubarak’s last five years. Without hesitation he cited the mercurial nature of policies as his number one impediment:

For example, I would order an import of 100 pieces of a certain raw material only to find that the government decided to forbid the importing of that particular classification of goods without warning. Then I have the order sitting in customs with tariffs too high to make it worth me going to pick up the product.

Mohammed explained that this was especially problematic when these materials were necessary complements to products he had already started:

Let’s say I make 100 tabletops and I want to import the material for the legs of that table. So here I have 100 surfaces and I’m not allowed to get the right wood to make the legs. What do I do with a table without legs?

He added this was particularly detrimental when some of his competitors in the industry did not face the same problem: “And sometimes, something tricky goes on—the VIP businessmen are told before the law comes out, so they can import what they need before the deadline or decide not to make the tabletop in the first place.”

Alongside fickle policy, Mohammed turned to the bureaucracy as an additional obstacle to his competitiveness in the international arena in particular.

We need simplified bureaucratic procedures [*tabseet el igra’aat*]. For example, every three years we have to renew our production license. Our lawyer has to go to a bunch of different authorities to license the project. And if I didn’t have a lawyer, I’d have to go myself like many small enterprises have to do.

Government assistance for medium-sized firms

I asked Mr. Mohammed what he thought about the various “SME support” programs described to me by the assistant to the Minister of Trade and Industry. *Fashleen*—failures, he said without skipping a beat. Had he even heard of any organizations offering ostensible services to medium-sized businesses like his? He opened his laptop and searched. “I’ll tell you. There’s one called...” he scanned the screen and finally looked in his drawers and found a pack of papers stapled together, showing me the card of the Industrial Modernization Center (IMC) stapled to the top. The executive assistant at the Ministry of Industry and Trade had described to me the IMC as an affiliate of the Ministry that provided management, technical assistance, and access to export programs for small and medium-sized companies. It was meant to be the “technical arm” of the Ministry, with a mission: to modernize and develop Egypt’s industries in different fields. Mohammed had a different idea of the organization:

They get grants from abroad and have employees with high salaries. Of course, all of them are from privileged families [*wilaad nass*] who don’t do much of anything. By the time the grants go through all of the employees, there’s nothing left to be spent on the ground.

“But,” he added, “they do make a good show.” Mohammed recounted a training course he attended in 2010 that was organized by the IMC, which he complained provided information that, “even young children already know;” and described the IMC support to participate in trade exhibitions as a farce:

They pretend to subsidize the trip. Say I can go to a good exhibition and rent a space for \$10. What they do is they make a stupid exhibition and say the cost is \$30 and they’ll ‘subsidize it’ to be \$15.

I asked Mohammed whether he thought this was done intentionally as a kind of scam, or simply due to poor execution:

The problem is that the people working there don’t have any experience. If I want to buy cheese, am I going to go to the bank? If I have a problem with my car, am I going to call a plumber to fix it? These people get their positions through connections. Not because they specialize in that field.

Mohammed, a medium-sized businessman outside of the *diera mughlaqa* (closed circle), summarized his experience of business–state relations, confined to the space of *fatafeet* (crumbs):

Look, industry in Egypt isn’t working correctly. There should be governmental organizations that help company owners. But in small companies, or medium ones, the owner has to do everything himself. He has to come up with good designs, search for raw materials, look for exhibitions to join, find financing, get new machinery. If you turn to the government, you’ll only waste your time.

Conclusion

Commenting on the oft-discussed “state-society” division, Mitchell (1991) argues: “the distinction must be taken not as the boundary between two discrete entities, but as a line drawn internally within the network of institutional mechanisms through which a social and political order is maintained” (78). Indeed, if we take a social approach to understanding economic actors, we see the separation between “state” and “society” is fairly artificial. Likewise, this concept can be applied to the “state” and “business” division occurring between low-level bureaucrats and small business actors. The two categories should not be understood as entirely discrete entities—they are both comprised of Egyptian citizens in similar positions on the socioeconomic spectrum. And yet, discursively they are made out to be very distinct actors in society.

While there are clear power structures in play (e.g., “if I don’t pay their bribes, they can close my shop”), more often small businesses and low-level bureaucrats engage in a sort of collusion that subverts the “higher state.” This subversion is not necessarily intentional, but rather a matter of convenience, or often, necessity. The *mowazzaf*⁵ supplements his meager wages, and the small businessperson is spared the hours of waiting in lines at government agencies. In the words of Mahmoud: “I wait for them to come to me.”

Meanwhile, if the division between “business” and “state” proves problematic, so too does the aggregating of micro, small, and medium-sized enterprises as the discursive “object of development” (Mitchell 1991): MSMEs. Both Mahmoud (with his formerly small, then micro-sized furniture enterprise), and Mohammed (with his medium-sized furniture business), fell under the frame of “MSMEs”—the ostensible targets of the many “business development services” offered during the Businessmen Cabinet era. However, as

evident in the conversations cited above, each possessed different endowments of *capital*, and existed in very distinct social spheres of Egyptian society. Consequently, they experienced “the state” quite differently.

As Mitchell (1991) posits, “the state” exists very much in both a *conceptual*, as well as *empirical* realm. That is to say, “[the state] occurs not merely as a subjective belief, incorporated in the thinking and action of individuals,” but is also “represented and reproduced in visible everyday forms” (82). Over the course of my interviews, common trends emerged with regard to how various actors conceived of “the state”—existing in very different forms, both conceptually and empirically, depending on where business owners sat on the spectrum from micro to big. For micro and small business owners, empirically “the state” was the *mowazzaf* who comes to collect his rents; “the state” was papers in the post with ministry letterheads requesting fines and payments. Conceptually, it was a *weight*—very solid, material, and visible.

For medium-sized business owners, empirically “the state” consisted of the auditors demanding bribes in exchange for passing quality inspections, and licensing procedures farmed out to lawyers. However, these bureaucratic visits were of less consequence—resulting in an added burden, but not a threat to their survival. Instead, medium business owners emphasized exclusion from export markets and exposure to sudden policy changes as their main barriers to growth. Thus, conceptually, “the state” was simultaneously a *hurdle* (a costly annoyance) and, more importantly, a *black box*—an invisible machine of policymaking and trade control.

In the chapters that follow I attempt to demonstrate that for the business elite (particularly in Mubarak’s last decade) “the state” became two things. Empirically, it was ministers and members of parliament—politicians of the ruling NDP. Conceptually, “the state” became a *space*, or forum in which to act. This occurred at the upper tiers as businessmen became members of ministers’ advisory councils, members of parliament, or ministers themselves. At the same time, this tier’s empirical experience of “the state” was comprised of their inferiors—the estimated 5.5 million bureaucrats dispersed throughout various ministries and administrative bodies (Kandil 2012). Conceptually, this to them was a vestige to be shed—a messy web of overinflated organizations now obsolete, in need of being replaced by their own set of quasi-governmental bureaucrats in “Public Private Partnerships,” which they were to manage.

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Notes

- 1 Translation from Arabic. Interviews conducted August-September 2013.
- 2 Law 141/2004 on the Development of Small Enterprises designated the SFD as “the entity competent with fostering the development of small enterprises” (SFD Pamphlet); Discussed in further detail in Chapter 3.
- 3 All quotes originally in Arabic.
- 4 Discussed in Chapters 4 and 5.
- 5 Literally “employee,” but often takes the connotation of low to mid-level bureaucrat.

3 Developing Egypt's "SMEs" The Social Fund for Development

Established in 1991 with funding from the World Bank and UNDP, the Social Fund for Development (SFD) was intended to serve as a "social safety net" to lessen the blow of the structural adjustment reforms on Egypt's poorest. As early as the mid-1990s, this mandate took the problematic form of promoting micro-entrepreneurship through debt capital (Elyachar 2005), but it wasn't until 2004 under the Businessmen Cabinet that the body shed most of what remained of its human and community development assistance (e.g., education, healthcare, and sanitation) to fit the MSME-centric policy push of international donors. Meanwhile, microfinance for these smaller enterprises would now be subjected to "market forces," making the already tenuous claims of poverty alleviation through debt ever more dubious.

Alongside the SFD's increased microfinance activities, its wealth of international endowments intended for poverty reduction were put to other questionable uses. As El-Meehy (2010) demonstrates, the ruling NDP employed SFD resources to strengthen its multi-tiered patronage networks. While this politicized allocation of social services operated behind the scenes, in front of the curtain, the stage was filled with sets and actors and song and dance.

This chapter highlights the importance of discourse in concealing the failures of foreign-funded development organizations to serve their intended purpose. We see how domestic interlocutors learn the international development vocabulary and reproduce it for their foreign funders to form partnerships based on "a corpus of rational techniques—planning, methods of measurement and assessment, professional knowledges, institutional practice," in order to treat a specific development problem (Escobar 1995, 18)—in this case, Egypt's "missing middle," or deficit of medium-size firms (Al-Yahya and Airey 2012).

Building on the previous chapter's argument for the need to reconceptualize business-state relations based on an individual's socioeconomic capital, this chapter provides a glimpse into lived experiences at the SFD—the central organization for distributing micro and small enterprise assistance. It introduces the archetype of the *quasi-governmental bureaucrat*—or what I posit to be the "quasi-governmental" equivalent of the traditional low and mid-level bureaucrat (i.e., the natural interlocuter for micro, small and medium-sized

entrepreneurs)—and maintains this book's refrain: that these individuals should be understood by the socioeconomic capital they possess, rather than by institutional affiliation.

Similar to organizations that will be discussed throughout subsequent chapters, we see in the case of the SFD: (1) substantial endowments from the international development community, coupled with (2) a command structure with ruling NDP top officials at its head, and lower-level NDP members penetrating lower-level positions, (3) an uninspired quasi-governmental bureaucracy, and (4) a dissonance between lived experience of ostensible targets of the SFD program and the official publications/foreign donor evaluations.

A macro-level view of reform era consequences on smaller firms

Egypt experienced considerable economic growth over the 2000s with GDP increasing at an annual average of 4.7 percent between 2000 and 2008, peaking at 7.2 percent (Loewe et al. 2013, 70). However, this economic prosperity was not felt by all. Despite growth at the national level, the percentage of Egyptians living in poverty increased from 16.7 in 2000 to 21.6 in 2009 (Harrigan 2011, 13). Meanwhile, by 2010 unemployment was reported at 26 percent, and the informal sector had grown by an estimated 3 million people (Kandil 2012, 216). At the same time, public spending was on the decline, dropping from 60 to 35 percent of GDP between the 1980s and 2010 (Malik et al. 2019, 3).

These developments emerged in the wake of the IMF-led structural adjustment reforms of the 1990s. As part of a larger reform experiment occurring throughout the “developing world,” ERSAP followed the core neoliberal tenets of the Washington Consensus: macroeconomic stabilization, market liberalization, and privatization. While results of IMF reform programs varied considerably from country to country, certain trends emerged. Due in large part to the dual processes of rapid trade liberalization and privatization, thousands of workers lost their jobs—unable to compete with imports (often subsidized by the exporting country) (Stiglitz 2002, 17) or laid off as state-owned enterprises shifted to the private sector (Reinhardt and Peres 2000). Meanwhile, the informal sector, absorbing many of the unemployed, typically offered workers far less lucrative activities and job security (Ocampo 2004).

In order to address these transformations, development literature has emphasized the need to concentrate on “small and medium-sized enterprises” (SMEs) to promote economic growth and employment (World Bank 2001b; OECD 2004; Handoussa et al. 2008). This literature champions SME promotion as a way forward for greater economic inclusion and poverty reduction. In Egypt, the relevance of SMEs to inclusive economic development is readily apparent, with an estimated 99 percent of Egypt's private firms falling into the category of micro or small enterprises and accounting for approximately 80 percent of national employment (Loewe et al. 2013, 53).

Beginning in 1991 with the first round of Mubarak-era market liberalizing reforms, numerous initiatives have been taken with the aim of assisting SMEs

and filling the country's "missing middle." More recently, the "Ministry of Industry and Trade" has become the "Ministry of Industry, Trade and SMEs," reflecting executive-level attention to the issue. And yet, Egypt's private sector remains characterized by the predominance of micro and small firms, a minimal and struggling middle, and little observable improvement in terms of firm growth or greater economic inclusion for either (Al-Yahya and Airey 2012; Ghanem 2013).

Redefining the SFD under the Businessmen Cabinet

The SFD stood at the center of the international development community's efforts to assist Egypt's "SMEs" during the tenure of the Businessmen Cabinet. Law 141/2004 on the Development of Small Enterprises redefined the SFD as: "The entity competent with fostering the development of small and very small enterprises and with planning, coordination and promotion for their dissemination on a wide scale..." (ADB 2006, v). The Fund became the central body for all things micro and small enterprises, channeling most international funding for these smallest firms to its coffers. At the same time, SFD's mission became preoccupied with acting as a financial institution lending to MSMEs, while distancing itself from activities in education, sanitation, and healthcare. Annual spending on the latter plummeted from E£286 million in 2005 to just E£67 million in 2008, while microcredit disbursements jumped from E£230 million to E£476 million over the same period (Abu Elmagd et al. 2011, 24). This was done largely at the behest of major donors, who wanted to push the body toward self-sufficiency—namely, by reaping interest from loans (*ibid.*).

The idea that saddling the working poor with debt will pull them out of poverty has been widely and convincingly problematized. As Roodman (2012) notes, "On the limited high-quality evidence so far available, the average impact of microcredit on poverty is about zero" (141). And yet, microfinance has remained in vogue, perhaps because it is "the neoliberal development strategy par excellence" (Hickel 2015). The microfinance solution to inequality tells us to "[f]orget about challenging the concentration of power and wealth... Bankers shall be our new heroes and debt our salvation" (*ibid.*).

The SFD's microfinance activities in the 1990s proved problematic for a host of additional reasons. Egyptian banks that received donor funding to distribute as subsidized loans were often reluctant to release the cash, preferring instead to trade the foreign currency on international markets or earn interest by lending it out to larger borrowers at commercial bank rates (Elyachar 2005, 198). Meanwhile, by the time some of the grants and heavily subsidized loans trickled down from the banks through the NGOs to their intended recipients, the "micro-entrepreneurs" were forced to pay market rates. Ultimately, most of those who did receive loans failed to create sustainable, productive enterprises due to a range of complex issues, not least of which: the donors' privileging of "the neoliberal market" over already existing (functioning) local ones (*ibid.*, 213).

These fundamental issues notwithstanding, the SFD's microlending would take on reinvigorated importance under the Businessmen Cabinet. As noted above, disbursements of microcredits more than doubled between 2005 and 2008. But alongside these internal developments, the SFD would also play a central role in "marketizing" the microfinance industry, injecting its resources into Egypt's first private sector (for-profit) microfinance lender, Reefy. Subsidized loans would no longer be captured by state-owned banks; microfinance would be disbursed without support (or "handouts"); and borrowers would pay well above the rate of their larger counterparts due to the extra operating costs associated with such small loans, higher portfolio turnover rates, and ostensible increased risk. In short, "market forces" would reign supreme—in the process enriching Egypt's connected elites and indebting the poor.

Like so many other developments during the economic reforms of the 2000s, this story starts with a wealth of cosmopolitan capital blended with public-private partners. USAID would spearhead the efforts, with lucrative ripple effects for its cosmopolitan interlocuters.

Commercializing microfinance: from poverty reduction to profitmaking

Egypt's history with microfinance is inextricably linked to USAID. The organization introduced the concept to Egypt in 1989, and between then and 2004 USAID is estimated to have funded some 70 percent of all microfinance activities (AViD 2004, 28). It funneled tens of millions of dollars in financing to business associations and NGOs, and entered into a partnership with a small consultancy firm to provide technical assistance, Environmental Quality International (EQI)—founded in 1981 by the US-educated, Francophone, Egyptian national Mounir Neamatalla. With the microfinance craze of the 1990s, EQI—which, as its name suggests, focused on environmental conservation—expanded its activities from the firm's original specialty to include other "development needs" (EQI 2019). And with the help of USAID, Neamatalla's firm became "the primary technical service provider for microfinance activities in Egypt" (AViD 2004, ix), winning nearly \$14 million in USAID contracts between 1993 and the 2005 (DAI 2006, 69).

At the start of the 2000s, USAID began its efforts to shift Egypt's microfinance industry to the commercial sector, removing the "market distorting" practices of subsidizing credit for the working poor. The organization had been on the lookout for a bank that would be willing to implement direct microfinance lending and found a convenient alliance with the help of its "local" partner, Neamatalla.

In 2001, Neamatalla brought his friend, Ahmed el Bardai—former/future private banker and erstwhile chairman of the state-owned Banque du Caire (BdC)—around to the idea, making BdC the first bank to directly lend to micro-entrepreneurs. As a USAID-commissioned report notes, "Mr. Neamatalla's personal relationship with Mr. El Bardai provided EQI with the opportunity to enlist BdC in this effort" (DAI 2006, 13). USAID offered the funding for technical assistance, paid to its long-time subcontractor, EQI.¹

Their efforts were met with considerable success. By late 2005, Banque du Caire had become one of Egypt's largest providers of microcredit, with over 86,000 borrowers and a gross loan portfolio of E£189 million (\$32.7 million) (*ibid.*, 30). Naturally, banks do not make poverty reduction their driving goal. As the report notes, BdC viewed microfinance "as a retail product line, not a mission," and the bank issued small loans at 16 percent interest compared to the average of 13.4 percent interest for normal one-year loans during the same period (CBE 2005, 23).

While the bank's profits from its microfinance activities were not particularly grand (E£6.38 million, or \$1.1 million, in FY2005), the yield on its microcredit portfolio stood at around 29 percent—more than three times that of the bank's overall average yield, suggesting that microfinance may be "more profitable than the bank's overall activities" (DAI 2006, 33–34). Many of the extra costs eating away at the microfinance revenue of E£40.65 million (\$7 million) in FY2005 were personnel expenses, accounting for nearly half of that (*ibid.*, 33).

Banque du Caire's foray into commercial microfinance during the early 2000s demonstrated there was a profitable market waiting to be tapped into by the entrepreneurial private sector. A private firm could trim excess employment (difficult to do at a state-owned bank) and cut down on costs. The problem: prevailing laws prevented nonbanking companies from receiving deposits and restricted microfinance activity to NGOs and banks (Sanabel 2010, 17; Adly 2020, 149).

To remedy these constraints, USAID and UNDP hired Neamatalla's consultancy firm in 2004 as a "key player" in devising the National Strategy for Microfinance in Egypt (EQI 2019). The SFD—by this time led by Businessmen Cabinet ministers—would also sit on the project's steering committee (EBI 2005). The central aim of the initiative was to push for the "marketization" of microfinance lending, with a strategy "based on the premise that the commercialization of the microfinance industry promotes competitiveness and continued innovation, thus redirecting the trajectory of this sector from a subsidy-based to a market-induced approach." To achieve this, the report continued, "the private sector must play a dominant role..." (*ibid.*, xxxi).

In 2005 Bardai left his post as chairman of the state-owned Banque du Caire, eager to return to the private sector. With Neamatalla's assistance, he set out to create a sleek and efficient microfinance lender. The National Strategy for Microfinance had drawn the map for commercializing the microfinance sector, but conservative forces in Egypt's financial and legal systems, namely the Central Bank, Ministry of Justice, and the State Council (Adly 2020, 149), proved reluctant to implement the strategy's prescriptions. A 2004 Presidential Decree (No. 83) presented a workaround. The decree granted the SFD permission to establish "associate companies" assuming they supported the SFD's "developmental objectives" (Sanabel 2010, 17)—a partnership that would allow a new company to lend microcredit alongside non-profit NGOs.

In addition to Neamatalla's work on the National Strategy with the SFD, he had long-standing connections to the Social Fund. Prior to his contracts

with USAID, Neamatalla's EQI was tapped by the World Bank and UNDP and "assigned the responsibility for creating" the SFD itself in 1991. EQI had also "served as an interim Technical Secretariat for the Fund," which included creating a program of implementation for the first year's activities, among other tasks (EQI 2019). These links to the organization no doubt helped the pair convince the SFD to invest in their for-profit microlending company in the mid-2000s, making their project an "associate company" in ostensible pursuit of the Fund's mission to alleviate poverty. Bardai brought his friend, Naguib Sawiris, telecom tycoon and scion of Egypt's richest family, on board as another core investor; and Neamatalla's EQI was hired to set up the company (Sanabel 2010, 17; Halime 2011; EQI 2019).

In 2007, Egypt's first private sector microfinance lender, Reefy, was born. Laws still prevented the team from receiving deposits, so they registered as a "service company" and contracted with Egypt's largest private sector bank, Commercial International Bank (CIB), to offer microfinance lending services to CIB, which would then provide the funds from its reserves (Sanabel 2010, 17). As Bardai explained, his primary goal in establishing Reefy was not to reduce poverty, but to make a profit, telling the Cairo-based *Al-Ahram Weekly*, "The standard for success is the return on our investment" (Nasr 2010). How was Reefy different from a bank? "We're not. Reefy lends exactly at the same market rate for banks... which is 16 per cent" (*ibid.*). That is, 16 percent was the market rate for banks' *microloans*, while the interest rate for normal loans of one year or less stood at an average 11.1 percent during that period (CBE 2010, 2).² Bardai went on to explain the main difference between their new venture and banks was their "cost-control mentality"—in other words, they underpaid their employees. "Reefy has 515 employees with monthly salaries less than one tenth of a similar number of employees working in a small bank" (Nasr 2010).

As for microfinance directly subsidized by the SFD (using government and donor funds), we see a similar shift toward support for profitmaking activity. While the Fund had originally placed a ceiling on the interest rates banks could charge on loans receiving SFD support, that practice would be abandoned by late 2010 in favor of ensuring banks' "autonomy in setting the price to end-borrowers" (Abu Elmagd et al. 2011, 78)—in effect, further subsidizing banks' microlending, while ensuring Egypt's working poor were subject to "the market." With the creation of these explicitly profit-seeking microlenders in the 2000s, the "markets of dispossession" advanced by the SFD in the mid-1990s (Elyachar 2005) reached a new level—with even more of the working poor's resources diverted to Egypt's wealthiest.

Loans as favors: SFD lending to ruling party clients

Alongside the SFD's investments in Reefy, its resources intended for poverty alleviation and economic empowerment were put to other questionable uses. As El-Meehy (2010) demonstrates, the SFD served as "an excellent vehicle for dispensing patronage" for the ruling party (234). Indeed, at the top of the

organization we find a wealth of familiar faces close to Gamal and intertwined with the NDP. Businessmen Cabinet ministers led the organization with Prime Minister Nazif as Chairman alongside board members Rashid, Mansour, and Ghali (ADB 2006, 48). Gamal's confidant, businessman Moataz al Alfi, also had a seat on the board, while the SFD's managing director, Hani Seif el Nasr, sat on the NDP's Policies Committee, headed by Gamal (El-Meehy 2010, 236).

This leadership structure permeated the organization, with NDP affiliates populating all rungs of the ladder. And the ruling party was not shy about advertising its relationship to the "pro-poor" organization. NDP offices hosted SFD lending services and the NDP dipped into SFD funding to provide financial aid programs to university students (*ibid.*, 236). The ruling party's use of the SFD for its political agenda became particularly apparent during the 2005 parliamentary elections. Some SFD officers who distributed loans were also longstanding NDP members running for office, and others participated in state-sponsored voter registration campaigns (*ibid.*, 249). Additionally, a special program was launched in 2005 in which NDP members of parliament could guarantee SFD loans for small businesses in lieu of the demanding bank requirements for collateral (*ibid.*, 248). At the executive level, SFD managing director el Nasr secured a seat in the upper house of parliament as an NDP candidate—winning an uncontested race after the Brotherhood candidates were forced to withdraw (*ibid.*, 236).

Given this organizational structure, it is perhaps unsurprising that resources were also allocated along politicized lines. The official SFD poverty and unemployment maps demonstrated a weak correlation to assistance allocation patterns (*ibid.*, 239). Instead, the Social Fund rewarded areas with histories of voting for NDP candidates, while passing over areas known to have high levels of (oppositional) Muslim Brotherhood enthusiasts.

But none of these elements of the SFD could be gleaned from a visit to its Cairo headquarters. Instead, what one finds is a quasi-governmental bureaucracy and the requisite trappings of equal opportunity and unbounding success.

The SFD bureaucracy: interpreting success

Mr. Mohammed, a technical officer at the Cairo headquarters of the SFD, sat at a corner desk in a room filled with cubicles—all but one of which were empty at 2pm on a Wednesday afternoon.³ After a brief introduction of my research and the requisite provision of tea, Mohammed jumped up from his chair to begin gathering an impressive assortment of booklets and pamphlets—each decorated with a flattering photo of Mubarak. "And I can show you a short film, too!" he said excitedly, swiveling the computer screen my way. The film opened with the same photo of Mubarak—"Of course, this is from the Mubarak days," he interjected—and a quote by Mubarak about how he aimed "to improve the state of the Egyptian people and life of the people who need the most help." Mohammed fast-forwarded to the part

where well-dressed young people come into the office to apply for loans. "Look! This is how it works." In the film, each one takes a number and then sits down in a neat row of chairs to fill out the application. "This is what we do," he said.

When I asked who exactly was able to benefit from SFD assistance, Mohammed ran to the cupboard and grabbed yet another pamphlet. "Great question!" He said excitedly. "I'm glad you asked it!" He went on to explain that "anyone who has a good program and is at least 21 years old can apply," and handed me another pamphlet detailing the criteria. As I looked at the information, Mohammed returned to his computer, "And we have a lot of success stories [*qisas el nagaH*]" he exclaimed. He flipped through photos on the computer and narrated the different kinds of programs the SFD supported as exhibited on the screen. He opened a photo from Port Said with a group of young women standing around crates, holding up bunches of grapes; another of men with a large net bringing in a pile of fish; and photos of visiting men in suits standing in a row at various micro projects, looking out of place with backdrops of water buffalo and construction site rubble.

"But these are just some of the projects!" said a young woman in the neighboring cubicle. "I'll get you the DVDs." I asked Mr. Mohammed if it would be possible to speak with individuals who had taken loans from the Fund. "That would be difficult," he replied. "But look! You don't need to. You have the *qisas el nagaH* [success stories]!"

"Legitimate dreams": accessing assistance

The young woman returned with the DVD, whose original title *Mashru' el Hilm* [Project Dream] had been mistranslated as "Legitimate Dreams."⁴ The video—made in partnership with UN Women—offered a series of testimonials providing live evidence of the *qisas el nagaH*. In the first story, Nanees sits behind her sewing machine in a pleasant-looking middle-class house and explains her embroidery work. She begins: "I don't have a problem with funding. I have a problem with finding markets." She explains how she had been making and selling products from home for around seven years. The SFD helped her grow her project, providing her with a loan and connecting her to exhibitions, but as she remarks, "I didn't actually need the loan, I really just needed the market."

In the second testimonial, Mona describes her project to start a fish farm in partnership with a "simple fisherman." She explains how she began very small with one pond and it was so successful that she ended up getting two, then three, and four. She started to attend conferences and exhibits. The project grew so big that she wanted to integrate more technology, so she went to the SFD. She explains how they sat down and did a feasibility study [*dirasat el gadwa*]. As she described it:

The feasibility study would let us know if we would succeed or not. They gathered all of the information and numbers from me, and told me, 'if

you continue in this way, you'll succeed. But the most important thing is that you work hard and be patient and produce.' Of course, this made me very happy.

The stories continue in a similar vein with a range of projects (a fertilizer factory, furniture showroom), but all with a common trait: Before seeking assistance from the SFD, the selected entrepreneurs were *already* success stories.

The film's voice over tells us: "successful projects do not require a place or resources or even a lot of workers. Creative ideas can come from anywhere and be realized in any form."⁵ But Manal—a *qisat el fashl* (failure story) as she quipped—felt differently. The 26-year-old social worker from the working-class Cairo neighborhood of Imbaba explained that the SFD targets people who already have money. As she put it, "they help people who don't need their help."

I went the SFD in 2009 to try to open a shop with my mom selling house goods. We live in a very busy area next to the market, so we decided to take advantage of the space. But the shed in front of our house where we wanted to sell from didn't have a roof or a door, so we had to keep making trips every day up and down the stairs with all of the goods. My mom has a bad leg and I work a different job, so we couldn't keep it up. We wanted a loan of E£6,000 to build a roof and put a door. So I went to the SFD and they said I had to get a quarter of the amount and collect a ton of paperwork from all over—I had to get a commercial license and proof of ownership of the house. A bunch of stuff. And then they would give a loan, but still charge interest. So I said, 'I'll do all of that and what will you do?' I'm still not sure, but they look well groomed (*wilad naas*). So I'm sure they do something [*laughs*].

Fatma—age 28 from another working-class district of Cairo, Sayed Zeinab—wanted to open a hair salon with her uncle in 2008. She explained how after seeing a commercial about how the SFD provides assistance to people who want to start a project, she sat her uncle down and convinced him of the plan. He was a trained hairdresser out of work, and Fatma was an ambitious recent college graduate who wanted to start a business.

There were so many commercials that really motivated you. They made it seem like the country [*el balad*] actually cared about you and wanted you to succeed. The commercial said that if you are interested in starting a project—even if you have just the vaguest idea of what you want to do—they would help you realize it. They would sit down with you and help you plan how to pursue the project, then they would train you on how to manage the project and give you the loan and support you along the way. But when I asked for E£7,000 to open the hair salon, they said I had to bring them proof that I had a space rented and I had to have

paid the rent for the past six months or something like that. I also had to prove that I had E£10,000 to make sure that I would be able to realize the project. But if I already had all that, why would I go to them?

I asked Fatma if, with all of the paperwork, she thought it differed much from a government office: "Very much so! You walk into the SFD and it smells nice [*riHtuh Hewla*]. [*Laughs*]. It looks like a bank. Actually, I'm not sure what the difference is between the Fund and a bank."

Mr. Hamed, a former employee at the SFD and current executive director of a local volunteer organization, expressed a similar sentiment: "They go through the same processes as the bank does and require a similar interest rate. It doesn't simplify much of anything." As he explained, in 1996 the SFD started giving loans but there was no oversight nor follow-up with the clients and many could not repay what they borrowed. The SFD realized this approach was not working, so they changed strategies. The Fund began giving money to banks to then be offered as loans because the banks were more sophisticated. However, this meant it was much harder for those most in need to acquire loans because they had to meet more requirements by the banks. The SFD discovered that the money was not being disbursed. As Mr. Hamed described it, this "made the SFD look bad"—referring to the SFD's commitment to foreign donors to finance those "who need it most." Mr. Hamed explained, now the SFD provides funding, but "these loans are only for existing businesspeople. Funds for start-ups are very limited"—an assertion supported by the SFD's own portfolio of success stories.

Mr. Hamed noted this selective distribution of funds was also the result of incentive schemes provided to the SFD loan officers themselves: "For example, they might get paid depending on how many good loans they sell. They don't care about helping the client or making sure the client is most in need of the loan. They just want to sell as many successful loans as possible." As external testimonials and Mr. Hamed suggest, the film's mistranslation may not have been all that inappropriate. Indeed, it seemed the SFD would determine what constituted "Legitimate Dreams" deserving of assistance.

Conclusion

As Mosse (2004) posits, "[d]evelopment projects need 'interpretive communities;' they have to enrol a range of supporting actors with reasons to participate in the established order as if its representations were reality" (646). In the case of the main body designated for Egypt's micro and small enterprise development, we see a broad spread of supporting actors. At the most apparent level sit representatives of major donor organizations—the World Bank, UNDP, European Commission—and their elite Egyptian interlocutors, represented by Neamatalla's consultancy firm, SFD board members from the Nazif cabinet and other ruling NDP officials. "Interpretive communities" then permeate the organization in the form of expanding quasi-governmental

bureaucracies—auditors, technical officers, loan officers—with the integration of select beneficiaries, offering the requisite *qisas el nagaH* (success stories).

Contributing to the rosy depiction of the organizations and institutions designated as “safety net” providers for the capital-poor during economic liberalizing reforms, the international donors also offered their own “interpretive communities.” A 2012 report commissioned by USAID, for example, applauds the Law 141/2004, which as previously noted designated the SFD as the supervisory body for all micro and small enterprises. The report calls it an effective move “to improve SMEs’ market access and spur demand-led growth,” concluding that “[i]n its objectives it was and remains successful” (Clark et al. 2012, 4).

But despite the stated “success” of SME programs, the authors still have to contend with numbers telling a much bleaker story of Egypt’s SMEs. The reason behind Egypt’s continued “missing middle,” the report concludes, lies in “difficulties and deficits at the enterprise level” (*ibid.*). To name a few of their shortcomings: “ignorance of business opportunities,” “poor resistance to bad governance,” insufficient education, poor management skills, and risk aversion (*ibid.*). Echoing their interpretation, a report conducted by the ECES in partnership with the German Development Institute (GIZ) cites behavioral characteristics (or “ambition and the readiness to take risks”) as included among the “key determinants of SME upgrading in Egypt” (Loewe et al. 2013, 119). Naturally, nowhere in these reports do they mention the SFD’s problematic leadership structure, the NDP’s politicized allocations of resources, or more fundamentally, the dubious efficacy of microfinance itself.

As Mosse (2004) suggests, “power lies in the narratives that maintain an organization’s definition of the problem” (646). And the more actors asserting this definition, “the more stable and dominant development policy models become” (*ibid.*). Indeed, a range of actors—both domestic and international—have supported this interpretation of “the problem” of SME exclusion as lack of access to credit, regardless of the cost of the debts, or due to deficiencies on the part of the entrepreneur. As will be discussed in the chapters that follow, this discourse conveniently suited the agenda of Egypt’s “reform winners.”

* * * * *

Notes

- 1 The report estimates USAID paid EQI around \$1 million for the BdC project (DAI 2006, 15).
- 2 The average lending rate for June 2009–June 2010.
- 3 Author interview September 5, 2013.
- 4 The two words share the same root letters in Arabic.
- 5 Author’s translation from Arabic.

4 USAID’s “private sector” projects

Planting the seeds of exclusion

Compared to other MENA reformer countries, Egypt demonstrated among the highest “levels of interaction” between foreign interlocutors and local policymakers during the reform process of the 1990s (Heydemann 2004, 9). USAID has been no small contributor to these reform era interactions. Indeed, the Agency has played a significant role in the foundation of Egypt’s political economy since Sadat’s 1974 *infitah*, becoming an object of much criticism by those with an intimate knowledge of Egypt’s recent history (e.g., Springborg 1989; Mitchell 2002; Jadallah 2014). The long-term negative consequences resulting from USAID initiatives have manifested themselves on both Egypt’s physical landscape (Sadowski 1991; Mitchell 2002), as well as in the political sphere, with USAID funds serving as rent streams to empower select individuals operating in the domestic arena (Adly 2011).¹ The ECES and US-Egypt Presidents’ Council introduced in Chapter 1—which we may recall were established with USAID assistance in 1992 and 1994, respectively—have garnered particular attention for their roles in promoting crony capitalist tendencies (e.g., Rutherford 2008; Roll 2010; Grimaldi and O’Harrow 2011; Roccu 2013).

This chapter focuses on two of the central USAID-funded initiatives conducted in parallel to the creation of the ECES and Presidents’ Council that have received less attention: (1) the project to transform the erstwhile governmental Federation of Egyptian Industries (FEI) into a private sector body beginning in 1994, and (2) the establishment of the Egyptian Exporters Association (ExpoLink) in 1997.² We see a reappearance of many of the same individuals introduced in Chapter 1 serving as USAID interlocutors, and a repeat of their ability to secure millions of dollars in funding through USAID’s ongoing mission to contribute to Egypt’s reform project throughout the 1990s. Special consideration is paid toward these particular organizations for their role in shaping Egypt’s industrial policies into the 2000s (Chapters 5–8).

To demonstrate the elite capture that occurred alongside these initiatives, this chapter draws from final evaluations commissioned by USAID to assess the two programs upon expiry of their grant periods. Close reading of the evaluations reveals evidence of both: (1) the provision of substantial rent streams to a select group of “reformers,” who presented themselves as

convenient interlocutors for their American counterparts; as well as (2) various forms of exclusion that were simultaneously institutionalized. I argue this occurred with significant USAID complicity as the Agency failed to create incentive structures that would demand greater inclusion, concerned primarily, instead, with market liberalization and the interest of US firms.

The temporal implications of these early reform gains are of great importance. We see in subsequent chapters how developments during this period led to the compounding capital of select private sector "reformers" who sat on the executive boards of the organizations considered. This chapter lays the groundwork for those to come, which follow a set of early reform winners who began their economic ascent in close contact with various forms of capital provided by USAID. We see how these individuals used the heavily endowed organizations, ostensibly intended for broad-based "private sector" empowerment, instead as vehicles for their personal economic enhancement. This background provides essential context for understanding the nature of relations between central actors of the business-state networks that would emerge in the 2000s.

Privatizing the Federation of Egyptian Industries (FEI): (1994–1999)

Prior to Sadat's *infitah*, the FEI constituted one of only two business associations in Egypt. The other, the Federation of Egyptian Chambers of Commerce (FECC), concerned itself primarily with trade while the FEI was mandated to represent Egypt's manufacturers. Since then, a number of elite business associations have emerged, such as the previously mentioned AmCham and EBA. However, the FEI and FECC remain the only notable associations counting smaller enterprises among their members, making them central components to understanding the venues of representation available to the majority of Egyptian firms.

During the Nasser era of central command, the FEI came under the close supervision of the state. Rather than serve as "a steering committee of the big industrial bourgeoisie" that influenced economic policy—as the Federation had done since its founding in 1922—the FEI was transformed into a corporatist body, subordinated to the executive branch (Soliman 1998, 71). A presidential decree issued in 1958 mandated that the Federation's president and one-third of its 21 board members, previously chosen by popular election, would instead be appointed by the Minister of Industry. And with the sweeping nationalization of private industries in 1961, the Federation became dominated by heads of the new state-owned enterprises (*ibid.*).

While the government continues to appoint the Federation's leadership today, internally the FEI has seen several changes. As Kandil (2012) describes it, in the 1990s a group of businessmen "infiltrated" the Federation in order to "fashion more reciprocal power relations" between themselves and the government (209). What Kandil does not mention is that the crony capitalist "infiltration" of the FEI in the 1990s was aided by considerable US support.

Assembling representation

In 1994, USAID initiated its “Project to Transform the Federation of Egyptian Industries into a ‘Private’ Industrial Association Compatible with a More Open and Market-Oriented Economy,” endowing the scheme with approximately \$17 million in funding (Sines 1999).³ USAID’s ultimate aim in financing the project was to transform what they saw to be a “socialist era ‘white elephant’ organization” into a more market-friendly business association that could effectively lobby for the economic liberalizing reforms in motion (*ibid.*, 40).

The project constituted a smaller piece of the overarching reform package that USAID had been encouraging Mubarak to adopt at the time (*ibid.*, 5). This broader package played a central role in shaping the developments of Egypt’s political economy during the 1990s. As the evaluator notes, following the Paris Club’s final debt reduction granted to Egypt in 1994, USAID became: “the primary support for helping Egyptian decision makers to continue to focus on the most important areas of privatization and private sector development” (*ibid.*, 4). In addition to projects such as the FEI privatization scheme, this “support” came in the form of a \$200 million a year Sector Policy Reform project—the latter offering a quid pro quo to the Egyptian government: a “cash for policy reform” program, providing “the primary short-run financial incentive for the GOE to continue privatization” (*ibid.*). These various rent streams of US funding were, in turn, tied into a web of domestic actors.

Phase one: the “modern Talaat Harb” (October 1994–January 1997)

The story of the FEI’s privatization project begins with a key US “private sector” partner and “long-time embassy contact” (Embassy Cairo 2008b): the carpet monopolist, Mohammed Farid Khamis, who had been appointed FEI Chairman a few months prior to the project’s initiation. According to a high-level employee at the carpet king’s Oriental Weavers, Khamis saw himself as a modern Talaat Harb (Author interview March 2, 2015)—the FEI’s original industrialist founder in 1922. Khamis had wanted to revitalize the bureaucratized Federation, restoring its original role as the central “pro-industry” policy advocate. He envisioned a complete renovation including a new headquarters overlooking the Nile, and petitioned his American friends for funding. At first Khamis’ USAID interlocutors were hesitant, describing the move as “risky” due to the “potential problems of providing support for privatizing a GOE-controlled organization” (Sines 1999). However, with Khamis’ reassurance, the Agency eventually agreed, providing \$5.8 million for the construction of his Nile-side headquarters and pledging an additional \$13.8 million for the Federation’s institutional overhaul.

As anticipated, Khamis and his USAID partners faced considerable resistance to their initiative. The project’s central goal of “privatizing” the Federation was defined by two core criteria: (1) self-governance—or removal

of government interference in decision-making, hiring, and spending; and (2) democratic elections, as opposed to government appointment, for the board of directors (*ibid.*, 5). In practical terms, this required sensitive transformations within the FEI—first and foremost, the purging of the “old guard” (chairmen and managers of state-owned enterprises) who until then had occupied top positions within the Federation (*ibid.*, 15). Whether or not Khamis believed these goals were realistic (and with regard to the body’s democratization, desirable) is unclear. As the evaluator notes in hindsight, Khamis had been well aware of the difficulties but agreed to the terms because he “needed the money for his ambitious program to revitalize FEI in its new building on the Nile” (*ibid.*, ii). But while Khamis may have failed to achieve FEI privatization, he did manage to secure alternative advances toward the overall USAID objectives.

Capitalizing on cosmopolitan capital

With his expanded cosmopolitan capital as central Egyptian partner to the USAID project, Khamis experienced increased political sway in shaping reform processes. Khamis’ practice of lobbying for key pieces of economic liberalizing legislation sheds light on the complex blend of high-level domestic and international capital utilized to shape Egypt’s political economy during the 1990s and into the 2000s. On the domestic scene, Khamis commanded close links to President Mubarak—a partnership initiated shortly after Mubarak’s ascent to the executive in 1981 (Easton 1999). The carpet king served as an early member of Mubarak’s ruling NDP, was later appointed by Mubarak to the Shura Council (upper house of parliament), and maintained regular, personal contact with the President throughout his 30-year tenure. Khamis’ brother, an artillery officer in the Egyptian military who sat on the board of Oriental Weavers, also offered useful capital for navigating top policy tiers, which, according to an executive-level employee at Oriental Weavers, greatly facilitated the acquisition of resources for building and maintaining his industrial carpet kingdom (Author interview March 2, 2015).

As for his US capital, Khamis had been among the early recipients of USAID funds to support his personal enterprises—awarded, for example, a grant of \$315,000 in 1990 for the development of high-tech looms under USAID’s Science and Technology Cooperation Project, for which he also sat on the Steering Committee (Lazar et al. 1992, F-2).⁴ Mr. Khamis had also been a founding member of the ECES in 1992—which as previously mentioned secured an initial endowment of \$10 million from USAID—as well as an original member of the US-Egypt Presidents’ Council, which was established the same year as the FEI privatization project began (1994), and constituted another component of the overarching USAID project for Egypt at the time.

Complementing these earlier ties, Khamis’ position as FEI Chairman offered additional access to lucrative international capital. As head of Egypt’s

largest industrial business association—"with over 15,000 members"—Khamis presented himself to international donors as the voice of Egyptian industry. The carpet tycoon understood the importance of pretending to represent so many industrialists. Indeed, he fought hard against the suggestion to divide the FEI into two organizations—one for large industries and one for small. As Soliman (1998) noted: "by concentrating the power of the Federation in its hands, and by maintaining control over small enterprises, large industrialists are establishing themselves as a very powerful faction of the bourgeoisie" (87). What was not highlighted by the FEI Chairman when he claimed to "represent industry" was the fact that membership in the FEI was compulsory for all formal industrial firms, and most members only participated in Federation activities once a year when they sent in their annual dues.⁵

Nonetheless, Khamis played his role as chief representative of Egyptian industry, at times, on grand venues such as at the 1994 World Bank conference, where Khamis was "elected leader," speaking on behalf of the FEI as well as the other private sector business associations in attendance. His activities as leader included helping donors to "identify and prioritize" investment constraints in Egypt on which to make their donations to the Egyptian government contingent (Sines 1999, 27).

Other times, he played his role in more intimate settings—such as when Khamis hosted the US Ambassador at his home, where he eventually convinced the Ambassador to make the government's receipt of USAID's annual \$200 million "cash for policy" grant conditional on passage of the Port and Airport Privatization Law (Law 3/1997) for which he had been tirelessly lobbying (*ibid.*, 28).⁶ During the visit: "[Khamis] indicated that the Egyptian industrial firms, as represented by the FEI, would support these policy reforms" (*ibid.*). And yet, minutes documenting discussion of the law in parliament instead reveal considerable resistance by other businessmen MPs (El-Mikawy and Handoussa 2002, 57).⁷

In parallel to his lobbying efforts to privatize Egypt's corridors for his imports and exports, Khamis played a central role in securing the similarly contentious 1997 Investment Guarantees and Incentives Law (Law 8/1997). Among the legislation's most significant acts, Law 8/1997 established economic free zones, which offered free land and hefty tax exemptions for investors (such as Mr. Khamis) fortunate enough to secure a spot.⁸

Meanwhile, Khamis voiced strong opposition to economic liberalizing reforms that worked against his favor. He wrote numerous articles in *Al-Ahram* newspaper in 1995 arguing against trade liberalization with the EU, which would open Egypt up to competition from European industries (Soliman 1998). Despite support for the agreement by the Egyptian government (*ibid.*), the negotiations dragged on for five years, and it took another five years for the association to enter into force (European Commission 2016).

This combination of high-level international and domestic capital commanded by Khamis created a powerful portfolio with which to shape

Egypt's policy space. However, his monopolization of the levers of influence offered by international donors, as well as his command of business representation in domestic institutions would soon be challenged.

Phase two: collapse and re-building of the FEI (January 1997–December 1999)

In January 1997, just a few years into the privatization project, the Federation experienced complete "institutional collapse" (Sines 1999, 21). The FEI sat stagnant for nine months as USAID and its partners reorganized the rules of project spending and management. Ultimately, Khamis was ousted from his role as FEI Chairman, all of the FEI staff members who had been hired during Khamis' tenure were fired, and in October, the erstwhile presidential cabinet appointed a new board of directors (*ibid.*).

Khamis' dismissal from his role as Chairman has been highlighted as evidence for a number of claims regarding the nature of "business–state" relations in Egypt at the time. Fahmy (2002), for example, interpreted Khamis' ousting as evidence that the "relative autonomy of the Egyptian state [was] indisputable" (243). For Fahmy, the leadership change suggested that "Top businessmen who rise to power remain there at the discretion of the president and his sons" (*ibid.*). Similarly, Kienle (2001) argued Khamis' dismissal suggested the "lack of independence of the FEI" (123), noting that the replacement came shortly after Khamis' attempt to push the regime into taking certain economic liberalizing reforms. However, details offered by the USAID evaluation—placed in the context of subsequent developments regarding the rise of Gamal and his cohort in the 2000s—complicate the story, suggesting that intra-business elite tensions also played a notable role, yet again offering evidence of analytical pitfalls of imagining categories of "business" and "state."

The USAID evaluation, which "draws heavily on the ideas and experience" of the new board of directors, offers insight into some of the intra-elite tensions playing out in the FEI project (Sines 1999, 11). According to the new FEI executive board, the Federation's earlier collapse had been caused in no small part by Khamis' authoritarian leadership style, characterized as a "one-man show" that produced policy agendas representing only Khamis' "personal view" (*ibid.*, 16). This new FEI leadership would take the form of "overwhelmingly younger, successful, private sector types" (*ibid.*, v), who, notably, also possessed close ties to Gamal Mubarak. Abdel Moneim Seoudi, a major player in the automobile assembly industry,⁹ assumed the role of Chairman, and steel giant, Ahmed Ezz, took the post of Vice Chairman. Ezz, a particularly close friend of Gamal,¹⁰ was delegated the task of overseeing the USAID project, making him now the chief authority for reinvigorating the floundering initiative, and primary US contact for tracking project progress.¹¹ Central actors of the Gamal cohort also gained seats on the new FEI executive board including the omnipresent Taher Helmy, and most notably for this book Galal Zorba, who would also be appointed Chairman

of the FEI's Textile Chamber (the relevance of which will become apparent throughout the sections that follow).

Under this new leadership, the FEI had successfully become "dominated by a private sector mentality" which, in turn, positioned them "to work as partners with donors to transform and industrialize Egypt's industrial sector" (Sines 1999, iii). However, as we will see below, in practical terms this instead translated to increased representation in Egypt's policymaking space for a small group of cosmopolitan elites whose interest in "industrializing" Egypt proved questionable.

Tracing the economic capital

Following Khamis' dismissal, the US funding Khamis had secured through his own lobbying savvy along with control of his Nile-side headquarters were passed to Ezz and his fellow FEI executives. And this US-funded rent stream flowed with greater ease. Along with the introduction of new faces, the renewed project brought amendments to rules of fund management to "save" the project. During the initial years, the Egyptian branch of USAID's DC-based partner (the Center for International Private Enterprise)¹² conducted close oversight of project spending. However, after the 1997 collapse, USAID money was instead transferred directly to the new FEI board in the form of subgrants. The board opened a private bank account to accommodate the new inflow of cash, required only to submit "documentation" of spending (*ibid.*, 23). This money would mix with the public subsidies offered to the "quasi-governmental" organization from the state coffers (*ibid.*, 5).

Along with greater freedom in managing the project's endowment, the new FEI board also gained increased agency in providing services. The FEI would now submit proposals with budgets, receive the funds, and take full charge of implementing the suggested programs. However, while USAID's evaluator lauded the Federation's institutional developments, he offered less praise for the member services provided by the new leadership. As the evaluation notes, the new board demonstrated: "slow progress on actual use of funding for training and other services for its members" (*ibid.*, 17). In fact, there was such little FEI activity within the first six months of the new board's appointment that USAID decided to open the project's grant to other private sector business associations, such as AmCham, in attempts to "spur on FEI activities" (*ibid.*, 24)—a strategy apparently producing the desired results.

Creating the quasi-governmental bureaucracy and "expanding representation"

When the FEI leadership realized their monopoly over the US endowment was not secure, they devised ways to demonstrate their commitment. The first step included hiring new staff in the form of a "Project Management Unit," physically relocating them to the new FEI building while leaving behind the remaining FEI bureaucrats—essentially creating a parallel organization through which to channel the USAID project funding (Sines 1999, 16). The

Project Management Unit would serve the function of providing the newsletters, brochures, and economic studies necessary to keep the USAID grant flowing exclusively through the FEI executive board. With a new team of quasi-governmental bureaucrats in place, offering the requisite trappings of inclusive services, the core activities of the Federation could now be pursued more freely.

One chief activity included "advocacy for policy reforms" (*ibid.*, iii), or lobbying. And under the new board's direction, the FEI encouraged greater inclusivity in its lobbying efforts. However, this new participation took the form, not of new Egyptian manufacturers, but rather banks, investment firms, and insurance companies—both domestic and international. As an advertisement published in English in *Al-Ahram Weekly* encouraged: "Join the Federation of Egyptian Industries, whatever your field," debunking possible preconceptions with the rhetorical: "Who said that membership is only open to industrial companies?" (*Al-Ahram Weekly* 1999).¹³

The Federation offered to its international target a "face to face audience with decision makers whose decisions affect your business" (*ibid.*). According to the final evaluation, under Ezz's leadership, the FEI delivered on its promise, providing: "an effective lobby for business and economic reforms that enhance the performance and profitability of US companies that are on the rise in Egypt" (Sines 1999, vii). By way of example, the evaluator notes that the FEI's expansion of membership opportunities to non-industrial firms had benefited companies such as "the US insurance giant ALICO [American Life Insurance Company]," which was among the earliest to take advantage of the Federation's new inclusivity (*ibid.*).

The case of ALICO provides an illustrative example for how the profitability of these new membership opportunities transcended borders—benefiting both the American firms that were integrated into the FEI lobbying networks, as well as their Egyptian partners. What the evaluator fails to mention is that ALICO's Egyptian branch, the Pharaonic American Life Insurance Company, had as its chairman Mounir Ghabbour—relative of Raouf Ghabbour, automobile king and close confidant of Gamal Mubarak (*Enigma* 2015). Incidentally, Mounir, who began his career in insurance brokerage before expanding into tourism and real estate (Winne 2000), would also be among those convicted in the aftermath of the 25 January Revolution for illegal acquisition of public land, which he secured from Businessman Minister of Housing, and close Gamal collaborator, Ahmed Maghraby, at a price found to be E£72 million below market value (Reuters 2011b).

Privatize or democratize?: Expedient priorities

While the reimagined FEI granted increased representation for US firms and their elite Egyptian counterparts, the Federation's smaller members experienced a decidedly different outcome. Their exclusion was perhaps most apparent in the project's failed objective to "democratize" FEI leadership. As we may recall, since the Nasser era, the Federation's chairman and one-third

of its board were appointed by the Minister of Industry.¹⁴ The USAID project instead called for leadership to be chosen by the Federation's "grass roots membership base" (Sines 1999, 6). However, as of present date, top-down appointments by the government continue. The USAID evaluation is revealing for how—despite subsequent campaigns by smaller Federation members—privileged representation for the elite was entrenched during this period of institutional transition.

Regarding the early failure to democratize, the USAID evaluation concluded, "The privatization of FEI now might lead to elections that would be dominated by the old guard and would exclude key young leaders that are adding so much of the current vision and dynamic impetus to FEI" (*ibid.*, v). Indeed, it would not be expedient for the US interlocutors to lose their partners in reform. Consequently, the democratizing mission took second place to more pressing matters of securing "market liberalization." The discord produced by USAID's paradoxical mission of both democratizing and privatizing the Federation is resolved with the justification that the undemocratic leadership structure was a temporary necessity, to be eventually phased out: "During this *transition*, maintaining the GOE appointments actually strengthens the private-sector orientation of FEI and allows it to more efficiently advocate private-sector reforms... [emphasis added]" (*ibid.*). As for "smaller less politically connected private business associations," their integration is offered as a recommendation for the future (*ibid.* 36).

However, with the privilege of hindsight, we see how this ostensible transition phase instead became entrenched, outliving both cabinet and regime change. During the era of the Businessmen Cabinet, a group of FEI members petitioned to change the leadership appointment policy to a more democratic process (Hussein 2013). They drafted a law and presented it to Businessman Minister of Industry and Trade Rashid, but the issue never reached the halls of parliament. Members raised the question of more democratic FEI representation again during the presidential transition in 2013 following Morsi's ouster. In response, the newly appointed FEI Chairman, Mohamed Zaki el Sewedy, remarked in an interview with an Egyptian newspaper that he supported the switch to nominations instead of appointments, but only under the condition that votes be weighted in accordance with business size. Mr. Sewedy—chairman of his family's transnational Zaki el Sewedy Group that sells electrical equipment around the world—argued: "A business worth E£10 million, for example, should not have the same weight as a E£1 million company. Otherwise, we can end up with ten small businesses controlling the Federation" (*ibid.*).

At the individual level, Sewedy, whose cousins were noted figures in Mubarak's inner circles (Roll 2013), provides an instance of the persistence of pre-regime networks of privilege. At the organizational level, his chairmanship at the FEI offers a case of institutionalized exclusion on platforms of ostensibly inclusive representation that would persist beyond regime change. As will be discussed in the chapter that follows, this capture of representation within the Federation would also continue to serve as a

mechanism for elite capture of both the domestic policymaking space as well as international rent streams throughout the 2000s.¹⁵

Organizational networks and webs of USAID funding

Transformations within the FEI must also be understood in the wider context of the networks in motion at the time. Indeed, FEI developments reverberated throughout the reform era space of representation, transcending organizational boundaries. As is repeatedly acknowledged throughout the USAID evaluation, the FECC—which we may recall as the FEI's commercial counterpart—was dominated by many of the same individuals who formed the core of the FEI's new leadership. For example, the industrial federation's new chairman after the 1997 transition, Seoudi, also commanded a top position in the commercial federation and played a central role in its institutional overhaul, which effectively marginalized the voice of smaller members (Jadallah 2014, 89). Additionally, "private sector" elites integrated themselves into other top business organizations. Most notably, AmCham, also benefited from the new FEI leadership's empowerment in the policymaking realm. As the erstwhile AmCham Executive Director told the evaluator: "AmCham's effectiveness would be substantially curtailed if FEI, their partner in reform, cut back its services and lobbying efforts and was allowed to regress to its pre-[USAID project] state" (Sines 1999, xi).

Concerning the role of economic capital in the broader network of reform projects, the FEI project must be understood as part and parcel of the wider web of USAID funding and initiatives—as evidenced, for example, by Khamis' leveraging of the (\$200 million) Sector Policy Reform program to secure domestic "market liberalizing" legislation. Meanwhile, tracing the human actors, we see simultaneous transformations in leadership occur in other core components of the US-Egypt partnership. A few months prior to the FEI leadership transition (October 1997), which installed Gamal's cohort at the top, Gamal became head of the Egypt-US Presidents' Council (Kienle 2001, 129). And the same year, as will be examined in the section that follows, Gamal's colleague, Galal Zorba, secured considerable financial support from his USAID contacts for a new project: the Egyptian Exporters' Association (EEA), or ExpoLink.

* * * * *

The Egyptian Exporters' Association, aka ExpoLink (est. 1997)

Alongside USAID's project to privatize the FEI, the Agency offered support to additional organizations promoting Egypt's transition to a "market-based" economy. The Egyptian Exporters' Association, established in 1997, was one beneficiary of this generous assistance—receiving an \$18.3 million start-up grant, accompanied by a \$14.4 million extension grant in 2002 as part of USAID's "Growth through Globalization" program (Wellons et al. 2005). Adding to the organizational web, a body called ExpoLink technically began

as the “action arm of EEA for implementing USAID’s assistance program to the association” (*ibid.*). However, the names would quickly become interchangeable, indicating the central role of USAID funding to the initiative’s existence.

Incidentally, the co-founder of the Exporters’ Association who managed to secure the USAID seed funds for his export promotion project was also one of the “key young leaders” appointed to the new FEI board in 1997: Mr. Galal Zorba. Zorba, serving as ExpoLink’s Chairman, would also eventually succeed Seoudi as FEI Chairman alongside the ascent of the Businessmen Cabinet in 2004 (discussed in the chapter that follows); but first it serves to examine the networks of cosmopolitan capital at work in the creation of Egypt’s premier service for export promotion.

Tracing the social capital: the ExpoLink assemblage

At the center of ExpoLink we find a web of individuals possessing a wealth of socioeconomic capital, chief among them: Zorba, his ExpoLink co-founder, Alaa Arafa, and ExpoLink Vice Chairman, Mohammed Kassem. These three individuals will reappear throughout subsequent chapters for their roles in redefining Egypt’s largest (non-petroleum) industry, simultaneously becoming kings of Egypt’s garment export sector—an ascent assisted in no small part by close US ties.

Zorba entered the private sector in the garment assembly business in the 1970s. His Nile Holding Group would eventually grow to include a range of ready-made garment (RMG) subsidiaries, while his additional “private sector” activity similarly expanded into diverse sectors through participation on the board of corporations in some of Egypt’s top firms in consulting, investment, and construction.¹⁶ As for his cosmopolitan capital, Zorba’s US ties can be traced back many decades—including, for example, an invitation to the official state dinner held in Washington, DC to celebrate the signing of the Egypt-Israel Peace Treaty in 1979 (*Washington Post* 1979). With regard to more formal participation in DC commercial diplomacy, as previously noted, Zorba was appointed one of the 15 members of the elite US-Egypt Presidents’ Council, inaugurated by President Mubarak and US Vice President Al Gore in 1994 (of Chapter 1). And when the US-Egypt Presidents’ Council was revived in 2001 under the new name of US-Egypt Business Council, Zorba assumed Gamal Mubarak’s former position as Council President. It was in this capacity that he began his lobbying for both a US-Egypt Free Trade Agreement and the QIZ trade agreement (of Chapter 8). A long-time member of the elite business association, AmCham, Zorba also participated in the group’s annual “Doorknock Mission” to DC for lobbying visits with US senators, members of congress, and top officials (AmCham 2001).

Mr. Zorba’s domestic capital also proved quite good for business. Most notably, he commanded close links to Gamal Mubarak, including a seat alongside Gamal and Alaa Mubarak on the board of directors of the Al

Watany Bank of Egypt¹⁷; a seat on the executive board of Gamal's Future Generation Foundation; and membership in Gamal's Policies Committee within the ruling NDP (of Chapter 1). We may recall he was also a founding member of the ECES—later assuming the position of Vice Chairman to Taher Helmy (1999–2004), before becoming Chairman in 2005.

For his part, Mr. Arafa, like Zorba, also began in the RMG industry as CEO of Swiss Garments Company—later a subsidiary of Al Arafa Investment and Consultancies Company (Arafa Holding) that boasts a status as “one of the largest export oriented industrial platforms in Egypt and the Middle East” with total assets reaching more than \$459 million by the start of 2019 (Arafa Holding 2019, 1; Arafa Holding 2020). The impressive expansion of Mr. Arafa's business activities and profits over the 2000s will be examined later. For the purposes of this chapter, taking note of Arafa's wealth of networks and high-level capital suffices.

First and perhaps most important for Arafa's initial rise was his inheritance of military capital—his father, Ahmed Arafa, hailed from the Egyptian Air Force¹⁸ before re-appropriating the family business in 1974.¹⁹ As for his cosmopolitan capital, Mr. Arafa was a regular contact of the US Embassy, whose representatives, as he described it, “are always asking my advice” (Author interview August 20, 2013). He was also Chairman of the British Business Council, and Co-Chairman of the Egyptian Italian Business Council (EIBC) (Arafa Holding 2012b and 2013a). Additionally, Arafa commands several international business partnerships, including with the Israeli Bagir Group, the Italian Forall Group, and a number of British garment production and retail firms (Arafa Holding 2013a).

Finally, Mr. Kassem, ExpoLink Vice Chairman, began his career as an “organization specialist” in the General Authority for Organization and Administration (GAOA) (Kassem n.d.)—a government body responsible for “all reform, training, evaluation and restructuring of the civil service since 1964”—described by Abdelrahman (2015) as the most central body of the state bureaucracy (25). He then spent more than a decade as a commercial attaché in the Egyptian embassies of first Khartoum, then Washington, DC (Kassem n.d.). In 1989, he “left the government to the private sector” for his current position as Chairman and CEO of the World Trading Company for RMG, the “leading marketing company in the field of Textiles” (*ibid.*), which sources garments from Zorba, among others, to major US clothing companies, such as Levi's and Liz Claiborne (Salinger 2008).

As we will see in the subsequent chapter, all three of these individuals later assumed top positions within the Rashid-era web of Public Private Partnerships. At the organizational level, ExpoLink would also become an important “partner,” reconfigured to access new rent streams when the USAID grants expired. But first, examination of ExpoLink's initial years offers a glimpse into the networks of some of the early reform winners of the 1990s, who would continue their ascent in Egypt's political economy of the 2000s. The following section draws from USAID evaluations of ExpoLink activities to demonstrate the different forms of exclusion that

occurred during the early days of internationally funded export promotion that would display similar trends in the 2000s.

Evaluating export success and de facto exclusion

The USAID project to support the Egyptian Exporters' Association (ExpoLink) took as its central objectives to: (1) "increase Egyptian exporters' competitive advantage;" and, like the FEI privatization project, (2) "institutionalize policy advocacy" (Wellons et al. 2005, 1).²⁰ While the project aimed to promote the Egyptian "private sector" at large, it also placed special emphasis on inclusivity across firm size. As the evaluation explains: "Identifying and providing support to small enterprises with untapped exporting potential is considered an important part of [the project], in order to provide opportunities to small enterprises and previously disadvantaged groups" (*ibid.*, 3).

However, the first five years of the ExpoLink grant period (1997–2001) yielded unimpressive results regarding smaller firm inclusion. At the expiration of the initial \$18.3 million funding period, ExpoLink leadership and USAID representatives conducted multiple rounds of negotiations to determine whether the \$14.4 million extension grant should be offered. Based on recommendations from the 2000 mid-term evaluation, USAID requested that ExpoLink increase its attention toward smaller firms, which the external evaluator suggested had not been satisfactorily served by the initial ExpoLink projects.²¹ In compliance, ExpoLink leadership integrated two core activities—Start-Ups Assistance and Technical Assistance for small firms—in addition to their central activity of organizing trade fair participation.

ExpoLink's Start-Ups program aimed to "help smaller manufacturers with little or no export experience eventually to become successful exporters" (Wellons et al. 2005, 5). Over the course of the grant extension—which, we may recall, contributed an additional \$14.4 million—a total of zero beneficiaries could be cited against the target of 70 (*ibid.*).²² ExpoLink leadership justified the underperformance by pointing to other organizations—chief among them, the IMC (discussed in-depth in the chapter that follows)—for offering similar services for less.²³ However, as the evaluators note, there was "also a lack of focus and effort in implementing this activity" (*ibid.*, 23). And yet, in the report's executive summary we find a neat "composition" (Mosse 2004) with the blameless statement: "work with start-up companies proved difficult" (Wellons et al. 2005, iv).

As for small firm technical assistance, the evaluation uses a single performance indicator: the number of technical assistance projects implemented, demonstrating little interest in assessing the quality of support. However, even under the superficial criterion of number counting, ExpoLink's performance is found wanting with only 27 technical assistance sessions held for smaller firms against the original goal of 98. In their defense, ExpoLink leadership—which had been tasked with subcontracting consultants to host the sessions, or alternatively developing and implementing the projects

themselves—explained to their USAID auditors that the discrepancy between actual and target numbers was due in large part to “the sensitive political situation in the region,” which had made it increasingly difficult for them to find qualified consultants to come to Egypt (*ibid.*, 3).

However, while attracting consultants for smaller firms proved difficult, a number of large business participants—including Zorba’s RMG subsidiary, Maytex—enjoyed specialized “on-site consultant visits” during this same period (Dale and Sidibe 2003, 7).²⁴ Over the course of the visits, which ranged “from several days to several months depending on the need of the firm,” experts offered firm-specific assistance to increase productivity through improvements in management and production processes (*ibid.*). Most of these consultants were selected by the firm owners themselves and subsidized by ExpoLink at a rate of 50 percent. While 84 percent of those receiving the services rated them highly, the vast majority of recipients were large firm owners, with very few, if any, medium and small firms accessing these specialized consultations (*ibid.*).²⁵

Finally, regarding the organization of trade fairs, we find yet another form of de facto exclusion. Assistance for participating in trade fairs was intended to introduce Egyptian exporters to international buyers and “provide valuable marketing and market entry opportunities” (Wellons et al. 2005, 6). However, with the average cost for a trade fair booth at €6,000—half of which was to be paid by the participant, in addition to the cost of travel and accommodation—few Egyptian firm owners would be able to access ExpoLink’s services (*ibid.*, 7). While the report highlights the relatively high cost of trade fair participation, it points to the benefits acquired by the participants, concluding “Sales generated appear to have been sufficiently strong to contribute significantly to cost-effectiveness” (*ibid.*, 8).

ExpoLink’s stated aim of “achieving equitable economic prosperity for Egypt” (*ibid.*, 17) is dubious given the above logic. While the evaluators acknowledge the prohibitively high costs of attending the fairs, they add that the payoff for participants proved sufficient to justify the price—an equation leading to the provision of benefits for those who can afford them, while excluding the groups most in need of assistance. Moreover, nowhere in the report does it mention that most Egyptians (namely, the cosmopolitan capital-poor) struggle to obtain visas to attend the fairs in the EU and US—the most lucrative markets for Egyptian exports.²⁶

Tracing the economic capital: the ExpoLink assemblage

ExpoLink also provides an example for how capital compounds, with initial international endowments begetting additional rent streams of cosmopolitan capital. Along with ExpoLink’s millions in USAID funds, the exporter association under Zorba’s leadership would enter a partnership, generating approximately €350,000 annually in “management fees” to provide trade fair services for the Industrial Modernization Center (Wellons et al. 2005, 22)—a very well-endowed organization, primarily funded by the EU, which will be

discussed in greater depth in the chapter that follows. The move was hailed by USAID evaluators as a “sound strategy,” as it would allow ExpoLink to access additional income and sustain its services following expiration of the USAID grant (*ibid.*, 7). However, how this additional annual inflow of €350,000 was actually spent is not entirely clear. As the evaluators note: “ExpoLink management did not elaborate to the team how the fund is maintained or used...but management is likely to respond to any USAID inquiries on the issue, should it consider the fund an issue to pursue” (*ibid.*, 22).

Indeed, like the dubious project spending of the FEI's USAID endowment, ExpoLink's finance management also raises questions. During the 2.5-year grant extension (2002–2005), the plurality of costs was spent on administrative fees (\$1.32 million), followed by trade fairs at approximately \$1 million with nearly all of that money spent on either the food or furniture sectors (Wellons et al. 2005, I-10).²⁷ Meanwhile, to fund the Start-Ups program—which we may recall served zero beneficiaries—ExpoLink's budget report cites \$39,062 spent in “overhead” (*ibid.*, 21).

The final assessment

Upon expiration of the grant period, the USAID final evaluation summarized the project's outcome: “The overall conclusions are that ExpoLink has achieved its major goals of providing valuable services to private sector companies in promoting Egyptian exports in key sectors” (Wellons et al. 2005, iv). From the macro-level, the project offers a picture of success. Indeed, ExpoLink helped “private sector” companies increase their exports. As the report cites, in the final year of the USAID grant period alone: “the value of new exports by EEA members attributable to ExpoLink's support reached almost \$93 million from the previous year's \$24 million” (*ibid.*, iv).²⁸

However, if we return to our constant refrain asking *who* exactly comprised the private sector beneficiaries, we arrive at a more ambiguous conclusion regarding the project's merit. Of the \$69 million in increased exports, \$60 million came from the furniture sector, whose beneficiaries, as will be discussed in the chapter that follows, were dominated by a relatively small group of 15 businessmen. Meanwhile, Mr. Khamis, who managed to integrate himself into the new USAID rent stream despite his FEI ousting, accounted for \$1.2 million of the export increases for his added sales to Ikea alone (Oriental Weavers 2004; Wellons et al. 2005, 10).²⁹

And yet, in their final assessment of ExpoLink's board of directors (headed by Zorba and Kassem), the evaluators applaud their delivery of a “sound overall direction” (Wellons et al. 2005, 17). A “key recommendation” offered by the USAID's 2000 mid-term evaluation—that ExpoLink's board articulate a “concise mission statement or ‘vision’ for ExpoLink” (*ibid.*)—had been successfully fulfilled. As the final evaluation notes, the statement satisfactorily corresponded to USAID objectives. The vision: “To become a world class, member-based export development organization that supports sustained export growth, thereby increasing employment opportunities and achieving

equitable economic prosperity for Egypt" (*ibid.*). However, while the statement may have ticked USAID's discursive boxes—suggesting sustainability and broadly-shared benefits—the data offered by their own evaluators (above) illustrates an alternative trend: exclusivity and rents for the well-connected, accompanied by a small group of fortunate individuals selected to provide a guise of inclusivity through the requisite *qisas el nagaH* (success stories), while the majority were left behind.

Conclusion

As Mitchell (2002) posits in reference to "pro-market" policies championed by USAID, an element of self-deception is necessary in order to discuss the very notion of "the market." This self-deception, requiring us to overlook social considerations, is why "nowhere in the reports of USAID can one discover the role of government ministers, senior officials, and their families in the rent circuits of the so-called private sector" (*ibid.*, 301). By examining any one of these, the idea of "the market-oriented economy"—as some kind of empirical space distinct from the social world—unravels. This chapter has attempted to pull at the strings of the free market discourse used by USAID representatives and their domestic partners in order to expose a more complicated picture.

To this aim, I have introduced two of the central organizations, or "players of the game" (North 1990), created or reconfigured in the 1990s with significant USAID funds. I have argued that the projects, both part of the USAID mission to empower the "private sector," instead resulted in the empowering of a very particular segment of the private sector—that is, individuals already possessing lucrative portfolios of socioeconomic capital. As an important corollary to examining the gains of these individuals, this chapter has also attempted to shed light on the mechanisms of exclusion put in place with USAID complicity contributing to the stark divide between reform winners and losers.

Both USAID's project to privatize the FEI (1994–1999) and its support for ExpoLink illustrate several recurring themes characterizing reform era interactions. Both organizations played the crucial function of providing a guise of inclusive representation and participation. Meanwhile, behind the discursive shroud of inclusivity, we find Egyptian business elites serving as the mediators between international interlocutors and Egypt's domestic "public" sectors to lobby for policies favoring benefits for the few. In the case of the FEI, these Egyptian mediators offered essential partnerships for US firms hoping to navigate the local policymaking space, which in turn, shared in the returns of the joint cosmopolitan capital.

Through the development of their international connections, these Egyptian businessmen were simultaneously empowered on the domestic scene, thus enhancing their ability to shape institutions and industrial policies that entrenched exclusive privilege. Even Khamis, despite his eventual ousting

as FEI Chairman, offers an example of the compounding returns of early US capital as he managed to access the rent streams of Zorba, Kassem, and Arafa's export promotion project. Wurzel (2004) presents Khamis as an example of the fragility of networks, citing developments of his political career and its "sudden end when the regime felt his networks became too powerful" (109). However, if Khamis' ostensible fall from grace is testament to possible disruption of networks, so too is it evidence of the resilience of cosmopolitan capital. As will be illustrated in the chapters that follow, Khamis managed to reconfigure broken links to continue to capture a considerable share of the resources made available during Egypt's subsequent economic liberalizing reforms.

The next chapter traces the integration of the renovated FEI and ExpoLink into the organizational networks core to the "business development" space of the second wave of reforms with the rise of the Businessmen Cabinet (2004–2011). At the individual level, the chapter follows the progenitor of the FEI-USAID project (Khamis) and the co-founders of ExpoLink (Zorba and Arafa) to shed light on some of the ways early reform era gains resulting from "pro-market" international partners reaped future dividends.

* * * * *

Notes

- 1 Perhaps the best example of this can be seen in the person of Hussein Salem—one of the central engineers and beneficiaries of the controversial Egypt-Israeli gas deal estimated to have cost the Egyptian state more than \$700 million due to years of sales at below market prices (Trew and Diab 2014). Salem, with roots in Egypt's intelligence agency and close friend of President Mubarak, served as one of the chief negotiators of Egypt's post Camp David agreements with USAID in 1979, before becoming top supervisor of the new USAID programs in DC (Adly 2011, 12). He was forced to flee the US when American intelligence discovered he had been taking a considerable cut of the US assistance he was transporting to Egypt (*ibid.*). He pleaded guilty in 1983 to overcharging the US government \$8 million (MacFarquhar, Rohde, and Roston 2011), but nonetheless continued to climb in Egypt's business world.
- 2 Jadallah (2014) does highlight the USAID-FEI project for its role in shaping elite Egyptian-US relations and offers a fairly thorough critique of the project. This chapter highlights the actors and intra-elite tensions key to the organizations and reforms discussed in the chapters that follow.
- 3 By the end of the partnership, around \$11 million had been allocated for the "privatization" project in addition to \$5.8 million for the building of a new FEI headquarters at the request of Khamis.
- 4 The grant took the form of \$155,000 and E£237,000 (at the time apx. \$160,000). As of December 2016, the total sum of the grant (\$315,000) was equivalent to approximately \$576,000 (author's calculations).
- 5 As one small textile firm owner replied when I asked him if he was a member: "Yes, which means every year we pay them money. They make a license for us and we organize paperwork for them each year. Routine things [*Hagat routenaya*]. You know, papers [*owraa*]."

- 6 We may recall this money was part of the Sector Policy Reform program.
- 7 As El-Mikawy and Handoussa (2002) note, drawing from parliamentary minutes: "The discussions [surrounding Law 3/1997] showed a rift between two groups of businessmen: those concerned about foreign penetration of airport operations and the protection of workers' rights and those who supported the privatization of and foreign presence in airport operations. The first group lost" (57).
- 8 Although the law faced strong opposition during the Parliament's General Assembly discussion, ultimate authority for revising the legislation lay with the specialized parliamentary committee—to which Mr. Khamis was party (El-Mikawy and Handoussa 2002, 53). Mr. Khamis is not referred to by name, but rather as "Chairman of Egyptian Industries [FEI]," a position which he occupied at the time. Accompanying Khamis on the specialized parliamentary committee were eight additional unnamed "representatives of exporters and business associations" (*ibid.*).
- 9 Specifically, he was Chairman of Suzuki Egypt and Nissan Egypt. Seoudi was one of only seven car assembly plants in Egypt at the time, making him among the chief beneficiaries of the policy decisions to exclude vehicle imports from the general tariff reductions in 1997, which stood at 40–135 percent (Dean 2004, 329).
- 10 Ezz would also become Gamal's main financial backer in the latter's political participation, which increased throughout the 2000s (Henry and Springborg 2010, 192).
- 11 The business interests of these individuals were also deeply intertwined, with Ezz later supplying the steel for the automobile assembly activities of Seoudi (Winne 1999b). Curiously, the same month (October 1997) that Ezz took over as FEI Project leader, a "public-private partnership" contract was signed for the construction of a giant steel plant in Suez that would produce one million tons of flat steel sheets (Dean 2004, 328). This plant would later become a major component of Ezz's steel monopoly holding group. By 1999, 40 percent of this flat steel would be sold to Egypt's 12 auto assembly plants (Winne 1999b), with Seoudi and Ghabbour, the latter in particular, dominating the market.
- 12 For more on the Center for International Private Enterprise see Jadallah (2014).
- 13 Originally published in print December 16, 1999, and republished an addendum in: Sines 1999, 48.
- 14 In 2004, this would become the Ministry of Industry and Trade (by Presidential Decree 226/2004).
- 15 As will be discussed in the following chapter, this leadership structure would bring Zorba to the position of FEI President in 2004. And as of 2020 the appointment system remains the same.
- 16 Some of his positions included a seat on the board of the investment and private equity firm, Egypt-Kuwait Holding (where Alfi was managing director and CEO); National Bank of Kuwait-Egypt; Arab Contractors; Osman Ahmed Osman & Co. (Arab Contractors 2011).
- 17 Following the 25 January Revolution, Gamal and Alaa stood trial for alleged corrupt procedures surrounding the sale of the bank in 2007. The two brothers, along with seven other board members, were accused of insider trading, allegedly profiting E£2.5 billion through the sale. Zorba remained on the board of the new National Bank of Kuwait-Egypt after the dubious sale to the National Bank of Kuwait until 2013 (Mahrous 2013).
- 18 A fact independently confirmed by multiple sources on close terms with Arafa. Alaa's father was also from the Menofia governorate—infamous for its production

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- of two Egyptian presidents (both Sadat and Mubarak) as well as several of their administrations' top political actors.
- 19 The Arafa family fabric retailer had been appropriated by the state under Nasser ("Arafa Holding" 2013).
 - 20 ExpoLink is described in the USAID evaluation as being "among the few Egyptian private sector organizations chartered and approved by the Egyptian government that includes policy advocacy as one of its objectives" (Wellons et al. 2005, 14). The FEI and ECES also shared this special approval.
 - 21 Negotiations for acquiring the grant extension were apparently fraught with disagreements, lasting more than a year. They resulted in the May 2002 Cooperative Agreement (Wellons et al. 2005).
 - 22 As mentioned, the grant extension was for the 2.5-year period: May 2002–December 2004.
 - 23 The IMC subsidized 85 percent of costs to clients, while ExpoLink only offered 50 (Wellons et al. 2005, 5). As demonstrated in subsequent chapters, IMC services were offered on a selective basis, often depending on the firm owner's connections (or capital portfolio).
 - 24 Helmy Abouleish, Chairman of the IMC—who will be highlighted for his role in the networks of the chapter that follows—also accessed these specialized consultants for his Sekem Group subsidiaries (Dale and Sidibe 2003, 7).
 - 25 The USAID Client Satisfaction Review cited here (Dale and Sidibe 2003) aggregates data collected regarding customer satisfaction with two other USAID "partners," which were organizations specializing in agriculture, in addition to ExpoLink. According to the survey, 64 firms received a consultant visit from "one or more of the partners"—and 68 percent of those 64 were medium and large firms—leaving only 20 small or micro firms to have accessed the services from any one of the three organizations. As a result, it is not possible to tell from the data if any small or micro firms benefited from ExpoLink consultant services at all, nor how many of the 64 "medium and large firms" that had benefitted from one of any of the three organizations fell into the medium category.
 - 26 This point was highlighted by several of my SME contacts as a key barrier to attending export fairs.
 - 27 Some of this money spent on trade fairs was also subsidized by the IMC following their sub-contracting agreement with ExpoLink in 2003, which is not mentioned in the expenditure information.
 - 28 Comparing data from 2004 and 2003.
 - 29 The USAID evaluation notes as one of ExpoLink's successes that Ikea placed a very large order for textiles during one of the organization's "inward trade missions" (Wellons et al. 2005, 10). Khamis, who was an early ExpoLink member, states in his holding company's 2004 annual report that it experienced an increase in exports to Ikea totaling approximately \$1.2 million (Oriental Weavers 2004, 14).

5 The Businessmen Cabinet’s “Public Private Partnerships” for exclusive development

With the new century on the horizon, the US adopted a fresh economic approach to Egypt—one that called for “trade not aid.” Following the Camp David Accords in 1978 until 1998, the US disbursed an annual \$815 million in economic assistance to Egypt (US Department of State 2000, 12). This amount would begin its gradual decline in 1999, dropping to just over \$372 million by 2006 (USAID 2021). USAID funding for projects like the FEI privatization and ExpoLink would start to dry up. But fortunately for the key beneficiaries of these organizations, a new, much inflated, source of rent was born to start off the 2000s courtesy of the EU: the Industrial Modernization Center (IMC).

This chapter follows the previously discussed organizations and their leaders from the 1990s as they are absorbed into the reform networks of the 2000s with the rise of the Businessmen Cabinet. We will revisit the FEI and ExpoLink—along with the executive boards of both USAID-funded endeavors—and their integration into the Public Private Partnerships core to defining Egypt’s industrial policies of the Rashid era. This chapter continues to highlight modes of elite resource capture, namely by detailing the abuse of “business development” organizations receiving foreign and/or Egyptian public funding, which offered benefits to some, but both de facto and de jure barriers for smaller economic actors.

Taking a cue from Wurzel (2004), I aim to show how these ostensibly representative bodies were transformed into “platforms for influential actors to pursue their own interests” as they functioned behind the protection of an “organizational veil” (111). I argue this was achieved with great assistance from foreign donors whose central aim was to promote economic liberalization, while their understanding of the Egypt’s domestic developments remained superficial—their interlocutors confined to the space of cosmopolitan capital-rich elite.

Through micro-level analysis of individuals, networks, and resource flows, I aim to contribute additional nuance to Adly’s (2013) discussion of the export-oriented reforms of the Nazif “Economic Team.” Specifically, this chapter investigates the web of *quasi-governmental* organizations intended to serve as the main vehicles of industrial development and export promotion

redefined in 2005 under the tenure of Businessman Minister Rashid: the IMC, ExpoLink, FEI, GAFI, Export Development Fund, and sector-specific Export Councils (“IMC” 2009a).

The Businessmen Cabinet's Industrial Development Strategy

In 2004, newly appointed Minister Rashid selected a committee to devise a framework for transforming Egyptian industry into the country's “engine of growth” (MOTI 2006, 1). The Industrial Development Strategy articulated a 15-year vision for bolstering Egypt's industries, highlighting export promotion and foreign investment as core components of the plan. Introducing the Strategy, private sector businessman Rashid, now in his capacity as representative of the “state,” offered a decidedly interventionist approach:

It is our duty, as a government, to set up the base for development ... Private businesses invest, produce and employ, but it is the government that creates a business friendly environment, supports entrepreneurs, and promotes national skills. Thus *it should be prepared to step in whenever needed* [emphasis added].

(MOTI 2006, 1)

For pro-market Rashid, “the state” was perhaps once a burden. But when he and his network of business elites took the reins of top-level government, “the state” instead assumed an important role in shaping Egypt's future. Still, as Rashid's vision suggests, implementation of the Industrial Development Strategy was not the responsibility of the government alone, but rather “several public and private partners [would] be involved” (*ibid.*). These partnerships were to represent the voice of the Egyptian people—the project's success contingent on “a concerted Egyptian effort” (*ibid.*). However, the newly created Public Private Partnerships took a decidedly different form from the inclusive collaboration suggested in the Strategy. As we will see in what follows, Rashid, now wearing the hat of a public sector actor, appointed the players of the game—the individuals who would lead the quasi-governmental organizations for “equitable economic development” (*ibid.*).

The IMC: creating partnerships for “industrial development”

At the axis of Egypt's reform era PPPs sat the Industrial Modernization Center. Born of presidential decree in 2000, the IMC was established with joint funding from the EU and Egyptian government (€250 million from the former and €103 million from the latter) making it the largest funded EU project in any non-EU country, and the largest development fund in Egypt (UNIDO 2006, 5; Sekem 2008).¹ The IMC's sizable initial endowment would also later be complemented by resources from various international organizations—serving as a “landing for numerous funds” (Meda Finance 2010, 99).²

As with the SFD of Chapter 3, the IMC was created as a “safety net” to accompany market liberalizing reforms—in this case, the EU-Egypt Association Agreement³—and intended to support Egyptian industry in the face of increased exposure to international markets (Ebeid 2004). Also like the SFD, the IMC’s original objective placed a particular emphasis on supporting “SMEs” (UNIDO 2006, 5). Following the 2004 inauguration of the Businessmen Cabinet, the IMC adopted a new mandate. In accordance with the Industrial Development Strategy—which, incidentally, was funded by and compiled under the auspices of the IMC (*ibid.*)—the IMC was to define the national roadmap for the industrial sector: “set to perform as the prime agent for substantiating the government’s vision of a vibrant and globally competitive industrial sector” (“IMC” 2009a). Central to this was the aim of increasing exports produced during the industrial push (Abouleish et al. 2005). While the SFD was charged with “supporting micro business enterprises,” the Strategy designated the IMC as the responsible body for offering services to enterprises with ten or more workers—that is, “SMEs” as well as larger firms (MOTI 2006, 31).

Along with its new mandate as prime agent for revitalizing Egyptian industries, the IMC also underwent structural changes. Although initially intended to exist as an independent entity, the IMC came under the auspices of the Ministry of Industry and Trade in 2005 shortly following Rashid’s appointment as Minister. In the new spirit of public-private cooperation, the IMC would work hand in hand with the “government” and “representatives embedded in” several quasi-governmental organizations (“IMC” 2009a). As the Center’s website proclaimed, “A unique model of public private partnership is now in progress” (*ibid.*).

Representatives of the public sector cited by the IMC took the form of a singular body: the Ministry of Industry and Trade (headed by Minister Rashid). As for the private sector, partners included representatives from the previously examined SFD, FEI and ExpoLink as well as organizations that will be examined below—most significantly, the sector-specific Export Councils and the Egyptian Export Promotion Center (EEPC).⁴

Together, these partnerships aimed to: “Provide business development support to Egyptian industrial enterprises to reinstate them competitively in Egypt’s global markets in the bid to enhance job creation and *secure prosperity for all* [emphasis added]” (“IMC” 2009a). However, *who* in fact had access to this support as well as *the actual services received* are of central importance to this study’s investigation of how groups were included or excluded from economic prosperity during the reforms of the 2000s. Examination of the IMC’s organizational structure informs these two important questions. In order to better understand the IMC’s internal mechanisms, I spoke with elite businessmen, an upper-level government official in the Ministry of Industry and Trade, representatives of the IMC’s quasi-governmental bureaucracy, and small and medium-sized enterprise recipients of IMC services.

As described in the previous chapters, business–state relations between smaller firm owners and government officials assumed a very different

dynamic from those between economic elites and top-tier political actors. Similarly, in the world of PPPs, small and medium-sized firm owners were left to contend with a cumbersome quasi-governmental bureaucracy and generally unimpressive services (discussed in Chapter 6), while a small network of business elites operating behind an “organizational veil” used the IMC as a platform for accessing public resources and foreign funds.

Inside the diera mughlaqa (closed circle): Helmy Abouleish

The IMC was first brought to my attention while sitting poolside in the shadow of an Egyptian construction tycoon’s villa. I had accompanied my unofficial minder—a friend of a friend of a friend, who had taken it upon himself to introduce me to the world of Egyptian business elites. The host was his business partner and neighbor in a gated compound of high-walled villas. He had passed by in his tracksuit after an afternoon jog, and—following a brief exchange regarding the deficiency of his partner’s whiskey collection—we were invited for drinks. With Johnny Walker Blue Label in hand, my businessman friend introduced me and my project. As he explained it, I was researching business–state relations in Egypt and the promotion of SMEs.

“Interesting,” our host remarked. “Have you introduced her to Helmy? He had that project with the government for SME modernization.”⁵ Helmy Abouleish, I later found out, was former head of the IMC and current managing director of his family-owned Sekem Group, comprised of businesses in food, textile and garment production, pharmaceuticals, and land reclamation (Sekem 2009). He had also served on the team of “experts” appointed by Minister Rashid to compile Egypt’s Industrial Development Strategy (Loewe 2013, 33), which, we may recall, articulated the vision for new levels of public-private cooperation. Indeed, Mr. Abouleish would be quite involved in promoting reform era PPPs, occupying several high-level posts within the web of quasi-governmental bodies mandated to lead reforms proposed by the Strategy.

With regard to the IMC, he began his affiliation as member of the board (2004–2005), before being appointed Executive Director (June 2005–December 2006) by Minister Rashid, and then serving as Chairman of the IMC Management Council (2006–2011) (Abouleish 2010; Sekem 2014). His relationship with the Center, at least in any official capacity, came to an abrupt end with the 25 January Revolution, at which point he was arrested and held in the notorious Tora Prison alongside the Mubarak sons (Sekem 2011)—a story to be elaborated below.

Mr. Abouleish’s affiliation with additional reform era PPPs includes a dense network of quasi-governmental organizations, which will unravel themselves in the sections that follow.⁶ Predating these quasi-governmental posts, Mr. Abouleish also had more direct “governmental” participation, formalized through his membership on the ruling NDP’s Business Council and Education Committee in 2002, and position as board member of the NDP’s Educational Council in 2003 (Abouleish 2010).

Helmy's father Ibrahim, who established Sekem in 1979, provided the executive connection and military capital. The Sekem patriarch was old friends with the erstwhile president, Anwar Sadat, and ingratiated himself with high-ranking military generals when he helped them establish verdant cooperatives for officers on over 3,000 hectares of desert land surrounding his own (Abouleish and Abouleish 2008, 31).⁷

Rounding out his involvement in the reform era business–state assemblage, Helmy Abouleish also possessed dense connections to elite-level international networks—included, for example, in events such as the annual meeting of the World Economic Forum in Davos and invited to speak at numerous World Bank conferences—the cultivation of which was no doubt facilitated by his original endowment of cosmopolitan capital. Mr. Abouleish is Austrian-born, a dual citizen of Egypt and the EU, and fluent in German, English, and Arabic (Abouleish 2010)—all key to his success as a quintessential skilled broker.

Under Abouleish's direction, the IMC experienced a renaissance. Despite the IMC's substantial funding, the early days of the program yielded unimpressive results—suggested (according to UNIDO evaluators) by management's inability to disburse more than 6.5 percent, or €28 million, of the organization's €426 million endowment during the first five years of its existence (UNIDO 2006, 5; Abdel-Latif and Schmitz 2009). However, with the 2005 shake up, the new IMC administration, led by Mr. Abouleish, would become much better at dispensing the organization's wealth. According to a 2006 interview with Abouleish published in the *Daily News Egypt*, during the first ten months of his tenure as IMC Executive Director, the organization spent €90 million (Rasromani 2006). In addition to the activities directly administered by the IMC, much of this funding would be funneled through the IMC's *quasi-governmental* partners.⁸

Weaving the web of elite capture

ExpoLink

As the IMC's core agent for export promotion, ExpoLink returns to the scene.⁹ In the final USAID assessment of ExpoLink in 2005, the evaluators expressed concern regarding project sustainability as the organization had exhausted its USAID grants. However, rather than abandon a sinking ship, key ExpoLink executives instead used their networks to establish new rent streams that would ensure their continued and, as we will see below, increased benefits.

In July 2005, ExpoLink leaders signed a contract with the IMC that extended and strengthened the 2003 subcontracting agreement (discussed in the previous chapter), making ExpoLink the chief agent for organizing Egyptian participation in international exhibitions. ExpoLink services would now be funded in their entirety by the IMC (Pinard et al. 2006, 39). Parties to the signing included Abouleish, who had just begun his first few weeks as Executive Director of the IMC; Amr Abdel Latif, ExpoLink Deputy Director (under Zorba's chairmanship)¹⁰; and ExpoLink Treasurer, Adham Nadim.

Mr. Nadim represented the “private sector” in his capacity as chairman of his family furniture company, Nadim Industries.¹¹ And like the top members party to the PPPs introduced in earlier sections, he can be found deeply integrated into the business–state networks under examination. His executive-level participation in the web of networks began in 1999, when he joined the board of ExpoLink (Kamel 2008). In 2004, Minister Rashid appointed Nadim (alongside Abouleish) to his panel of experts commissioned to design Egypt’s Industrial Development Strategy (funded, we may remember, by the IMC). And demonstrating the density of organizational overlap, in addition to maintaining his position as ExpoLink Treasurer, Nadim also joined the IMC Management Council in 2005 before trading places with Abouleish to become IMC Executive Director in 2006. Nadim’s additional linkages to the core PPPs of the reform project will become evident in the sections that follow.

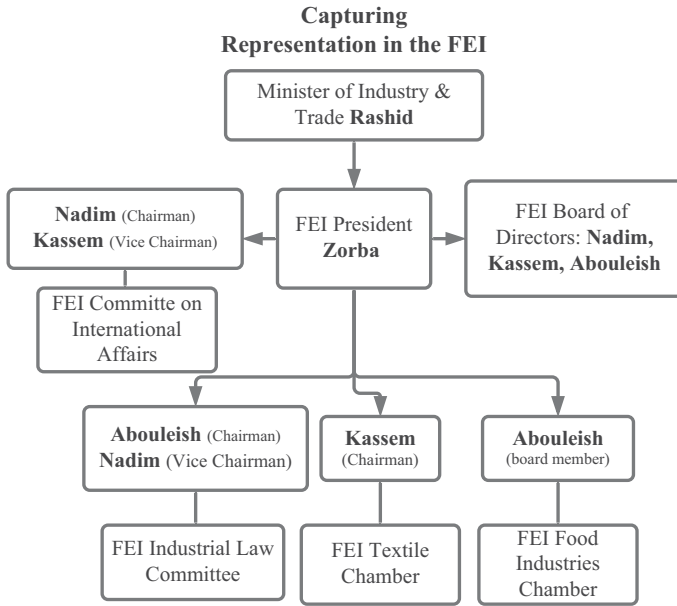
The individuals within this convoluted web of social capital, in turn, formed agreements dictating how economic capital would flow. Under the new partnership, the IMC allocated approximately €36 million (£250 million) annually through ExpoLink to support Egyptian participation in international exhibitions. Part of this money was sourced from the original IMC endowment, but the majority (€26 million, or £185 million) came from the publicly financed Export Development Fund (discussed below).¹²

Along with this shift bringing ExpoLink under the auspices of the IMC, restrictions on the maximum benefits allowed for individual firms were also loosened. Original USAID rules stipulated that after reaching a threshold of \$120,000 in subsidies (\$70,000 in technical assistance and \$50,000 in exhibition participation), ExpoLink members were no longer eligible for financial support (Wellons et al. 2005, 18). The IMC instead capped limits for its assistance at the significantly higher rate of €500,000 for “business development services” (including export support), in addition to €500,000 for research and development and an “unlimited amount” of vocational training (Meda Finance 2010, 99).

The reimagining of ExpoLink under IMC guidance also opened new pathways for greater resource capture. While under the early USAID grant (1997–2005), ExpoLink was considered a “member-based organization”—with resource allocation calculated based on how much an individual member received (Wellons et al. 2005, 18)—the IMC defined itself as a “business development center,” and conceived of recipients as firms, rather than firm owners. This allowed large holding groups comprised of smaller subsidiary companies (such as those owned by Abouleish, Arafa, and Khamis) to increase their access to the pool of funds even further as each subsidiary could apply for IMC assistance (“IMC” 2009a).

The Federation of Egyptian Industries (FEI)

The FEI also underwent a change in leadership at the start of Rashid’s tenure in 2004, integrating the ExpoLink executive. Rashid appointed long-time friend and fellow Alexandrian, Zorba (former ExpoLink Chairman) as FEI



Notes: List of board members and leadership posts not exhaustive.
Positions held some time between 2004-2011.

→ Denotes relation by appointment.

Figure 5.1 The leadership structure of the FEI (2004–2011), dominated by a handful of cosmopolitan elites after the appointment of the Businessmen Cabinet.

President, who, in turn, appointed his business partner, Kassem (former ExpoLink Vice Chairman), along with Nadim (ExpoLink Treasurer) and Abouleish (IMC Executive Director) to head important committees within the Federation (see Figure 5.1).¹³ Expanding the organizational weave, these four individuals also secured positions on the FEI’s board of directors, which in turn served as the “private sector” representatives on the board of the IMC.¹⁴

Meanwhile, the physical FEI headquarters, now under the command of Zorba and his new Rashid-appointed board of directors, also became integrated into the IMC rent stream. As the evaluator of the USAID’s FEI privatization project explained in his 1999 assessment: “The new USAID-funded FEI building, a source of pride and affection for the US...is expected to generate substantial increased revenues from office space and other facility rentals” (Sines 1999, ix). The IMC, occupying a floor in the FEI headquarters, sent a portion of its well-endowed budget (courtesy of EU and Egyptian public funds) to the new FEI executive to rent the space. And with the inauguration of the Rashid era of PPPs, ExpoLink (now integrated under the IMC) also opened office space at the FEI headquarters.

With the FEI's new leadership in place, the team ushered in legislation for which they had long lobbied, but which had previously been thwarted by discordant agendas within top cabinet positions. One of the earliest and most significant examples of these institutional developments was the Income Tax Law 91/2005. The law brought a range of favorable amendments for the team of business elites, most notably: cutting corporate taxes from 42 to 20 percent; introducing tax exemptions for any revenues from stocks and returns on bonds or investment funds listed on the Egyptian stock exchange (GAFI 2005); and allowing firms to assess and report their own tax payments, with audits occurring only on a "sample" basis (Embassy Cairo 2005c).

The chief advisor to Mr. Zorba (the latter wearing his hat as FEI Chairman), Mr. Alaa Ezz explained how the new law came about¹⁵:

Technically, the government has to run new laws and regulations by the Federation of Industries [FEI] before they can enact them. And sometimes we save them the trouble and just use the Ministry's letterhead, write the law, and hand it over for them to sign it. The tax law in 2005... that was us. We wrote that. The entire document, the wording, everything, that was us.

(Author interview July 31, 2013)

Whether or not the legislation was written in its entirety by the pens of Mr. Zorba and Mr. Ezz, they celebrated its introduction. Zorba praised the law, telling his US interlocutors it created a new dynamic between government and investors "based on trust" (Embassy Cairo 2005c).¹⁶

As for "market liberalizing" legislation that might have *threatened* the gains of some of our central actors, we find exclusion of a convenient sort. Alongside the clauses noted above, the 2005 Tax Law also canceled tax exemptions previously offered by the 1997 Investment Guarantees and Incentives Law (GAFI 2005, 1). However, the new tax law would not be applied retroactively to firms already established under the earlier legislation. That is to say, firms already operating under Law 8/1997 would continue to benefit from the government incentives.

One example of how this exemption was used (and abused) by connected business elites can be seen in Mr. Arafa's establishment of Al Arafa for Investment and Consultancies Company. On June 18, 2005 (just a few days *after* the new tax law took effect), the board of directors of Arafa's Swiss Garments Company met to discuss the division of the firm into two separate Joint Stock Companies (Arafa Holding 2008, 5). The separation would establish the "main Company" as Al Arafa for Investment and Consultancies Company, while his Swiss Garments Company would become a "spin off" firm. The former was to be "specialized in investing in financial instruments," while the latter would retain its purpose of manufacturing ready-made garments (*ibid.*). The split became official in November 2005, when it was approved by Egypt's central body for governing free zones, the General Authority for Investments and Free Zones (GAFI)—the next node in our web of elite capture.¹⁷

The General Authority for Investments and Free Zones (GAFI)

Despite the fact that Arafa established his new enterprise after the 2005 Tax Law came into effect, GAFI approved the establishment of Al Arafa for Investment and Consultancies Company “according to the Investment Incentives and Guarantees Law 8/1997, operating under the Free Zone System” (Arafa Holding 2008, 5). This is problematic on a number of fronts. First, as noted above, the 2005 Tax Law canceled tax exemptions previously offered by the 1997 Investment Incentives Law. However, because Arafa’s financial consultancy firm arose out of a demerger, it was not considered “new,” but rather an arm of a restructured pre-existing company. As a result, Arafa’s investment and consultancy enterprise could retain the privileges initially granted to his RMG manufacturing company under the free zone scheme. As described in Arafa Holding’s financial statements, this meant “the Company and the company’s profits are not subject to tax laws and duties applied in Egypt” (*ibid.*, 34).

In addition to the dubious timing of the firm’s establishment, the stated purpose of the firm also raises questions regarding its eligibility for free zone inclusion under the 1997 law. Al Arafa for Investment and Consultancies Company was established with the expressed purpose of: “providing financial and management consultancy; investing in local and foreign companies; participating in restructuring activities as well as providing technical and management support” (Arafa Holding 2007, 5). As stipulated by the 1997 Investment Law, only companies operating in certain activities could enjoy tax exemptions. This included a fairly long-list of sectors ostensibly contributing to the general “interest of the country,” such as industry, mining, land reclamation, and infrastructure operations—a list from which financial and management consultancy are noticeably absent (GAFI 1997, 4).

All of this begs the question: Why would GAFI approve the establishment of Arafa’s consultancy company under the free zones scheme? Tracing the capital involved offers useful hints. First, as one of the conditions for operating in free zones under Law 8/1997, GAFI received one percent of the participating companies’ profits. In FY2010, for example, this meant Arafa Holding paid \$565,849 in GAFI fees (Arafa Holding 2010a, 31). Through payments such as these, GAFI was able to secure financial autonomy, fully financed by free zone receipts (Stone 2006, 4).

In addition to Arafa’s contribution of economic capital, GAFI’s approval may also have been influenced by Arafa’s broader set of capital: Arafa sat on GAFI’s Board of Trustees (GAFI 2011). This new board was established by Presidential Decree 316/2004 to serve as an “investment advisory council,” tasked with offering policy advice and suggestions for legal changes that would lead to “investment promotion” (Stone 2006, 7). Alongside Arafa, the Board of Trustees included several prominent business–state actors already introduced, among them: Zorba, Abouleish, and Taher Helmy (EK Holding 2005; Abouleish 2010; Baker McKenzie 2019).¹⁸ A few months prior to these appointments, Law 14 of 2004 had expanded GAFI’s mandate considerably, designating it as the

central body for handling all investment concerns (Stone 2006, 6). This granted GAFI sole authority over registering new companies, issuing permits, and awarding licenses for tax and customs exemptions—making the body's executive members powerful gatekeepers to accessing reform benefits.

The Export Development Fund (EDF)

Egypt's Export Development Fund also got the Businessmen Cabinet treatment, becoming a central node in the PPP web. Originally established by the Export Promotion Law 155/2002, the EDF was granted an independent budget of \$40 million (funded by the public coffers) to finance incentives for exporters.¹⁹ Alongside creation of the Export Fund, the new legislation also reorganized the command structure for overseeing Egypt's imports and exports, significantly streamlining bureaucratic procedures concerning trade.²⁰ While the responsibility for exports previously fell under a range of government bodies, Law 155/2002 centralized the leadership structure. The Minister of Foreign Trade became the chief authority for issuing rules regarding export promotion,²¹ and a "Central Unit" was created, bringing together select representatives from the government bodies responsible for monitoring exports and imports: the Customs Authority and the General Export and Import Control Organization (GEICO) (MOTI 2002). The Central Unit would be housed at the Ministry of Finance, and jointly supervised by the Minister of Foreign Trade and the Minister of Finance.

Behind the scenes of these institutional roots, we find a web of individuals and organizations already introduced. ExpoLink—led by Zorba, Kassem, and Nadim—had lobbied hard for the Export Promotion Law. Along with trade fairs and marketing, one of ExpoLink's central missions was to "institutionalize policy advocacy" (Wellons et al. 2005, 14). A laudatory point in the final USAID evaluation states: "As part of its policy advocacy efforts, EEA [ExpoLink] heavily advocated and eventually succeeded in ... issuance of the new export law that offered incentives for exporters and facilitated the export process" (*ibid.*, 15).²²

But despite the evaluators' praise for ExpoLink's successful lobbying, ExpoLink leaders expressed less enthusiasm. The final version of the Export Promotion Law passed by the People's Assembly in 2002 differed considerably from the initial drafts proposed by Zorba and his colleagues (Nasr 2002). As Mr. Zorba (wearing his hat as ExpoLink Chairman) told the English-language newspaper *Al-Ahram Weekly*:

After months of discussions, we came up with a final draft that was later submitted to the Ministry of Foreign Trade. We were led to believe there was a leaning towards adopting the main issues of the draft in the proposed law.

(ibid.)

However, a number of demands from the initial draft failed to appear in the final law. Chief among them, as Zorba explained, was the designation of

exports to be a tax-free activity. While investors operating in the economic free zones established under the 1997 Investment Guarantees and Incentives Law were offered full tax exemptions or five- to ten-year tax holidays on exports (such as Khamis and Arafa), other exporters (including Zorba and Nadim) were not. Echoing his partner's displeasure, Kassem added: "Exporters in the same country should enjoy equal treatment" (*ibid.*). Other members of the business elite expressed skepticism regarding the actual impact the new Export Fund would have due to the "difference in vision" between the Ministry of Finance and the Ministry of Foreign Trade—the latter aiming to provide incentives to exporters, while the former was set on "seeking more resources" (*ibid.*).²³

Perhaps due to this "difference in vision" between the two supervisory bodies of the new Fund, export subsidies were not disbursed in the first few years of the EDF's creation, and little money flowed to the businessmen who lobbied for the law.²⁴ However, with the July 2004 cabinet reshuffle, the former Minister of Finance would be replaced by his more generous counterpart at the Ministry of Foreign Trade, Youssef Boutros Ghali (who had been keen on the provision of export assistance); and the Ministry of Foreign Trade would become the Ministry of Industry and Trade—headed, as we know, by Mr. Rashid. In the new era of PPPs, the distortion of legal advice offered by the former ExpoLink executive board would be largely remedied. The inauguration of Rashid and Ghali's tenures brought the visions of the two ministries into greater alignment, both men working in close collaboration on Nazif's "Economic Group."²⁵ The streamlined Central Unit now came under their direct supervision, and the body took charge of disbursing rebates offered by the EDF (GAFI 2015).

At the time the two ministers assumed office, executive regulations for the Export Promotion Law 155/2002 had, conveniently, yet to be issued (WTO 2005, 43). Moreover, there remained ambiguities regarding how the law would be interpreted, including how to spend the Fund's budget. During Rashid's first year in office (July 2004–July 2005), Fund reserves flowed with relative modesty in the form of subsidies for marketing, trade fairs, and shipping costs. However, by late 2005—with Rashid's quasi-governmental partners now firmly in place—the Fund's remit expanded considerably, including, most significantly, the initiation of direct export subsidies.

In order to accommodate the new service, over the course of Rashid's tenure the Fund's budget increased from its original \$40 million in 2002 to around \$730 million (£4 billion) by 2009 (Embassy Cairo 2009d). This money would, in turn, be allocated through the web of PPPs, namely: (1) IMC/ExpoLink (discussed above), and (2) Export Councils/the Egyptian Export Promotion Center (EEPC).

Export Councils and the EEPC

"Representatives embedded in" Export Councils were cited by the IMC as central agents of their PPP project alongside ExpoLink, the FEI, and GAFI ("IMC" 2009a). As part of the Businessmen Cabinet institutional

reconfigurations, Commodity Councils, which had previously been governed by the Minister of Internal Trade, were converted into Export Councils and brought under the auspices of the newly appointed Minister Rashid (Adly 2013, 93). Ministerial decree 543/2005, which reconfigured the Councils, changed little regarding their official mandate—originally articulated in 1997 and establishing them as consultative bodies of producers—save for an added emphasis on their participation in export promotion.²⁶

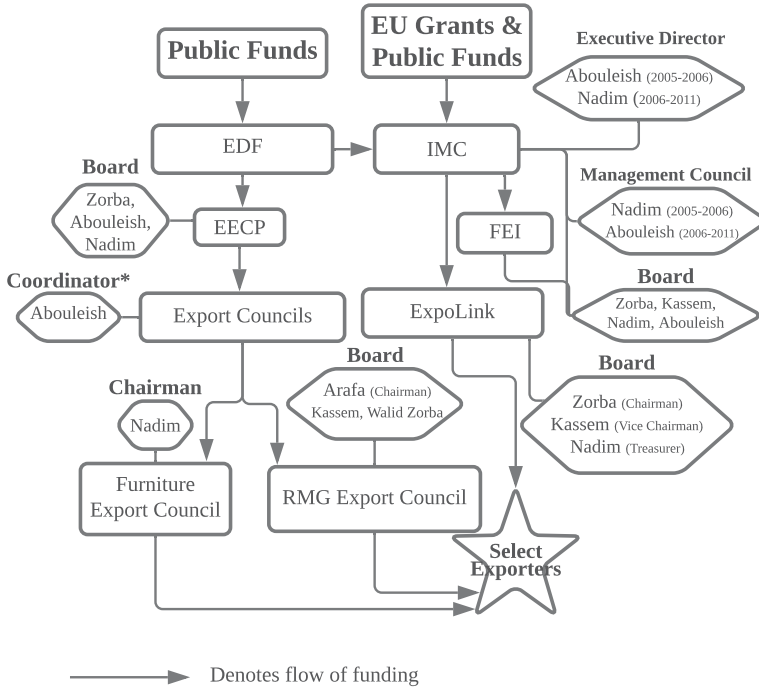
In practical terms, however, the Export Council boards, handpicked by Rashid, took on an increased policy advisory role, guiding the export strategies for the new Minister of Industry and Trade (Rasromani 2006). And within these Councils, we see yet another example both of how networks proliferate and how they were formalized in the shape of “quasi-governmental” bodies. Abouleish was appointed Coordinator of the Export Councils across industries (Abouleish 2010)²⁷; and at the sector-specific level, Nadim became Furniture Export Council Chairman, while the Ready-Made Garment Export Council (RMGEC) board bore a striking resemblance to the founding leadership of ExpoLink. On it, we find Zorba’s son, Walid (EUSBC 2015b), and—after disagreements between Minister Rashid and his original choice for RMGEC Chairman²⁸—Mr. Arafa assumed the top post (2008–2011), succeeded by Mr. Kassem.²⁹

Also part of the organizational overhaul, the EEPC, originally a government organization established in the 1980s, was transformed into the “administrative arm” of the reconfigured Export Councils (Rasromani 2006). The EEPC’s new mandate included assisting the Export Councils in creating their development plans and coordinating with export service providers, namely the IMC and ExpoLink (*ibid.*)³⁰ “Today, this center is not a government department,” Minister Rashid told the English-language newspaper, *Daily News Egypt* (*ibid.*). With the 2006 transformation, the Center would instead be added to the list of ambiguous “quasi-governmental” bodies. Although the government remained the sole financier of the Export Center, the organization would now be headed by private sector representatives—included among them: Zorba, Abouleish, and Nadim—alongside select government officials (*FEC* 2005).³¹

Under the guidance of the Export Council boards and EEPC members, the EDF budget gradually increased over the initial years, reaching around \$350 million (£2 billion) by 2008 (Embassy Cairo 2009a), before more than doubling to \$730 million (£4 billion) in 2009 as part of the government’s post-financial crisis “stimulus package” (Embassy Cairo 2009d). Along with the budget expansion, the EDF increased its offer of an 8–10 percent subsidy on total export value to 12–15 percent for the first six months of 2009 and provided additional subsidies for exporters’ shipping and marketing (*ibid.*). The budget continued to increase, reaching \$780 million (£4.6 billion) by early 2011 (US Department of State 2011).

Within the web of human connections constituting the newly reconfigured export programs, the importance of tracing financial transactions between organizations also returns to the fore. These individuals comprising the Export Council and EEPC boards served as gatekeepers for accessing: (1) the

Who controls the rent streams?



Notes: Chart shows positions held sometime during 2004-2011. Leaders of the IMC, FEI, EECP and Export Councils all appointed by Minister Rashid. List of board members not exhaustive. *Abouleish was also a board member of the Agricultural Export Council and Export Council of Medicaments.

Figure 5.2 The flow of rents from public and donor funding to a handful of “quasi-governmental” organizations led by a small group of cosmopolitan elites. They chose who would receive lucrative business support and export subsidies.

IMC-funded ExpoLink services to support participation in international trade exhibitions and marketing assistance; as well as (2) rebates from the Export Development Fund (see Figure 5.2).³²

Alongside the flow of EDF funds channeled first through the IMC, then to ExpoLink for marketing and international trade fair participation (discussed above), the new system of export subsidies initiated under Rashid also sent the Fund’s endowment through the Export Councils (with the EEPC approval) to select exporters. As previously noted, in order to apply for export reimbursements from the EDF, producers were required to register through their respective sector-specific Export Councils—housed under the EEPC.³³ The streamlined Central Unit overseen by Ministers Rashid and Ghali would then carry out the necessary bureaucratic procedures for issuing the export rebate (WTO 2005, 43).

Re-examining ExpoLink and Export Councils

Contrasting ExpoLink to Export Councils, Adly (2013) notes: “The Egyptian Exporters’ Association [ExpoLink] has never been given a corporatist representative status for Egyptian Exporters: it remains more of a private service centre than an association...” (95). He adds that: “the mode of representation through the Exporting Councils has remained confined to big exporters chosen by the Ministry of Industry,” while ExpoLink “has not been given any delegated power from the state” (*ibid.*). However, what Adly’s analysis misses is that ExpoLink executive board members (1997–2005) were the same individuals (Zorba, Arafa, Kassem, Nadim) who would go on to lead the Export Councils of their respective sectors (2005–2011). What is more, the reimagined ExpoLink would come under the auspices of the IMC in 2005 (led by Abouleish and Nadim), from where it would funnel rent streams through the Export Councils (led by Abouleish, Nadim, Zorba, Arafa, and Kassem).

Adly’s (2013) evaluation fails to capture the true nature of these organizations and their consequences during the Rashid era for two reasons: (1) he is examining the vestiges of these partnerships, following their post-Revolution disruption, and (2) in the case of ExpoLink, he is examining the quasi-governmental bureaucracies created by the ExpoLink executives in order to provide the requisite *qisas el nigaH* (“success stories”), not the original executive board (Zorba, Arafa, Kassem, Nadim), which had direct control over the rent streams first provided by USAID (1997–2005), then the EU (2005–2011).

As for Adly’s evaluation of the Export Councils, he notes:

[T]he consultative role of the Councils has not been well-institutionalized through clear channels of evaluation and monitoring or policy proposal, turning the study-making role of the Councils into more of a think-tank than a representative body or a private partner in plan-setting and development.

(Adly 2013, 94)

However, here too the temporal element is important. During Rashid’s tenure, this absence of “clear channels of evaluation” did not exclude certain Council heads from becoming influential “private partner[s] in plan-setting.” Instead, the personalistic nature of the leadership structure (with the chairmen of the Councils appointed by the Minister of Industry and Trade) meant that select Council leaders were granted considerable influence. As a result, the RMG, Furniture, and Food Councils—stacked with central actors of the new strategy for “industrial development”—were offered privileged access to policymaking.³⁴ And, under the PPP system for export subsidy distribution, these select Council leaders and their fellow inhabitants within the *diera mughlaqa* (closed circle) enjoyed commensurate rewards.

Adly (2013) suggests that the export promotion initiatives of the Rashid era were unimpressive, noting: “the relative weight of export subsidies appears rather meager in comparison with total exports” (102). He points to the fact that only 1.86 percent of total exports were subsidized between 2001 and 2007, and compares that to Turkey in the 1980s, which offered subsidies amounting to 25–30 percent of total exports (*ibid.*). However, the macro-data fails to offer insight into how these subsidies, while small on the aggregated scale, offered considerable benefits to some.³⁵ In the new EDF, we find a similar scenario to that of the IMC, and a common trend within reform era initiatives more generally: legislation offering a small group of individuals discretion over a large amount of public resources. So who were included among the top beneficiaries of these funds funneled through the web of PPPs?

Reform winners: following the capital

Adham Nadim and Nadim Industries

Mr. Nadim’s direct gains from the Rashid-era “business development” support for his furniture enterprise are difficult to trace. While his company expanded considerably over the period during which he served on the IMC executive—a new technical design team in 2006, housed in a new office building, and a substantial increase of production capacity in 2008, leading to the opening of a new factory in 2009 (“Nadim Industries” 2016)—it is difficult to tell how much of this was supported by IMC assistance, and how much Nadim received from the EDF’s export support. Under Egyptian law, joint stock companies (such as those of Abouleish, Arafa and Khamis examined below) are required to report audited financial statements. Nadim Industries is not publicly traded, and therefore not subject to requirements of public financial disclosure.

However, Nadim, wearing the hats of both ExpoLink Treasurer and IMC Executive Director, had direct access to the levers controlling how IMC funds would be allocated. For instance, when Nadim assumed the position of IMC Executive Director (2006), he increased the ExpoLink’s administrative remuneration considerably. The initial 2005 IMC-ExpoLink partnership stipulated that ExpoLink administrator honorarium should amount to no more than ten percent of total ExpoLink spending, and not exceed €1.5 million (£11 million).³⁶ Under Nadim’s tenure, this number was increased to €2.5 million (£18.75 million), and in 2007, expanded again to €3 million (£22.5 million). These increases occurred at a time when ExpoLink’s reported spending on service provision stood at around only €1 million (£8 million) in any given year (Mahmoud 2015),³⁷ suggesting that administrative earnings for the small group of ExpoLink administrators (Nadim among them as ExpoLink Treasurer) reached three times that of the cost of assistance provided.³⁸

As for the wealth of funds offered by the EDF, wearing his hats as Chairman of the Furniture Export Council and board member of the EEPC, Nadim would also play no small role in determining who would receive the furniture sector's export subsidies. Between 2004 and 2010, the furniture sector experienced export growth of over 140 percent (OEC 2004, 2010).³⁹ The majority of this increase was accounted for by a small group of 15 furniture businessmen (Abdel-Latif and Schmitz 2010), the core of which had been Nadim's hand-picked beneficiaries during his early days at ExpoLink (beginning in 1999). As noted above, these top exporters enjoyed rebates of ten percent against their export invoices (from the EDF via the Furniture Export Council and EEPC). By 2010, furniture exports reached \$150 million (up from \$62 million in 2004), translating into a substantial amount of annual support for the few large exporters (OEC 2004, 2010). Thus, Nadim had been well-positioned to both access the financial assistance for his own enterprise, as well as funnel rent streams to others of his choosing within the industry.

Finally, alongside access to large pools of economic capital, in his capacity as IMC Executive Director, Mr. Nadim was also offered the opportunity to expand his cosmopolitan capital (economic and social). This included, for example, a cocktail event at the Malta Ambassador's residence in Brussels where he clinked glasses with the secretary general of the Mediterranean Bank Network (*Times of Malta* 2009)—with a mission statement of acting “as a voice for the Euro-Mediterranean financial services industry” (“Mediterranean Bank Network” 2016)—along with his integration into additional networks of international financing circles (discussed in Chapter 7).

Abouleish and Sekem Holding

As a high-ranking member of numerous PPP organizations,⁴⁰ Mr. Abouleish was also well-positioned to take advantage of the new tools for Egypt's industrial modernization and export promotion. Additionally, the web of quasi-governmental collaboration served the convenient function of allowing Mr. Abouleish access to nominally distinct pools of resources, which were, in fact, derived from the same two sources: the IMC endowment (comprised of EU and Egyptian public funds) and the EDF (sourced from the Egyptian coffers).

As noted in the annual reports of Abouleish's holding company, Sekem Group: “SEKEM received financial support from the IMC and ExpoLink to increase industrial firms' productivity, employment, know-how, sales and exports” (Sekem 2008, 17; Sekem 2009, 13).⁴¹ With these resources, Sekem's various subsidiaries expanded their operations considerably through projects “conducted in cooperation with the Industrial Modernization Center” (Sekem 2009, 12). In 2007, the Group reported a spree of investment activity, particularly toward machine upgrading for its various subsidiaries (Sekem 2007, 23–26). Lotus (est. 2005), specialized in the processing of herbs and spices, integrated multiple new machines, storage facilities, and production

lines to its operations; Mizan (est. 2006), a subsidiary dedicated to plant raising, expanded its processing facilities “for the production of high-grade seedlings;” ISIS, specializing in food and herbs, invested in a number of new machines, while “existing production facilities were upgraded to allow for greater productivity;” Hatour, producing fresh fruits and vegetables, expanded its cooling facilities, which contributed to 20 percent sales growth; NatureTex, specializing in garment production for export, also “made most of its investments through the expansion of production and machinery,” which accounted for “an overall productivity improvement of 26%.” Meanwhile, with regard to human capital, NatureTex benefited from three programs to train much-needed skilled workers⁴²; and Atos, Sekem’s pharmaceutical subsidiary, “invested heavily into personnel and professional training of its co-workers” (*ibid.*, 26).⁴³

It is unclear from the Sekem reports the extent to which these activities were subsidized by the IMC/ExpoLink/EDF as the notes to the consolidated financial statements are withheld. However, close reading of the Group’s reports—taken together with knowledge of the contemporary institutional developments within the IMC—indicates significant financial assistance. First, shortly after assuming the position of IMC Executive Director, Abouleish initiated a grant program entitled the Equipment Purchase Incentive Scheme to “support IMC eligible enterprises purchasing equipment and machinery for modernizing their production facility” (MOTI 2006, 26). According to the rules set during Mr. Abouleish’s tenure as head of the IMC, the scheme offered 80 percent subsidies on participating firms’ “modernization” costs, or technology upgrades (Loewe 2013, 36). This was amplified in early 2007 when the IMC signed agreements with Siemens, the German engineering company, to upgrade machines in select Egyptian factories, including those producing pharmaceuticals and textiles (Namatallah 2007)—sectors constituting some of Abouleish’s central activities.⁴⁴

Second, regarding the invaluable employee training offered to NatureTex and Atos, we may recall that as stipulated in the new IMC regulations, firms were allowed “an unlimited amount” of assistance for vocational training (Meda Finance 2010, 99).⁴⁵ Third, an additional rule set during Mr. Abouleish’s time as head of the IMC stipulated that former IMC Executive Directors must wait a nine month “grace period” before accessing IMC assistance (Sekem 2011, 4). Having left the post in December 2006, Abouleish would have been eligible (according to his stipulation) to access IMC rebates on his various upgrades before the end of the 2007 fiscal year.⁴⁶

A final clue suggesting the extent of IMC assistance can be noted in the considerable increase in assets experienced by Sekem Group during this period. Between 2006 and 2007, Sekem Group’s reported assets in the form of property, plant and equipment increased by more than \$11 million (£63 million), while reported spending for property, plant and equipment during that same period stood at around \$5.7 million (£32 million) (Sekem 2007, 76).⁴⁷

What is more, in addition to Abouleish’s rebates for machinery purchases and vocational training schemes through the IMC, his subsidiaries also

benefitted from the newly instated EDF export rebates. In 2008–2011, Sekem reported around \$3 million (£16.6 million) in rebates, allocated through the EEPIC (where we may recall Abouleish sat on the board) at a rate of ten percent against Sekem's export invoices (Sekem 2009, 2011). This was on top of the assistance from ExpoLink (funded by the IMC/EDF) to participate in both domestic and international trade fairs (Sekem 2008, 2009).

The net effect of Sekem's prosperous investments contributed to a 65 percent increase in gross profits between 2006 and 2010 (Sekem 2007, 2011).⁴⁸ Perhaps more significantly, Sekem's assets in property, plant and equipment more than doubled over this period from around \$28 million (£162 million) in 2006 to nearly \$69 million (£392 million) by 2010; And in terms of net assets, Sekem saw an increase of more than \$62 million (£356 million) over the four short years of Mr. Abouleish's executive-level participation in PPP quasi-governmental organizations of the Businessmen Cabinet era.⁴⁹

Arafa and Arafa Holding

Mr. Arafa, well-integrated into top level positions of the IMC's Public Private Partners also benefited considerably from the new incentive schemes promoting Egyptian exports and industrial modernization.⁵⁰ Arafa Holding began reporting "technical support subsidies"⁵¹ in FY2006 when the company received \$234,260 (Arafa Holding 2007).⁵² Over the next six years (FY2007 to FY2012), Mr. Arafa reported additional receipt of technical support subsidies in excess of \$3 million (Arafa Holding 2007–2012a).⁵³ Arafa's various subsidiaries received this technical support at a time when, as discussed above, the IMC was the central agency for allocating such assistance—subsidizing 80 percent of "modernization" costs in Cairo and the surrounding areas, and 90 percent in Upper Egypt (Loewe 2013, 36), where Mr. Arafa had recently begun building new factories. Beginning in 2009, this IMC rebate was increased further to 95 percent for enterprises in Upper Egypt (*ibid.*).

And yet, Arafa's auditors' reports are ambiguous with regard to the source of the funding. One possible explanation might concern the initial mandate regarding who was to receive IMC assistance. According to the Industrial Development Strategy, IMC subsidies were only intended for those not operating in free zones (MOTI 2006, 31). Mr. Arafa's Swiss Garments Company, located in the Tenth of Ramadan Free Zone—exempting him from corporate tax and streamlining cumbersome customs procedures among other benefits—should not, therefore, have been eligible. But a former human resources specialist at Arafa's Swiss Garments Company cites in her LinkedIn profile that some of her tasks included: "Corresponding with IMC representatives to plan and start the services according to IMC regulations;" and "Preparing and delivering all the documents to IMC to claim the reimbursements."⁵⁴ Additionally, the IMC⁵⁵ does make a brief appearance in Arafa's financial statements in FY2010, when the company's end of year report shows \$0 received (Arafa Holding 2011a). This, however, is contradicted by the same

year's quarterly statement, which for the three-month period records \$102,531 in IMC support (Arafa Holding 2010c).⁵⁶

As for EDF subsidies, Mr. Arafa reported \$14.71 million in export rebates between 2005 and 2008.⁵⁷ And although subsequent financial statements make no reference to the subsidies, other records suggest that Arafa not only continued to receive the rebates, but did so at an increased rate. The first clue to suggest omission is that while the "export subsidy" category disappears in the 2009 end of year statement (Arafa Holding 2010a), the mid-year 2009 report records receiving export subsidies during the first six months of the period in question (Arafa Holding 2009).⁵⁸ Second, the Group's FY2009 "Earnings Release" publication notes that the firm actually experienced a gain in operating profit for its RMG sector, despite a decrease in product revenue against the backdrop of the global recession, due to "increased government incentives to export industries" (Arafa Holding 2010b, 2). While Arafa reported a fall in earnings from manufactured garments by nearly \$8 million between FY2008 and FY2009, operating profit for the same period showed a gain of \$1 million (*ibid.*).⁵⁹ Quick calculation suggests that the "increased government incentives to export industries" amounted to approximately \$9 million over this one-year span.⁶⁰ We may recall that at the time, Mr. Arafa was also serving as Chairman of the RMG Export Council, which determined who could participate in the EDF subsidy scheme and access government-financed export support more broadly.

Finally, alongside siphoning off resources from programs intended to serve as safety nets during the disruptive effects of economic liberalization, Arafa and other business tycoons managed to enjoy other forms of protection. For instance, despite two rounds of tariff cuts on various textile and apparel products (first in December 2004, then 2007)—exposing Egyptian producers to intense international competition—two notable products escaped the reduction. Suits and carpets maintained their 30 percent tariffs (Ministry of Finance 2007, 206 and 224): a lucrative exception for Arafa and Khamis who stood as the largest suit and carpet producers in Egypt, respectively.⁶¹

Khamis and Oriental Weavers Group

While not party to the PPPs directly, former FEI Chairman Khamis was represented on the IMC executive board by Alaa Hashim, Chief Operating Officer of Khamis' MAC Carpet subsidiary (Abouleish et al. 2005, 76)⁶²; and on the EEPC board by Mr. Hashim's father, Raed Hashim, then MAC Chairman (*FEC* 2005). MAC is a significant subsidiary for the Group, accounting for around 25 percent of the Oriental Weavers' total sales—mostly in exports (Oriental Weavers 2009, 26).

Alongside Mr. Arafa (Egypt's largest RMG exporter), Mr. Khamis (Egypt's largest carpet exporter) also secured considerable access to these new rent streams for export promotion. Also like Arafa, Khamis operated from the Tenth of Ramadan Free Zone, making his companies exempt from taxes, customs and bureaucratic inconveniences⁶³; And despite the fact that,

as mentioned above, IMC services were not intended for those operating in free zones, the carpet tycoon enjoyed them in plenty.

Although Khamis reports no explicit IMC support, a top-level employee at Oriental Weavers who has worked in close proximity with Mr. Khamis for over a decade, Mr. Ziad,⁶⁴ explained how the IMC-ExpoLink reimbursement system worked during this five-year period (2005–2010):

The government gave money to the companies that had the financial ability [*el qudra el malaya*] to participate in international exhibitions. The government says, ok bravo you're a great man and you have a respectful history [*tareekh musharraf*], so we will give you for each square meter that you rented, say, one dollar—or one euro, until the maximum amount of €20,000.

(Author interview March 2, 2015)

Mr. Ziad explained that Oriental Weavers had a number of subsidiary companies, all of which would receive support from the IMC after they “proved they participated in a certain conference by providing invoices and photos and other things.”⁶⁵ In addition to subsidizing the rented space, Mr. Ziad explained that this money could also go toward other costs that might be incurred while the company participated in international exhibitions. He continued:

If the amount that you paid for the space was something trivial and you spent a lot of money on other things, the government would instead pay for the accommodation and tickets and *pocket money*⁶⁶ for two people related to exports—the people who go represent the company in the exhibition. Or, if you have two people and the company says the pocket money and accommodation won't be too much, then the government can say, ‘Ok, we can do something very nice. We'll give you the marketing materials.’

However, as Mr. Ziad explained, while not an insignificant amount, this funding for Oriental Weavers' trade fair participation paled in comparison to the EDF's export subsidies—disbursed to its beneficiaries at increasing rates throughout Rashid's tenure.

On top of receiving considerable IMC subsidies for participation in ExpoLink-organized international exhibitions, the carpet king secured tens of millions of dollars in export subsidies from the EDF. Khamis' Oriental Weavers, which boasted annual sales of approximately \$646 million, exported around 60 percent of its products (Oriental Weavers 2009, 36). Under the EDF rebate system, calculated as a percentage of export revenues, this meant Khamis had access to a disproportionate amount of the available government funds—particularly following the 2009 expansion of subsidy rates.

Like Arafa, Khamis saw an increase in operating profit in FY2009 despite a decrease in product revenue. As the company's 2009 annual report states, the gain “can be mainly attributed to other revenue including export

subsidies...as a result of the Egyptian government's efforts to stimulate exports and mitigate the negative effects of the financial crisis" (Oriental Weavers 2009, 13). Indeed, the total package of Khamis' government-financed assistance amounted to approximately \$29 million in FY2009, up from \$22 million the previous year—accounting for around 41 and 30 percent of Oriental Weavers' pre-tax profits in FY2009 and 2008, respectively (*ibid.*, 36).⁶⁷ As the company's 2009 annual report boasts:

Our accomplishment in the year just ended is even more notable when you consider how the global economic climate has affected our European peers, many of whom were forced into bankruptcy or who had to suspend production or sell machinery to stay afloat.

(*ibid.*, 12).

In effect, the EU was subsidizing, through the IMC, a monopolistic company that would "outcompete" its European counterparts owing to Khamis' unique blend of domestic and cosmopolitan capital.⁶⁸

* * *

Disguising resource capture: claims of assistance for Egypt's struggling majority

Perhaps unsurprisingly, those at the levers of Export Development Fund financing were not keen on advertising the flow of substantial government support to the country's top business elites. Instead, as with their partners in the web of organizations discussed above, they presented the Fund as a support for Egypt's smaller firms. As then US Ambassador Margaret Scobey explained in a confidential cable from the Egyptian Embassy to DC:

[Mohammed Ragui, Director of the EDF] told us that companies earning more than a 10% profit on their exports are ineligible to receive EDF rebates, in order to keep successful companies from accessing a fund intended for exporters with small profit margins. Companies receiving subsidized energy are also prevented from receiving export rebates, Ragui said. (Embassy Cairo 2009d)

However, as the cable continues: "Despite the GOE's assertions that export subsidies are targeted at companies with low profit margins and low energy consumption, private sector contacts say they receive export subsidies regardless of profit size or use of subsidized energy" (*ibid.*). Ambassador Scobey cites a number of private sector sources who had admitted to receiving subsidies from the EDF irrespective of their export-derived profits. One source added that the Fund did not require documentation of profits in order to claim the rebate. Scobey also cites an executive of Swiss Garments (an Arafa

Holding subsidiary)⁶⁹ who volunteered that she was allowed to both purchase subsidized energy from the government and access rebates from the Fund—a direct contradiction to Ragui's claim.⁷⁰ And with Arafa's annual gross profit typically exceeding \$160 million during the period in question (Arafa Holding 2008), it was difficult to argue his holding company exhibited the “low profit margins” of the EDF's ostensible targets.⁷¹

The US Embassy expressed concern that such assistance might produce market-distorting effects. As seen in Khamis' outperformance of his European competitors following the global financial crisis, the implications of export subsidies, helping firms participate in the global market, transcended boundaries.⁷² However, justification for allocating these subsidies was offered by a perverse logic again concealed by the shroud of Egypt's impoverished majority. In response to US Embassy officials' questioning with respect to compliance of Egypt's export subsidy program to WTO rules, Ragui explained that WTO subsidy restrictions did not apply to Egypt because of the country's low per-capita gross national product (GNP).⁷³

Ragui's second oft-repeated defense for funneling public resources to the country's wealthiest was also encased in a language of national benefit. In his opinion, the substantial assistance received by Mr. Khamis from the public budget (via the EDF) was important for job creation (Embassy Cairo 2009a). More egregious still, Ragui revealed that the mega multinational Nestlé—with \$20.65 billion in after tax profits in 2008 (Nestle 2010, 44)—had also been enjoying funds from the Egyptian coffers, justified because the company “generated new investment and new jobs” (Embassy Cairo 2009a).

However, while the EDF provision of tens of millions of dollars in subsidies to two of Egypt's largest exporters (Khamis and Arafa) and one of the world's largest corporations may have been expanding employment in their carpet, garment, and food/beverage empires, it failed to reach small and medium-sized firms—again, the ostensible targets of the national support program. As Diwan et al. (2015) demonstrate through statical analysis of dozens of politically connected firms in Egypt:

Even though these privileges [from preferential industrial policies] might help the few benefitting firms to grow and create jobs...the aggregate employment impact is negative due to the adverse effects of such policies on competition and thus the growth opportunities of the large majority of unconnected firms.

(27)

What's more, a number of the EDF's largest recipients—Khamis and Arafa among them—had vertically integrated operations with all inputs controlled by their respective holding companies, meaning there were no backward linkages with other firms, translating to negligible ripple effects for those not directly receiving the rents.

The web breaks: January 25, 2011

In the wake of the 2011 uprising, Abouleish, Nadim and Rashid were convicted for mismanagement of IMC resources and squandering public funds (*BBC Arabic* 2011). Rashid was also charged with illegal profiteering in his capacity as Chairman of the EDF after it was revealed that he had a significant stake in several the companies receiving subsidies from the Fund (*Al Jazeera Arabic* 2011). A criminal court in Cairo doled out multi-million-pound fines and five-year prison sentences for Rashid and Nadim in absentia—the former having fled the country and the latter in hiding since February 2011.⁷⁴ Abouleish was ordered to pay back £12 million (plus fines) and sentenced to one year in prison (*Al Jazeera Arabic* 2011; *BBC Arabic* 2011). Ultimately, he was held in custody for just over three months before being released with one-year probation (Sekem 2011).

Dissecting the defense

Following Abouleish's release from prison, his holding group's journal, *SEKEM Insight*, published an article providing details of the case against him and his alleged misuse of IMC funds. The article begins by tracing Abouleish's rise to leadership in the organization. It notes that after the IMC's "first few years with only little success, the IMC management in 2005 took the decision to involve the private sector more closely in the allocation of funds," at which point Abouleish became the Executive Director (Sekem 2011, 4). According to the article, this period had been so effective that "the European Union decided to fully hand over the responsibility for the management of the facility to the Egyptian authorities and the private sector" (*ibid.*).⁷⁵ This integration of the organization under the auspices of the Ministry of Industry and Trade (Rashid) with private sector direction (Abouleish)—and the blessing of its foreign donor (the EU)—granted the pair more direct control over both management and funds.

The evidence Abouleish points to in his defense reveals three important trends in Egypt's neoliberal reform experiences, which served as key contributors to the elite resource capture that occurred: (1) the value of the organizational veil; (2) the central role of international partners in facilitating exclusionary access to economic benefits; and (3) the legal cover provided by the interplay between organizations and institutions.

1) The organization veil, or "third party suppliers"

A 2010 OECD-sponsored report notes, "There are too many export promotion players" (OECD 2010, 7), continuing: "In addition to the Egyptian Export Promotion Center (EEPC), the main governmental export promotion agency, numerous other players offer services which overlap or duplicate each other" (*ibid.*, 8). Citing the IMC and ExpoLink as two of these overlapping organizations, the evaluators suggest this to be a structural

flaw, a coordination problem. What they fail to entertain is the possibility that the duplication of export promotion groups may have been intentional—allowing the individuals leading these organizations to draw from the same two pools of funding (IMC and EDF) that were then funneled through various channels. Indeed, as one PPP leader quipped, in a nod to the number of quasi-governmental leadership positions he held: “I’m contributing to unemployment in Egypt by wearing all these hats” (Author interview August 28, 2013).

As part of his verdict, Mr. Abouleish was ordered to repay all funds received by Sekem Holding. In his defense, he argued: “SEKEM firms have never actually received this money. Funds from the IMC always go to third party suppliers and providers of the services from which companies like those of SEKEM may benefit” (Sekem 2011, 3). Indeed, as discussed above, IMC money was allocated through bodies such as ExpoLink, the EEPC, and Export Councils—with which, as examined above, Mr. Abouleish had no shortage of links. Additional “third party suppliers” included independent consultants and technical trainers (chosen by Abouleish) as well as banks that would readily disburse the IMC funds against the invoices presented by Sekem for the Group’s newly acquired machinery under initiatives such as the Equipment Purchase Incentive Scheme (which itself, we may recall, was created by Abouleish during his tenure leading the IMC).⁷⁶ Thus, even if much of the IMC funds did technically pass through other organizations before reaching Abouleish’s businesses, there existed little practical difference—a fact suggested by Sekem’s earlier reports to investors citing “financial support from the IMC and ExpoLink” as a valuable part of the firm’s sustainable development (Sekem 2008, 2009, 13).

2) **International complicity**

Continuing his defense, Abouleish argues: “all funds were expended in accordance with the in-house manual of procedures,” adding that, “the competent authorities of the European Union re-examined all expenses on a regular basis” (*ibid.*). Abouleish briefly entertains the notion that there may have existed a conflict of interest, but dismisses it, stating that “According to the regulations of the IMC...any support that ever went to SEKEM companies has always been perfectly legal”—an assertion which, “the many instruments of control of the IMC and the European Union” also confirmed (*ibid.*, 2). What he fails to note is that he and his appointed colleagues defined and governed the IMC’s “instruments of control.”

3) **Institutional cover**

We may recall, during his tenure as inaugural IMC leader of the new Public Private Partnership initiative, Abouleish had discretion over setting the body’s regulations—such as the rule that would allow him full access to IMC assistance after a relatively short “grace period” (nine months) of retirement from

the position of IMC Executive Director (Sekem 2011, 4). This “grace period” would not take into account the fact that Abouleish maintained a top-level post as Chairman of the IMC Management Council, nor that he had hand-picked his successor (Nadim), when protecting against potential conflict of interest.

The article further supports the legality of Abouleish’s acquisition of funds and assistance by pointing to the 1999 Law of Cooperation, “which governs cooperative entities such as Public-Private Participation,” noting that “In fact, the law had been created specifically in the course of the establishment of the IMC” (*ibid.*, 5). As he explains:

An entity established on the basis of this law is by definition not a purely Egyptian authority but a community facility subject to complex regulations and special rules, which combine and span several legal frameworks of all participating partners.

(Sekem 2011, 5)

As Abouleish’s defense demonstrates, there existed many layers of protection for his privileged access to IMC benefits, both built into the organization and granted by the “competent authorities” of his foreign partners. Recall North’s (1990) depiction of the dialectical relationship between organizations and institutions. The IMC was created in tandem with a law that was intended govern it and supersede domestic legislation. Thus we see the parallel establishment of both players and rules of the game, in partnership with foreign donors, defining the space of Egypt’s economic “development.”

Conclusion

At an ECES conference held shortly following the inauguration of the Businessmen Cabinet, entitled “Rethinking the Role of the State,” a working paper suggested export promotion to be a fairly innocuous industrial policy. The authors posit that export levels provide “a relatively clean measure of the relative competitiveness of domestic producers,” adding the East Asian example should be followed with regard to terminating government support to “laggards” (Noland and Pack 2005, 10).⁷⁷ However, as this chapter has demonstrated, export levels of Egyptian producers must be understood in the context of reform era networks. That is to say, components of these networks—particularly, privileged access to international donor resources, export markets, and public subsidies—played a defining role in determining *who* would be a successful exporter, and who would be a “laggard.”

Adly (2011) posits that close-knit networks of cronyism and corruption evolved around the acquisition of public assets, pointing specifically to land, natural resources, and state-owned companies up for privatization (6). This chapter has added quasi-governmental development organizations to the list of axes around which these networks were cultivated and sustained.

As with selective access to public assets in the form of direct transfers of land, etc., PPP “business development” projects—which received ample public and international funds—offered yet another form of exclusionary access and resource capture. To borrow an interlocutor’s phrase, these organizations were an important part of the “barter system” [*muqayda*] between political and economic elites, offering individuals rents that they could then distribute at their discretion to enhance their networks and arrangements of exchange.

Abouleish offers a prime example of the complex blend of capital involved in both accessing and institutionalizing reform era resource capture. He used his cosmopolitan capital (an EU citizen with Austrian roots, offering a familiar language to his European counterparts) alongside high-level domestic capital (with direct links to the ruling NDP and Minister Rashid) in order to set the rules of the game. He did so through his participation in writing Egypt’s new roadmap for industrial development (the Industrial Development Strategy) and by institutionalizing the conditions for use of IMC funds while serving as IMC Executive Director (2005–2006). Having set the rules of engagement, he retired from his position to harvest what he sowed.

Abouleish and Nadim, sitting at the helm of the IMC, were granted the most direct control over international and publicly sourced IMC funds. As seen above, this allowed them considerable access to resources through both: (1) the ability to tailor national programs to their particular firms’ needs, while also stipulating the conditions for accessing assistance; and (2) control over setting board member honorariums.

However, there was another set of actors hiding behind the web of PPPs whose benefits afforded by the IMC and EDF reserves made those of IMC leadership pale in comparison. Top beneficiaries of these new export promotion projects included two of Egypt’s largest exporters and wealthiest businessmen: Arafa and Khamis. These early reform winners from the 1990s were brought into the *diera mughlaqa* (closed circle) of the Businessmen Cabinet era of the 2000s. The 1997 Investment Guarantees and Incentives Law, which Khamis was instrumental in securing, already offered Arafa and Khamis extraordinarily lucrative benefits. And yet, despite the fact that neither was eligible for either IMC or the EDF resources—as both initiatives were intended to support the development of smaller firms—Arafa and Khamis enjoyed privileges in plenty. The “politics of policy” (Robinson 2009) as played out in the *diera mughlaqa* triumphed over stated intent as articulated to the Egyptian public and international donors.

Meanwhile, the average Egyptian micro, small or medium-sized firm owners—who lacked the cosmopolitan capital to participate in direct channels of international donor wealth—were excluded from the spaces of carved out efficiency, condemned instead to sink in the morass of the remaining bureaucrats, while also facing a new set of quasi-governmental ones. The following chapter provides a glimpse into this tiered access contingent on socio-economic capital.

Notes

- 1 An additional €73 million is cited as coming from the “Egyptian private sector,” which took the form of cost-sharing contributions by recipients of IMC services (UNIDO 2006, 5).
- 2 A 2010 financial survey (introduced by Nazif, Rashid, Zorba, and Alaa Ezz) states that the IMC committed €513 million to businesses between 2007 and 2010 and as of 2010 had a remaining budget of €88 million (Meda Finance 2010, 99).
- 3 The EU-Egypt Association Agreement (signed in June 2001 and entered into force June 2004) emerged out of the 1995 framework for the Euro-Mediterranean Partnership, also known as the Barcelona Process (European Commission 2016). The Partnership was an attempt to strengthen economic and security relations between EU member states and non-EU Mediterranean (North African) countries. The initiative conceived of a European-Mediterranean free trade area—provoking considerable debate and opposition due to the asymmetrical nature of North-South power relations and the consequences regional economic liberalization was expected to have on the weaker Southern industries. In Egypt, criticism was also strong with dissent coming, most notably, from industry leaders who would be negatively affected by increased competition with European goods (Ebeid 2004). Expected beneficiaries of the Partnership included select low to medium technology industries, namely fertilizers, cement and natural gas, while the vast majority of sectors were expected to suffer. The IMC (est. 2000) was created in the context of this debate, ostensibly offering a safety net to Egyptian industries threatened by the impending increased competition (*ibid.*).
- 4 Additional central partners included the General Authority for Investment and Free Zones (GAFI) and Businessmen Associations.
- 5 In fact, I had met Mr. Helmy Abouleish the week prior when the same businessman patron had brought me, uninvited by his colleague, to a meeting they were having regarding expansion of Abouleish’s Heliopolis University. Abouleish did not appear pleased with my presence, and when I later contacted him to discuss the IMC he put me in touch with his secretary to schedule a meeting. After weeks of back and forth emails and phone calls, the meeting never materialized—something always coming up at the last minute.
- 6 Abouleish also became affiliated with several additional bodies during the “second wave of reforms” which will not be examined in this study, including board member of: Export Council of Medicaments (ECM) (2005), the Science and Technological Development Fund (2008), Renewable and Energy Saving Fund (2007), the Industrial Training Council (ITC), the Modernization of Agriculture Council (MAC) (2006), and the National Organization for Drug Control and Research (2006). He was also technical advisor of the National Council for Childhood and Motherhood (NCC) [known informally as Suzanne Mubarak’s pet project]; member of the board of trustees for Heliopolis Academy; member of the Steering Committee of the Agricultural Exports’ Traceability project (2005); member of the Arab Business Council (2005); member of the Young President Organization (YPO) (2005); President of the Organic Agriculture Committee in the Agriculture Export Council (2005); founding member and Vice Chair of the Egyptian National Competitiveness Council (ENCC) (2004), alongside Taher Helmy (El Baradei et al. 2009), before becoming ENCC Chairman from 2006; member of the Egyptian Education and Employment Alliance (EEEE); member of the selecting panel of the Ashoka Foundation in Egypt (2004); member of

- Egypt's International Economic Forum (EIEF) (2004) [introduced in Chapter 1]; board member of the Egyptian Junior Business Association (EJB) in 2002, before becoming VP in 2003, Chairman in 2004–2006, and on the board of trustees in 2007 (Abouleish 2010).
- 7 A military general had originally tried to appropriate Sekem's land, but Sadat intervened on Abouleish's behalf after the latter visited the Presidential Palace to ask for help (Abouleish and Abouleish 2008). Abouleish senior became fast friends with the general who replaced the military man who tried to steal Sekem's property.
 - 8 Under the IMC's reconfiguration, the IMC board would now be comprised of public representatives from the Ministry of Industry and Trade and GAFI, while private sector representatives included those from the FEI, Export Councils and select businessmen (Adly 2013, 108).
 - 9 We may recall from the previous chapter ExpoLink's \$32.7 million in grants from USAID and its unimpressive performance regarding the integration of smaller firms into their provision of assistance.
 - 10 Abdel Latif would also assume the position of Deputy Executive Director at the IMC (Marello et al. 2009, 36).
 - 11 At a superficial level, the story of Nadim begins much like that of Mahmoud (micro-sized furniture producer of Chapter 2). An important difference, however, was their respective stocks of capital. In 1978, Nadim's father opened a small furniture workshop with four artisans, after returning from the US where he had been studying as a graduate student (Kamel 2008). For his part, Adham Nadim would later study at the American University in Cairo, where he was a contemporary of Gamal Mubarak—whose executive office he would later furnish in 1998 ("Nadim Industries" 2016).
 - 12 A significant portion of this money would also be reserved for board member honorariums, as will be discussed in greater depth below. This is according to documents that were part of the case presented by then Egyptian Attorney General, Abdel Maguid Mahmoud, and later published by *Al Arabiya News*. The case presented includes minutes from IMC and EDF board meetings—the latter describing the transfer of funds from the EDF through the IMC for support of ExpoLink activities. EDF minutes include those from February 2008, March 2008, March 2010 and July 2010 (Mahmoud 2015).
 - 13 Sources for Figure 5.1: "Monsieur Adham Nadim" 2009; Abouleish 2010. Zorba also chose Tarek Tawfik—managing director of a subsidiary of Alfi's Americana Group—as Chairman of FEI Food Chamber, and Rashid appointed him Chairman of the Food Export Council (El Baradei et al. 2009).
 - 14 Alongside the FEI board, Export Council leaders (discussed below) were also invited to sit on the IMC board. As part of the IMC's public-private alliance, the FEI created a special committee designated to liaise with the IMC, which would convene additional "liaison committees" within the FEI's sector specific chambers (Adly 2013, 108). These committees within the FEI chambers served as the intermediaries to accessing IMC assistance.
 - 15 As another example of the overlapping leadership of the FEI-FECC noted in the previous chapter, Ezz doubled as secretary general of the FECC and advisor to the FEI Chairman (Zorba).
 - 16 While Nazif's Economic Group and the PPP networks spearheaded the legislation process, lawmaking in Egypt is complex and involves multiple bodies. Passage of the law required the participation of the State Council, for example, whose judges had the prerogative to review bills before they went to parliament. At the time this

- law was passed, State Council judges had rejected several privatization contracts and were not under the thumb of the liberalizing businessmen (Adly 2020, 122).
- 17 Key “representatives embedded in” GAFI also appeared on the IMC’s list of central Public Private Partnerships. While most of the PPP web examined in this chapter revolved around the Ministry of Industry and Trade—with appointments made by Minister Rashid to the various quasi-governmental organizations (IMC, EEPC, Export Councils)—GAFI sat under the auspices of Minister of Investment, Mahmoud Mohieldin, who we may recall served alongside Rashid on Nazif’s “Economic Team.” Minister Mohieldin, like Minister Rashid, would also appoint a close friend and business associate to the position of GAFI Chairman: Ziad Bahaa el Din (Abdel Latif and Schmitz 2009, 24), who had played a major role in writing many of the commercial laws emerging from the ERSAP era (Stone 2006).
 - 18 The Decree also increased GAFI’s board of directors to eleven members, most of whom also hailed from the “private sector” (Stone 2006).
 - 19 The Fund was sourced from various government revenues. For a complete list see: Adly 2013, 101.
 - 20 Following recurring trends, this streamlined bureaucracy was not afforded to everyone. Nearly all of my medium-sized business contacts complained of difficulties with the bureaucracy in their attempts to import and/or export. As did my small business contacts regarding their imports (not affected by the export bureaucracy as they had no export capabilities).
 - 21 The post was called Minister of Foreign Trade at the time and renamed Minister of Trade and Industry with the inauguration of Rashid in 2004.
 - 22 The USAID evaluation, which attributed the new pro-export law to the effective “policy advocacy” of ExpoLink’s top members, while not entirely incorrect, failed to acknowledge that the same individuals who served as ExpoLink leaders were also “policy advocates” through several different channels. As a brief reminder of one top mediator: at the time the law was introduced, ExpoLink Chairman, Zorba, was also President of the Egypt-US Business Council, board member of the FEI, Vice Chairman of the ECES—all of which were USAID-funded to promote market liberalizing “policy advocacy.” Zorba was also an executive board member of AmCham (where Taher Helmy was President), which had a similar “policy advocacy” role. The pair also worked in close collaboration on the ECES as Vice Chairman and Chairman respectively.
 - 23 At an ECES seminar shortly following the issuance of the 2002 Export Law, businessman MP Abdel-Nour complained: “The law that has been passed is completely different from the draft law that was discussed and submitted by the businessmen’s associations. Egypt’s business community is deeply disappointed” (Nasr 2002).
 - 24 Following a WTO Trade Policy Review, during a Q&A by WTO members in 2005, the US delegation asked what the EDF was used for if not subsidizing exports. The Egyptian delegation replied that the Fund was used for assisting firms in marketing promotion, establishing training centers, financing market research centers, etc. (WTO 2005, 63).
 - 25 For more on the “Economic Group” see: Soliman 2011, 146.
 - 26 For more on the original Commodity Councils established in 1997 see: Adly 2013, 93.
 - 27 Abouleish was also appointed board member of the Export Council of Medicaments and Agriculture Export Council.
 - 28 Magdi Tolba was appointed Chair of the RMGEC in 2005 (EUSBC 2015a)—a position from which he would resign in 2008. In a meeting with the US Embassy

- economic officer, Magdi explained that he had left his post as Chairman of the RMGEC after becoming frustrated with Rashid, who “does not understand the problems of business here.” Mr. Tolba also opposed the export subsidy program, which he complained was “forestalling needed reforms in the industry” (Embassy Cairo 2010b). Arafa was later appointed in his stead.
- 29 We may recall, Kassem served as Vice Chairman to Zorba during the inaugural years of ExpoLink, which was co-founded by Arafa. Kassem also sat alongside Arafa, Zorba and Rashid on the board of the ECES.
- 30 The Industrial Development Strategy envisioned the EEPC as the future “central agency to market/promote Egypt’s manufactured exports in international markets, acting as a liaison between domestic exporters and international importers” (MOTI 2006, 35).
- 31 Mr. Abdel Latif—ExpoLink/IMC Deputy Director and signatory to the ExpoLink/IMC partnership—also sat on the board.
- 32 For details on procedures for accessing these funds through the Export Councils, see: an IMC report on the Food Export Council (Pinard et al. 2006, 39); the Engineering Export Council website (EECE 2015); and the Furniture Export Council website (EFEC 2014).
- 33 As described by a Food Export Strategy Study conducted by the IMC: “Exporters apply with their export invoices for this export support to the FOOD EXPORT COUNCIL (FEC) that examines and verifies the claim and then forward to MOFTI [Ministry of Trade and Industry] for issuing rebate cheques” (Pinard et al. 2006, 43).
- 34 While not examined in this study, the food industry was also a central sector in the new Minister of Industry and Trade’s PPP organizations and initiatives. For example, Tarek Tawfik—managing director of a subsidiary of Alfi’s Americana Group—was appointed Chairman of FEI Food Chamber and Chairman of the Food Export Council (El Baradei et al. 2009). We may recall Mr. Alfi from Chapter 1 for his close connections to the Mubaraks, serving as Vice Chairman of Gamal Mubarak’s Future Generation Foundation as well as of the SFD. Alfi and Zorba also sat alongside each other on the board of EK Holding, a leading private equity firm, where Alfi served as CEO (EK Holding 2007).
- 35 This data is also distorted because, as noted above, government authorities did not begin issuing export rebates until late 2005 (WTO 2005). Before then, financial support for export activity instead took the form of subsidies for shipping costs, promotional material, and trade fair participation.
- 36 This included money for salaries, transportation, and “miscellaneous expenses.” Exchange rate calculated at €1=E£7.5.
- 37 Numbers taken from case raised against Nadim, Abouleish, Rashid, which provides documents from IMC board meetings (Mahmoud 2015).
- 38 It is difficult to determine where the remaining €32–35.5 million transferred through the IMC to ExpoLink ended up. However, according to the case presented against Abouleish, Nadim and Rashid, it simply accumulated in the un-audited ExpoLink bank account (Mahmoud 2015).
- 39 Author’s calculations from data collected by the Observatory of Economic Complexity (OEC).
- 40 Most notably, we may recall that Abouleish was signatory to the agreement that had endowed ExpoLink with IMC funding, an EEPC board member, the Coordinator of Export Councils across industries, and IMC Executive Director, before becoming Chairman of the IMC Managing Council (among, many

- additional posts). See footnote number 6 for a more complete list of Mr. Abouleish's quasi-governmental participation.
- 41 ExpoLink is also cited as having supported the participation of Sekem companies in international and local trade fairs (Sekem 2009, 13).
 - 42 The shortage of skilled workers is bemoaned by nearly all in the Egyptian garment industry. Access to resources for training new workers (e.g., paid external consultants) is thus highly valued in the sector.
 - 43 While the numbers regarding finances received are not provided, limits on IMC disbursements were set quite high under Abouleish's tenure as Executive Director—as previously mentioned, this included up to €500,000 for “business development services” for each individual firm, in addition to €500,000 for R&D, and an “unlimited amount” of vocational training (Meda Finance 2010, 99).
 - 44 The signing of the agreement took place at an event hosted by the German Arab Chamber of Industry and Commerce (Namatallah 2007), where Abouleish had been an active participant and sat on the board since 2002 (Abouleish 2010).
 - 45 According to the Industrial Development Strategy (written in part by Abouleish and Nadim), this training would be offered through the Industrial Training Center—where Abouleish and Nadim sat on the board (GIS 2017). As the Strategy reads: “[The ITC], through public-private partnerships, will ensure the provision of the needed training services through the most competent provider” (MOTI 2006, 14). They Strategy designated the ITC as the primary vehicle for “upgrading the skills of Egyptian workers” (*ibid.*, 13).
 - 46 Sekem's fiscal years are December 31 to December 31.
 - 47 Subsequent financial statements issued by Sekem remove the category of expenditures on property, plant and equipment; but assets of these items reach nearly E£383 million by 2010. Later reports indicate a shift in investments from machinery to land reclamation. For example, in FY2008 E£36 million was spent for 4,000 feddans of land; and in FY2010, of the E£68.7 million in investments spent, more than half was for land (Sekem 2010). We may recall that Abouleish was also appointed to the inaugural board of the Industrial Development Authority (IDA)—the newly created body under the auspices of Rashid's Ministry of Industry and Trade—charged with facilitating land acquisition “for industrial zones” and overseeing implementation of industrial policy initiatives (MOTI 2014).
 - 48 Sekem reported gross profits of around E£63 million (\$11 million) for FY2006, reaching just under E£103 million (\$18 million) in FY2010 (Author's calculations from Sekem 2007; Sekem 2008; Sekem 2009; Sekem 2010).
 - 49 Exchange rate calculated at \$1= E£5.7. Naturally, not all of this increase can be attributed to IMC and EDF assistance. However, it is impossible to calculate the ripple effect of this extra support on the Group's overall gains.
 - 50 We may recall Mr. Arafa as co-founder of ExpoLink (with Zorba) and later appointed RMG Export Council Chairman.
 - 51 “*da'm fanni*” in the Arabic statements.
 - 52 FY2006 includes the period March 31, 2006 to March 31, 2007; Arafa Holding would change the start of its fiscal year to Jan. 31 beginning 2009.
 - 53 Curiously, there is a disparity between the numbers reported in the Arabic and the English versions. The numbers provided above are from the Arabic reports. While in FY2010 the English version reports \$192,019 (Arafa Holding 2011a), numbers provided for the same period in the Arabic version are \$451,713 (Arafa Holding 2011b). In FY2011, the English version records \$0 received (Arafa Holding

- 2012a), while the Arabic shows \$505,015 (Arafa Holding 2012b). In FY2012, technical support income disappears from the “other operating revenue” section of Arafa Holding’s English financial statement altogether (Arafa Holding 2013a), while in the Arabic version, the total recorded is \$1.09 million (Arafa Holding 2013b). The fact that Arafa Holding experienced such an increase in technical support following the 2011 uprising and the indictment of former IMC leadership points to the density of Mr. Arafa’s high-level networks that permeate both military and civilian spaces, as well as domestic and international spheres.
- 54 She worked with Swiss Garments (Dec. 2007–Mar 2010). Citation provided upon request (not included for confidentiality reasons).
- 55 *Markaz taHdeeth el sinaa'a* in the Arabic statements.
- 56 Financial statement covers the period from Feb. 2, 2010 to April 30, 2010.
- 57 Calculated from reported export subsidies in Arafa Group’s financial statements from fiscal years 2005–2007 and the first nine months of the 2008 fiscal year—that is, the period March 31, 2005–Dec. 31, 2008, totaling three years and nine months.
- 58 The mid-year report cites \$243,002 received in export subsidies for these first six months. Meanwhile, the ambiguous “other” category under the “other operating revenue” section shows an increase from \$2.49 million to \$7.71 million between 2008 and 2009 (Arafa Holding 2010a). That is, for the periods April 1, 2008–Jan. 31, 2009 vs. Jan. 31, 2009–Jan. 31, 2010.
- 59 That is, for the period Jan. 31, 2009–Jan. 31, 2010 compared to Jan. 31, 2008–Jan. 31, 2009.
- 60 Also (as mentioned) during this period, the rebate rate from the EDF had been increased by 50 percent as part of the government’s financial crisis “stimulus package.” Additional subsidies for exporters’ shipping and marketing costs were also initiated (Embassy Cairo 2009a). This figure of \$9 million does roughly correspond to a 50 percent increase over the previous year’s export subsidy.
- 61 Khamis’ Oriental Weavers commanded over 90 percent of Egypt’s carpet market (Oriental Weavers 2009, 22).
- 62 Alaa Hashim was also a founding member of the NDP’s Business Council, where he sat on the board alongside Abouleish since 2002; and “an active member” of the Egyptian Junior Business Association (EJB) (Abouleish et al. 2005, 76), where Abouleish was Vice President (2003), then Chairman (2004–2006) (Abouleish 2010).
- 63 We may remember these privileges resulted from the 1997 Incentives Law, which Khamis, using his high-level domestic and cosmopolitan capital, was instrumental in passing during his tenure as FEI Chairman (Chapter 4).
- 64 Name changed for confidentiality.
- 65 Although Mr. Ziad repeatedly referred to the subsidy as coming from the government, when I asked him which body in particular offered it, he recalled: “Well, not the government exactly... It was from something called the IMC... It had something to do with the European Union, because I remember very clearly that its logo was the symbol of the EU and next to it the Egyptian flag. So we would apply to the IMC and the IMC would send us a check each year in exchange for us attending these exhibitions” (Author interview March 2, 2015).
- 66 Italics indicate English words used in the middle of Arabic.
- 67 The figures were provided in E£ and converted at a rate of \$1= E£5.5. This was the total amount reported under “other revenue,” which includes direct export rebates given against export revenues, as well as rebates on various additional costs that accompany export activity, such as shipping and marketing.

- 68 According to Oriental Weavers' annual report, the company commanded 20 percent of the European rug market by 2010; and Europe accounted for 26 percent of the company's total sales (Oriental Weavers 2010, 8 and 3).
- 69 Which, as noted above, is located in the Tenth of Ramadan Free Zone.
- 70 The cable also notes an interesting coalition of internal dissent within parliament including steel-tycoon Ahmed Ezz (who at the time was also Chairman of the NDP's Planning and Budget Committee) and Muslim Brotherhood representative, Mohamed Farid Ismail, both voicing strong opposition to the EDF "on the grounds that it is helping wealthy exporters at the expense of the poor" (Embassy Cairo 2009d).
- 71 Arafa should have been excluded from receiving the public funds on yet another stipulation: exporters operating out of Qualified Industrial Zones (like Arafa) were not eligible for rebates from the EDF. As Ambassador Scobey's predecessor, Ricciardone, understood the EDF, it supported "Egyptian exporters by providing production subsidies and other benefits to certain industries that are not in Qualified Industrial Zones" (Embassy Cairo 2007b).
- 72 Like Arafa, Khamis hardly fell into the originally intended category of "small economic actors." Oriental Weavers commanded net assets of over \$474 million (£2.6 billion) in 2009 (Oriental Weavers 2009, 35).
- 73 Ragui directed his US interlocutors to paragraph 10.1 of the Doha Declarations, which states that countries whose per capita GNP does not exceed \$1,000 (based on 1990 rates) are exempt from export subsidy restrictions (Embassy Cairo 2009a). For more information of WTO rules governing subsidies see: WTO 2003.
- 74 Rashid received another 15-year prison sentence in September 2011 after he was convicted in the Giza Criminal Court of handing out two steel licenses free of charge to Ahmed Ezz, depriving the state of E£660 million according to the public prosecution (Reuters 2011c). The cases against Rashid and Nadim were either settled or dismissed in 2016 and 2014, respectively, and neither served prison time.
- 75 A USAID report similarly commends the new management, attributing it with leaving the IMC "more field-oriented, realistic, and adapted to real needs of the economy" (Clark et al. 2012).
- 76 Confirming Mr. Abouleish's defense, the grant was to first be disbursed to a "partner bank"—which would release the funds to the company "once the equipment is installed and operating on site" (MOTI 2006, 26).
- 77 The article would later be included in a book—also emerging from the ECES conference—edited by Ahmed Galal (Galal 2008), who was the first director of ECES (Abdelrahman 2015, 9), with Zorba as his vice chairman.

6 Reform losers

The cosmopolitan capital-deficient

Mr. Amr,¹ an upper-level official in the Ministry of Industry and Trade, described to me the IMC as at once “the technical arm of the Ministry” and a “quasi-governmental body.” I expressed my confusion at how the IMC could be both “an arm” of the Ministry and yet only “quasi” governmental. He hesitated for a moment, himself looking confused at the question. “Well,” he said searching for a response, “the Minister is in charge of the organization, but the board is comprised of private sector representatives.”

“And who decides who serves on the board?” I asked. “The Minister, of course.” Mr. Amr explained that the board members were appointed “based on the history of the company and the individual—their experiences and successes.” The Minister of Industry and Trade chooses “the most successful businessmen so that they can serve as examples for smaller businesses and teach them how to be successful.”² He added that the board meets with the Minister every few weeks to present the progress of various programs and initiatives—namely those concerning “the IMC’s Public Private Partners.”

As detailed in the previous chapter, under Rashid, this small group of handpicked IMC elites served as the interlocutors for foreign donors—securing direct access to the funds and resources gathered by the IMC. They also created the organization’s vision and integrated their web of quasi-governmental bodies to distribute rents as they wished. But not every Egyptian was as fortunate as these capital-rich actors at the head of the PPPs administering Egypt’s economic development programs. This chapter examines what these organizations looked like for average Egyptians, demonstrating the mechanisms that defined access to, and exclusion from, support.

The IMC’s quasi-governmental bureaucracy

While businessmen sitting on the “quasi-governmental” boards of the reform era organizations enjoyed obvious benefits, assistance received by their ostensible SME targets is less clear. Small and medium-sized enterprise owners possessed a different form of capital—capital (social, economic, and cultural) that placed them in the circle of the quasi-governmental equivalent

of the low-level government official, like Mr. Ahmed.³ An auditor for the IMC, Mr. Ahmed was charged with assessing the training programs implemented among some of the organization's "15,000 beneficiary companies" ("IMC" 2009a). He was the father of a friend of a friend, and my two-and-a-half-hour interview with him was conducted in his living room over a cup of Nescafé. Our conversation included a mix of official discourse and frank expression—the two often contradicting each other.

While Mr. Ahmed could not speak for the entirety of IMC low-level employees, the conversation was revealing on a number of issues, offering: (1) insight into the discourse permeating the organization; (2) a glimpse of the composition of the IMC's bureaucratic framework; and (3) a conceptualization of the IMC, its mission, and its relations with other organizations "from the bottom up." Additionally, information and observations gleaned from this interview were triangulated with interviews with IMC employees in more formal settings, as well as SME owners who had come into direct contact with this tier of employees in the IMC hierarchy. Together, these conversations shed light on the lived experience of the IMC as opposed to packaged success stories provided by the organization's executive and the technical evaluations provided by fly-in foreign donors.

Mr. Ahmed had worked in the private sector for twenty years before coming to the IMC where, when I spoke to him, he had been for seven years (2007–2013).⁴ He was regional sales director of a large firm selling house appliances before leaving to create his own company. But starting a business turned out to be harder than expected and it seemed he had "used up all [his] luck in the private sector." As he explained:

I was a big deal at the company I was working at before. And when I failed at starting my own business, I thought I'd take any job and be done with it. That was my destiny [*el insan musayer mish mukhayer*].

When I asked what attracted him to the IMC in particular, his response was a familiar one: "To tell you the truth, a friend got me a job here." He laughed, "You know how it works in Egypt: everything happens with connections [*kull Haga bil-wasta*]." Indeed, this seemed to be a trend in gaining access to the IMC more generally. As Shabrawi, a medium-sized textile owner explained: "Not everyone is accepted by the IMC. You have to know people inside. They don't have to be high up—they just have to be inside." This general sentiment was confirmed by nearly all of my contacts that fell into the SME category.⁵

Both with regard to gaining employment at the IMC as well as accessing its ostensible services, the core of the organization was characterized by an "infestation of petty bureaucrats wielding petty powers" (Ferguson 1994, 273). Employees within the development agency served as the low-level gatekeepers for allocating jobs and deciding which firms would receive IMC services. However, upon closer examination neither the bureaucrats nor the beneficiaries of their "petty powers" commanded entirely enviable positions.

Regarding the latter group, there was a consensus of disappointment among contacts who had received IMC services. We may recall Mohammed Karim (medium-sized furniture owner of Chapter 2) who noted that he had attended a training course provided by the IMC, the contents of which he described as “information that even young children know.” Abdel Fattah, a small furniture producer, described a three-day course he attended organized by the IMC, which brought in “external experts:” “They focused on how to get customers, how to develop a website. But it was very academic—detached from reality. The course was given by professors at Cairo University, but they didn’t understand the way the local market works.”

Apparent in Mohammed and Abdel Fattah’s complaints are two parallel trends witnessed in my discussions concerning the IMC: (1) ineffective staff playing the role of technical expert, but receiving their positions based on connections rather than merit; and (2) reliance on academic experts with no practical experience. Both of these characteristics although offering, as one contact put it, “a good show,” resulted in little real benefit for many.

With regard to the IMC employees, Mr. Ahmed provided an example of a deeply dissatisfied bureaucrat. Approaching the second hour of the interview, he admitted: “To tell you the truth, I’m not happy with myself. I don’t believe in the work that I’m doing [*mish muqtana*]. I don’t believe in anything except tangible results that I can hold in my hand.” Mr. Ahmed, a businessman at heart, saw the IMC as his quasi-governmental safety net alternative.

Interrupted discourse: interpreting Egypt’s industrial problems

At the start of the interview, Mr. Ahmed described the struggle of Egypt’s industries to be one primarily of financial concerns. The logic was simple. Because of the global economic crisis of 2008, Egypt’s factories had been closing: “The whole problem is the financial situation. That’s the reason Egypt’s industries are suffering. We can’t help them with that, but we give them *training courses*.⁶ Develop their *performance*. We give them *services*. Some *tools*.”

When I asked Mr. Ahmed to elaborate, he continued: “I mean, we develop their performance. Then we do an *evaluation*. We set the *priorities* for what they should accomplish and then see if they have been accomplished.” Mr. Ahmed’s choice of words to express in English was not an arbitrary selection. Indeed, they were very much in harmony with the IMC’s official publications engaging with the technical terms of international development discourse—*training, performance, services, tools, evaluation*.

As Escobar (1995) posits, “To understand development as a discourse, one must look... at the system of relations established among” a range of elements like international organizations, financial institutions, and technical agencies (40). “It is this system that allows the systematic creation of objects, concepts, and strategies; it determines what can be thought and said” (*ibid.*). Even when I pressed Mr. Ahmed to provide specifics of the organization’s activities,

he merely repeated the “concepts” and “strategies” that he had been trained to recite—that which was in his dictionary of IMC activities.

However, while it is true that in the context of formal and direct questions about the IMC Mr. Ahmed struggled to provide terms outside the prescribed discursive framework, his replication of the IMC’s official discourse broke down as the interview continued and the introductory formalities subsided.⁷ As his more candid expressions revealed, the idea that the complex system of international development relations “determines what can be thought and said” (Escobar 1995, 40) fails to acknowledge the agency of the individual actors operating within the system. While reminiscing about his previous business successes, Mr. Ahmed noted:

When I was working in the private sector, we would set a plan. We would say, “let’s build a hundred factories.” And we would see the factories. But now all I can say is “we *developed* x-number of factories,” “we *trained* x-number of people.” Where is the tangible result [*feen el Haga*]?

I asked him to clarify: “so you don’t think the IMC helps?”

Of course it does! It provides services and *training*. And sometimes we bring *experts*. They develop the companies. They make them do *modernization* of their product. We also have programs for ‘*SMEs*’... something like that. I mean the small enterprises [*laughs*]. But especially for those guys there’s no hope.

Mr. Ahmed offered an interesting confluence of genuine reflection and official discourse. He made his skepticism regarding the discourse of “developing” and “training” explicit. It left him asking, “*feen el Haga*?”—where are the tangible results? However, Mr. Ahmed’s nostalgic reflection, recounting when he was a “big deal,” changed course when I asked him directly about the efficacy of the IMC—at which point he reverted to the “concepts” (*training, experts, development, SMEs*) of the discursive system. And yet, in the same breath, he admitted he was not convinced by the project—positing the IMC’s SME program to be a fruitless endeavor. Even though Mr. Ahmed used the development discourse, it is clear it did not determine how he *thought*.

He explained to me by way of analogy why the SME program could not work:

Let’s say you have an air conditioner that’s broken, and I keep telling you, ‘Take this remote. It’s brand new.’ But you don’t need a new remote. You need someone to fix your air conditioner. Unfortunately, that’s what happens.

Mr. Ahmed suggested that what the IMC had to offer was not what small and medium-sized firms needed—an opinion in harmony with the idea that the

“development project” is “set up to provide technical solutions to ‘problems’ which [are] not technical in nature” (Ferguson 1994, 87). Ahmed suggested that smaller enterprises needed money and markets, not training and experts. Indeed, as one medium-sized textile firm owner (Ismael Dawoud) explained, “The IMC has a lot of money, but they allocate it to things we don’t need. Help me export. Help me reach clients and customers. Don’t give me useless training [*tadreeb malush lazma*].”⁸

Throughout my interviews, the most commonly cited barrier to growth among my medium firm contacts was not lack of technical assistance, but rather a need for markets [*aswaa*] and export assistance [*da’m lil-tasdeer*]. Among my micro and small enterprise contacts, the need was for access to low-interest finance and freedom from extortionary practices by government officials. Regardless of what one posits as the central binding constraints of Egypt’s small and medium-sized firms, empty training courses and evaluations did not offer convincing remedies—not even for those, like Mr. Ahmed, functioning as part of the “institutional apparatus” implementing the program (Ferguson 1994).

However, as discussed in the previous chapter, the desire for export markets did not go unaddressed by the IMC. Indeed, export promotion was a central component of the organization’s official vision (IMC 2009a). As Mr. Amr at the Ministry of Industry and Trade explained, the IMC provided export assistance through ExpoLink. He added by way of example: “If a company has a *network* of suppliers and consumers, the IMC helps increase these *networks*. There are regular meetings with the companies to see their needs. And ExpoLink was the main implementing partner.”

While Amr provided a detailed description of the partnership between the IMC and ExpoLink, for Mr. Ahmed, the situation was more ambiguous:

There’s no clear relationship between the IMC and ExpoLink except that we both belong [*bituu*] to the Ministry of Industry and Trade, so there’s coordination there. There are meetings between all of the executive committees having to do with industry. And the Minister is head of all of these.

This divergence in understanding with respect to the relationship between the two organizations reveals the different forms in which the platforms exist depending on which tier of actors is being discussed. For Mr. Ahmed, operating at the lower level of the IMC bureaucracy, there was “no clear relationship;” however for members of the executive committee who gathered regularly, the relationship was far more concrete (as shown in Chapter 5). While at the elite level “private sector representation embedded” in ExpoLink served as an important partner for Egypt’s industrial “development process” (IMC 2009a), capital-deficient SMEs were, instead, left to contend with a new set of bureaucrats—this time of the quasi-governmental variety.

Capturing rents: the IMC

Individual programs funded by the IMC also contained exclusionary criteria that barred smaller firms from accessing resources. One example can be seen in the IMC's Equipment Purchase Incentive Scheme—intended to “support IMC eligible enterprises purchasing equipment and machinery for modernizing their production facility [sic]” (MOTI 2006, 26).⁹ As articulated in the Industrial Development Strategy,¹⁰ ten percent of the equipment cost would be funded by the grant, capped at E£100,000 “in order to address the needs of the small and medium enterprises representing the core target group of the program” (*ibid.*).

However, the eligibility requirements determining who could take part in the program cast doubt on who the real intended beneficiaries were. In order to qualify for the equipment purchasing scheme, producers were required to: (1) have at least ten full-time employees, (2) provide their employees with social insurance, and (3) have experienced rising sales over the previous three years (Loewe 2013, 36). The likes of Mahmoud (Chapter 2) would fail to meet all three of these conditions. Although his furniture workshop once employed 14 workers, during the country's difficult economic times the enterprise dwindled to just him and Abu Mohammed.

Meanwhile, we may recall the crumpled sheet of paper among Mahmoud's pile of bureaucratic threats from the National Authority for Social Insurance, which demanded E£7,340 (apx \$1,000) as a four-year backlog for Mahmoud's failure to meet monthly payments on employee social insurance, plus interest. Making IMC access conditional on providing social insurance to employees may perhaps sound appealing to international interlocutors, but those familiar with Egyptian bureaucracy know well the returns of such “insurance” are less than impressive (recall the meager E£36 a month received from the government by Mahmoud's father in return for decades of social security payments). Instead, the condition serves as one more obstacle for struggling enterprises deficient in high-level capital (thus unable to escape the morass of their low-level bureaucratic counterparts), preventing their access to much-needed assistance from “the state.”

Given the above impediments, it seems hardly surprising that Mahmoud and those with his shared portfolio of capital might fail to meet the final criterion for accessing the IMC scheme: three consecutive years of rising sales. Meanwhile, medium-sized businessman Mohammed (of Chapter 2) would also be disqualified from the scheme on the grounds of this final stipulation—unable to sustain three years of rising sales due to (by his account) mercurial industrial policies and lack of insider knowledge regarding tariff regime changes.

And yet, inclusion is feigned by a discursive veil offered by the cosmopolitan capital-rich interlocutors of international donors. A 2012 report conducted for USAID points to the IMC as among the “Regional Examples of Best Practice in SME Development.” The organization's merits: “Very strong government support and EU commitment;” and “Huge ambitions for Egypt's

industry.” The report continues that after the Center’s 2005 integration under the auspices of the government (Minister Rashid) and “new management” (Abouleish and Nadim), the organization “is now believed to be much more field-oriented, realistic, and adapted to real needs of the economy” (Clark et al. 2012, 39). Thus we see the IMC and its partner organizations serve as a shroud not only to hide the internecine routes of accessing resources by elites, but also to obscure the fact of exclusion.

* * *

Capturing rents: Export Councils

We may recall from the previous chapter, Export Councils served as the most direct gatekeeper for accessing export assistance from the \$780 million Export Development Fund. A closer look at the sector-specific Export Councils reveals the various mechanisms of exclusion in place for smaller, unconnected firms.

With regard to the Furniture Export Council, headed by Mr. Nadim (who simultaneously held the positions of IMC Executive Director, ExpoLink Treasurer, board member of the EEPC, and board member of the Furniture Chamber at the FEI), an insider account offers the following:

Both the [FEI] Furniture Chamber and the Export Council are dominated by a group of 15 enterprises who have little concern for the rest of the sector. The leaders of this group have close connections to the policy makers and have been able to obtain benefits for themselves and the small group of enterprises that dominate the Chamber and the Council. These benefits include preferential treatment by government bureaucracy and substantial funds to obtain several rounds of technical support services for their factories. These funds came from the IMC... at a time when one of the leaders of the furniture industry [Nadim] was chairman of the IMC.¹¹

(Abdel-Latif and Schmitz 2010, 21)

The authors interview “several furniture manufacturers, an ‘excluded’ key player, two policy makers, staff of the IMC and projects of the EU interacting with the Furniture Council,” all of whom “confirm the exclusivity of the benefits to the small group of big investors” (*ibid.*). They find that “Benefits available in principle to all through IMC and other institutions are not even known to the small investors” (*ibid.*). This assessment corresponds to my own interviews with smaller furniture interlocutors located in various Cairo neighborhoods and industrial zones—individuals possessing capital similar to that of Mahmoud Amaar and Mohammed Karim (the micro and medium-sized furniture makers of Chapter 2).

The RMG Export Council, led by Arafa and then Kassem, reveals yet another instance of how the exclusion of smaller firms was institutionalized through elite business–state partnerships. As the Council website reads, the body was established as a: “Public Private Partnership (PPP) between the

Ministry of Trade and Industry and an assembly of *the most prominent* ready-made garments exporters [emphasis added]” (“RMGEC” 2008a).

The RMG Export Council served a dual function—both providing ostensible representation for SMEs, while at the same time structurally marginalizing them. Although the Council claims to speak for the interest of the sector as a whole, the body itself is explicitly selective with only 200 member companies (*ibid.*). And upon closer examination, even this figure is revealed to be inflated. First, several the cited companies are subsidiaries of large holding groups. For example, Cristall, METCO, Swiss Garments Company, Swiss Garments for Cotton Garments, and Arafa Egypt Tailoring for RMG are all majority owned by Arafa Holding. Similarly, Nile Clothing Company, Maytex, Technotex, and Egypt Clothing Company are all subsidiaries of Zorba’s Nile Holding Group (“RMGEC” 2008b). Second, of the five companies I contacted through the RMG Export Council directory—compiled courtesy of a 2007 IMC/ExpoLink-funded initiative—all denied receiving any assistance from the body.¹² Two did not even recall the name, while one medium-sized owner dismissed the services ostensibly offered by both the IMC and the RMG Export Council as *mugarad musamayat*, mere talk.

With regard to small companies, criteria for membership eligibility in the Council provided a clearer form of exclusion, requiring aspiring members to have a total exporter’s volume of at least \$5 million the year prior to application (“RMGEC” 2008a). This high bar for participation in the Council contradicts an OECD trade evaluation that suggests:

Since almost 94% of Egypt’s registered industrial and trading companies are SMEs, [the Ministry of Industry and Trade] considers them a core target group that should be represented in consultation mechanisms. Accordingly, the membership of the Export Councils includes representatives of SMEs, including those run by young and women entrepreneurs. (OECD 2010, 20)

Beyond barring many SMEs from Export Council membership, the organization affected smaller firms’ participation in the sector more broadly. By reserving the responsibility of “assessing the export potential of the ready-made garment manufacturer,” and “establishing the criteria for new companies to gain access to export markets” the Council served as gatekeeper, determining which companies showed sufficient promise to benefit from resources essential to their survival (“RMGEC” 2008a).

Meanwhile, at the institutional level, the Council aimed to “occupy a central role in the political arena that allows it to affect and influence laws, policies and regulations concerning all SME affairs” (*ibid.*). Thus we see not only direct capture of the exporting space and government/international donor assistance, but also the long-term consequences of that capture as the Council of elite businessmen became the primary body for shaping the institutions, or “rules of the game” (North 1991), that determined SME participation.

Indeed, although the Council celebrates its success in promoting the “interests of the RMG sector” (“RMGEC” 2008a) at large, there is no evidence that any of the Council’s activities have benefited those outside of the “prominent” exporters directly party to the partnership. Instead, initiatives for the ostensible benefit of SMEs are relegated to the bottom of a list of “Future Plans” for the Council, which intends to, at some unspecified time in an unspecified manner, “[integrate] the SMEs within the supply chain of the Egyptian economy” (*ibid.*).¹³

Capturing rents: ExpoLink

Included among the reforms losers were not only the majority of Egypt’s (existing or potential) entrepreneurs—who lacked connections to the boards of the PPPs for business development—but also the low and mid-level bureaucrats in sidelined government bodies. Indeed, the concept of PPPs offered a convenient tool for explaining the ambiguous new dynamic between official realms of “business” and “state” that resulted from a “private sector” businessman’s ascension to an executive-level position in “the state.” However, “the state” in the form of the estimated 5.5 million bureaucrats (Kandil 2012) remained very much present in the lower echelons.

The nature of the first case brought against Abouleish, Nadim, and Rashid in the aftermath of the 25 January Revolution offers an example of how this new dynamic of PPPs played out for the unconnected. As the case begins:

In 2005, a monopolistic contract was signed under the orders of Minister Rashid Mohammed Rashid between ExpoLink and the IMC by direct authorization without a tender for ExpoLink to assume the duties of organizing the Egyptian participation in international exhibitions despite the fact that this is the specialization of the General Organization for International Exhibitions and Fairs [GOIEF], and this is against the law.¹⁴

(Mahmoud 2015)

The central charge raised against the trio was the illegal sidelining of the bureaucratic GOIEF—an act which, in effect, stripped the body of its resources and rent streams. Instead, the public and international donor funds were funneled through a parallel, quasi-governmental organization (ExpoLink), leaving GOIEF obsolete.

While the Rashid team sidelined the GOIEF altogether, other bureaucratic bodies were instead reconfigured, such as the EEPC, where Minister Rashid replaced statist executive boards with a small group of elite businessmen (Zorba, Abouleish, Nadim, and Hashim of Khamis’ subsidiary company among them) who would administer the Export Councils and assist in disbursing the Export Development Fund. Alongside the hand-picked businessmen also sat a handful of state representatives selected to serve rubber-stamp functions, who in turn became integrated into the new rent

streams. In both types of arrangements (that of ExpoLink's replacement of GOIEF, and the creation of a new executive board within the EEPC) we find in the Rashid-era PPPs a clear case of reform winners and losers—alternatively conceived as globalization winners and losers—with jealous bureaucrats confined to the domestic sphere, relegated to the sidelines by private sector actors awash in cosmopolitan capital.

Capturing representation: FEI chambers

Similar to the Export Councils, the FEI served two parallel functions working against the interest of capital-poor firms: (1) directly marginalizing them within the organizational structure; and (2) allowing the Ministry to displace government responsibility for ensuring equal access to trade policy benefits (such as the QIZ agreement discussed in the following chapter). As with the FEI's executive board, the FEI chambers' leadership structure is created in a top-down fashion—the chairman and four of each chamber's board members are appointed by the Minister of Industry and Trade.¹⁵

With USAID's early assistance in "privatizing" the FEI (Chapter 4), followed by the inauguration of the Businessmen Cabinet, RMG business elites came to dominate representation at both the sectoral level of RMG and textiles and the FEI's executive level (Chapter 5). Zorba, who we may recall became Chairman of the FEI's Textile Chamber during the 1997 leadership transition, would pass the position to friend and business partner, Kassem, when Zorba was appointed FEI Chairman in 2004. This early monopolization of the clothing and textile space would reach full institutional blossom with the break-up of the two sectors into distinct chambers, leaving the latter defunct.

The breakup: establishing the FEI's Chamber of RMG and Home Textiles

At the entrance of the FEI headquarters, a large sign displays the Federation's constituent chambers. While most are represented by wooden plaques, the Ready-Made Garment and Home Textiles Chamber stands apart, offering instead a handwritten sign—indicating its creation as one of the Federation's newest bodies. RMG assemblers' de facto control over the sector's policymaking space expanded even further in 2010 with the secession of the RMG and home textiles (*mafroshat*) businessmen from their textile colleagues.

The saga of the RMG-textile divorce goes back to the late 1990s and should be seen as part and parcel of Egypt's market liberalizing reforms.¹⁶ According to Mr. Khaled el Behairy, Executive Director of the now-deflated Chamber of Textiles, RMG manufacturers had been trying for over 15 years to convince successive Ministers of Industry and Trade to permit the separation.¹⁷ But, as he explained:

Before, every Minister of Industry would refuse because the whole sector is related—we have cotton that will become spinning, spinning will

become weaving, weaving will become clothes... You can't work on one without the other. Then imports changed everything. The RMG businessmen don't have any problem if the spinning and weaving were to stop. Of course, this [Textile] Chamber has a problem with that.

Indeed, the seeds of the dispute leading to the break-up of the Chambers lay in the conflicting interests of RMG and textile manufacturers regarding industrial policies, particularly those concerning trade liberalization. RMG businessmen wanted to import less expensive raw materials from the East without paying high import tariffs. Naturally, textile producers instead wanted Egyptian RMG manufacturers to buy their products.

Behairy noted that pressures from the textile businessmen were always too strong for the RMG manufacturers to get their way. He explained how this changed under Rashid's tenure as Minister.

You see, they're all part of the same group [*shilla*]. They socialize together [*biyis-haroo ma'a ba'd ya'ni*]. Outside of official positions, they have friendships. These don't end during office hours. The whole Chamber of RMG is in cahoots with [Zorba] [*tabaa'ooh*].

But, as Mr. Behairy explained, it was Rashid who ultimately made the decision: "Rashid's consultant told him there were problems between the businessmen in each Chamber, so it would be better if they separated. Mr. Zorba's RMG *shilla* convinced him of the idea, and he executed it." In 2010 Rashid approved the separation, leading one (not unbiased) Egyptian media source, *Sout el Omma*, to comment: "Rashid Flatters [*yigaamal*] his Friend Galal el Zorba 'Emperor of Imports' with the Creation of an Independent Chamber for Ready-Made Garments for the Benefit of His Companies" (Jaffar 2010). The article quotes angry members of the Chamber of Textiles who state that "the decision will lead to the destruction of the textile industry and wide-spread unemployment because the industry is one interconnected body" (*ibid.*). Whether or not these developments would ensue, in most immediate terms, the separation meant the further sidelining of textile representation in front of authorities at the Ministry of Industry and Trade responsible for determining industrial policies.

Even before the official separation, textile manufacturers complained of the bias under Zorba and Kassem's leadership for policies supporting large firms and RMG manufacturers with high import content. The FEI's Chamber of Textile Industries had been responsible for "looking after the interests of the textile and clothing industries in Egypt and representing them in front of the responsible authorities" (FEI 2006).¹⁸ But the RMG business leaders would determine *who* was represented "in front of the responsible authorities." An example of the direct impact of this capture of representation could be seen in the case of Egypt's well-reported smuggling issue.¹⁹ Shams el Kady,

owner of a medium-sized textile company, described his frustration with an inability to compete in the presence of widespread smuggling and fabric dumping.

If I'm a buyer, I go to China and get rolls of fabric. I ship it to Dubai—Jebel Ali—I unroll the fabric and inside I put whatever I want. I put Viagra, USBs, little things. Then I roll it back into the fabric and the cartons and fabrics are marked with UAE and it says that they are coming from Jebel Ali. The buyers take the stuff that's inside, which was their main goal, and then they sell the fabric for less than half of what I sell, because they don't really need it. It would be one thing if they sold it for 20 percent less, but no! They sell it for less than 50 percent.²⁰

When I asked Shams if there were any forums in which he could bring this to the attention of the government, he noted that a complaint was made through the Chamber of Textiles:

This issue was discussed in front of Rashid. He had people at the Ministry make a committee to approve the containers one by one. But the problem is that the members of the committee were the ones who are importing. Only about 30 percent of the committee was comprised of manufacturers.

Initiatives such as this one demonstrate that the capture by importers within the FEI transcended formal structures of representation and permeated ad hoc groups that were created to address problems directly impacting manufacturers. Importers had little incentive to combat fabric dumping, which reduced the price of their imports. This is not to suggest that the importer-bias in the leadership structure of the FEI was the sole reason for persistent smuggling. Indeed, the issue is complex and includes a wide range of complicit actors from customs officials to both formal and informal sector importers. However, the government and private sector approach to the issue is indicative of a larger trend—again, one in which industrial policy is shaped in favor of traders or assemblers of RMG with high import content at the expense of textile manufacturers.

While textile businessmen on the board of the formerly combined Textile/RMG Chamber were perhaps marginalized during the initial years of Rashid's tenure, they still had a seat at the table where crucial policies affecting the industry were discussed. However, with the creation of a separate body, the textile chiefs were now excluded from the conversation entirely. The dissenting voices that had previously compromised the plans of Zorba and his colleagues during official meetings with the Ministry had been successfully muted. Following the separation, the Chamber of Textiles was left without leadership for years, and therefore without formal representation in front of government officials.

Conclusion

This chapter has argued that the web of organizations, redefined as “quasi-governmental” entities during Rashid’s tenure (2004–2011), provided built-in mechanisms to ensure continued exclusion of smaller actors. This was achieved with the help of development discourse espoused by networks of local elites and their foreign donor partners, creating a false image of SME inclusion and assistance. This discourse suggested that the establishment of the IMC, ExpoLink and Export Councils had successfully laid the groundwork for gradual SME integration into the economy, while, I argue, these bodies instead created new forms of exclusion. They did so by creating an organizational and institutional foundation for a select few to access political and economic privileges. The net result: a widening gap between reform winners and losers, and a continued “missing middle.”

* * * * *

Notes

- 1 Name changed for confidentiality. Author interview September 1, 2013.
- 2 As seen in Chapter 5, this command structure can be found replicated across several reform era PPPs. We may recall, in addition to the IMC, Minister Rashid appointed the leaders of the Export Councils, the EEP, the FEI, and the IDA (Abdel-Latif and Schmitz 2009, 25), while Minister of Investment, Mahmoud Mohieldin, appointed the head of GAFI.
- 3 Surname excluded for sake of confidentiality.
- 4 Author interview September 22, 2013.
- 5 When I asked Abdel Fattah, a small furniture producer, if he had heard of the IMC, he replied: “My cousin got me into a training course there once.” Likewise, contacts who were rejected from IMC services attributed it to the fact that they didn’t have *wasta* (connections).
- 6 The interview was conducted in Arabic but certain words were instead given in English. Use of English will be denoted by italics throughout the chapter.
- 7 By the second hour, the conversation had taken on a significantly less formal tone and included the inevitable questions on my religion, marital status, stance on the Muslim Brotherhood, Obama, and the Egyptian military.
- 8 Author interview September 11, 2013.
- 9 The Scheme was implemented shortly following Mr. Abouleish’s appointment as IMC Executive Director (September 1, 2005).
- 10 We may recall Abouleish and Nadim were on the “expert” committee commissioned with writing the Industrial Development Strategy—intended to serve as the map for the future of industrialization in Egypt—for which they were paid by the IMC.
- 11 Abdel-Latif served as IMC Policy Reform Unit manager, with responsibilities including “planning, preparation and technical supervision of implementation of activities/budgets” for the EU-sponsored program between April 2003–July 2005. She is also deeply connected to the web of actors under consideration in this study, having collaborated with Mr. Kassem on a number of policy papers for various sources including UNIDO (Abdel-Latif 2006). Earlier in her career (throughout the 1990s), she served as a consultant for the WB, USAID, and

UNIDO on several ERSAP era programs, including the SFD (*ibid.*). She is also a professor of economics at AUC, ERF research fellow, and ECES executive director and director of research. She was appointed chief advisor to the Minister of Industry and Trade following the 2011 uprising, before being appointed as one of President Sisi's chief economic advisors ("ECES Team" 2014).

- 12 I was provided the glossy directory by Mr. Kassem's assistant at the RMG Export Council, whom I met in her office at the Ministry of Finance. All of the contacted companies were struggling medium-sized firms.
- 13 In 2014, the newly appointed Minister of Industry, Trade, and SMEs (as it has come to be called), Mounir Fakhry Abdel Nour, announced a plan to restructure the existing Export Councils and establish parallel "non-traditional" Export Councils to target small exporters: "to act as a regulatory framework for small exporters and a platform to address their problems" (Farid 2014). However, there is no evidence to suggest this has been implemented in any serious way as of 2020.
- 14 Author's translation from Arabic.
- 15 The remainder of the board is elected by the broader Chamber members, nominally exceeding 3,500 individuals. The FEI has mandatory membership for firms operating in the formal sector.
- 16 See Cammett 2004 for a similar series of events in Morocco's textile and garment industry. Cammett interprets the consequences of these developments with regard to economic development and inclusion differently.
- 17 Quotes in this section come from the third of three interviews, the last of which was conducted on February 5, 2015. Author's translations from Arabic.
- 18 Author's translation from Arabic. The Chamber of Textiles is one of the Federation's 16 sector-based chambers.
- 19 As one contact, a Turkish businessman operating in Egypt, put it: "Here, they import elephants and call them ants."
- 20 Author interview November 20, 2013. Jebel Ali is a major trading port in Dubai and home to the UAE's largest free zone. Egypt and the UAE both signed on to the Greater Arab Free Trade Area (GAFTA) program in 1997, allowing for tariff-free trade between member countries in an effort to boost pan-Arab trade. The difficulty of authenticating origin of goods imported into Egypt from Dubai has been previously highlighted as a problem with the GAFTA program (Kheir El-Din and Ghoneim 2005, 13). And yet, Egypt remains among the few countries participating GAFTA that do not require authentication of origin by consulates or embassies. As Shams detailed, the agreement is abused not only with regard to identifying the origin of the imports, which he suggests often come from China, but also concerning import content once it reaches Egyptian customs.

7 Public resources, private equity

Reaping fruits of financial liberalization

In October 2009, Egyptian and European businessmen, bankers, and high-ranking officials gathered at the luxury Nile Hotel (Ritz-Carlton) in Cairo for “The First Euro-Mediterranean Conference on Donor Funding, Banking and Novel Financial Instruments” (Ezz 2015). The conference, according to its organizers, was intended to monitor available resources offered by international donors and financial institutions, making available: “the highly needed information about sources of grants, technical assistance, soft loans, and novel financial instruments to their real targets...SMEs” [ellipses original] (*ibid.*).

However, the attendees at this gathering for “SME” financing suggested the intended beneficiaries were considerably larger. Leading the initiative, we find the return of a handful of individuals discussed in previous chapters. From their positions on the boards of Egypt’s foremost “pro-private sector” organizations, they would go on to lead newer transnational business associations that served as additional platforms for elite networking, channeling rent streams—in the form of donor funds, financing, markets, and policy influence—to representatives rich in cosmopolitan capital.

Courting cosmopolitan capital: BusinessMed and MedAlliance

As noted in Chapter 5, the EDF’s annual budget (sourced from the state coffers) experienced a nearly twenty-fold increase (from \$40 million to \$780 million) to support the Businessmen Cabinet’s PPP projects (2004–2011). The IMC’s initial endowment of €353 million—courtesy of the Egyptian and European publics—similarly expanded to accommodate the new business development programs of the Rashid era. We may recall, under Nadim’s tenure as IMC Executive Director (2006–2009), the Center became a “landing for numerous funds,” procuring an additional €513 million from various international donors (Meda Finance 2010, 99). Multiple sources refer to the IMC’s “substantial funds” (Abdel-Latif and Schmitz 2009, 24), leading one USAID evaluation to cite the “excessive size” of its budget as one of its weaknesses (Clark et al. 2012, 39). But how did the IMC attract so much money?

In order to expand their international capital, the PPP team added new organizations to the web—ones that would integrate, more directly, their European partners. Coinciding with Zorba's ascent to the post of FEI Chairman, his capital gained greater currency with his Mediterranean neighbors, formalized through his presidency (2004–2011) of the Union of Mediterranean Confederations of Enterprises, or BusinessMed. Wearing his hat as FEI Chairman, Zorba co-founded BusinessMed in 2004 as a “private sector” networking platform to strengthen economic ties between the EU and the “South Mediterranean” (BusinessMed 2015).¹ Demonstrating the tendency of networks to replicate and cosmopolitan capital to compound, from his post as BusinessMed President, Zorba became Chairman of the MedAlliance consortium—established to perform the important function of bringing together BusinessMed members and other “private sector” representatives with European donors promoting “economic development” (Invest in Med 2011).² MedAlliance served as an important vehicle for channeling rent streams of international funds, positioning itself as the: “legitimate and natural interlocutor for all the policies and initiatives concerning the development of investments and SMEs...” (*ibid.*, 17). With the individuals and organizations in place, the cosmopolitan capital of the economic variety now had clear routes through which to flow.

Invest in Med and the Meda Finance project

In 2008, MedAlliance teamed up with the EU to launch the Invest in Med project—financed with €12 million (€9 million from the European Commission and €3 million from MedAlliance members) to support the development of business partnerships within the “Euro-Mediterranean region” (Invest in Med 2011, 9). MedAlliance took charge of managing the initiative, which entailed both proposing and executing projects funded by the new endowment (*ibid.*, 10). On the Egyptian side, this meant Mr. Zorba and his BusinessMed executive assistants, Alaa Ezz and Adham Nadim, were granted the authority to design how Egypt's portion of the money would be spent.³ Nadim and Ezz were also charged with representing Egypt in European working groups on the future of SME financing (Ayadi 2010).

These actors were well aware of the importance of pro-SME discourse in securing international funding. As Ezz complained—expressing frustration with the lip service he had to pay toward “SMEs” for his counterparts in the international development community—“I waste 90 percent of my time on SMEs” (Author interview July 31, 2013).⁴ Given the individuals leading the Invest in Med initiative, how project funding was allocated may come as little surprise. One project, Meda Finance, led by Mr. Ezz, offers a particularly revealing example of the “support for SMEs” afforded by the initiative.⁵ Funded with €71,000, the project took the form of two components: (1) a study offering a “guide to accessing public financing for SMEs,” and (2) a conference bringing together the identified international financiers and

Egyptian target beneficiaries—the 2009 gathering at the Nile Hotel (Ritz-Carlton) (Invest in Med 2011, 87; Ezz 2015).⁶

Demonstrating the compounding nature of cosmopolitan capital, this initial Meda Finance funding agreement of €71,000 was intended to reap future dividends. As Mr. Ezz described it, the project aimed:

To monitor available resources and *network* with the EC [European Commission], EIB [European Investment Bank], EBRD [European Bank for Reconstruction and Development], and EU member states and all bilateral and multilateral donors and financial institutions aiming at the support of business [emphasis added].

(Ezz 2015)

Naturally, “SMEs” stood at the center of the initiative’s discourse—the monitoring of resources, again, for the sake of the “real targets...SMEs” (*ibid.*).

However, examination of the study and accompanying conference raises doubt regarding who the “real targets” were. The “guide for SMEs” identified €22 billion in available funds from international donors and local organizations for countries in the South Mediterranean. The vast majority of grants or technical assistance for Egypt’s “SMEs” would first pass through the PPPs discussed in previous chapters—the SFD, IMC, or EEPC (Meda Finance 2010). As argued earlier, such funding should be problematized for endowing the executive boards of these organizations with substantial rent streams subject to little to no oversight and liberal terms of use. In addition to the money allocated through these core “business development” organizations of the Businessmen Cabinet PPPs, a significant portion of the identified financing would take the form of yet another type of “Public Private Partnership” flourishing around the financial liberalizing reforms of the Businessmen Cabinet era: private equity funds.

Private equity funds—which typically make their gains through investing in companies, increasing their profitability, and selling them for higher than initial cost—offered a prime vehicle for maximizing the fruits of cosmopolitan capital (both the economic and social variety). Through this investment scheme, the “local knowledge” of Egyptian elites (or high-level domestic capital granting access to Egypt’s national resources) could be matched with the economic capital of international investors and lending agents. In this cosmopolitan partnership, the latter entrusted Egyptian private equity firms with their money in exchange for an expected return on investments made in the domestic arena. Thus, the international and/or domestic investors gained from the profit on the initial investment, or “carried interest,” (typically at the rate of 80 percent), while the Egyptian private equity board members increased their economic capital through the remaining portion of the carried interest (typically 20 percent), in addition to management and advisory fees, and quarterly dividends.

Private equity funds have been highlighted for their potential in demonstrating astronomically high returns—particularly for their board members,

whose average annual gains for the top-performers reach numbers far above those secured by even the highest executive earners at banks.⁷ An oft-cited reason for the high return potential is the risk that might accompany the investment activities of private equity funds—whose profits, again, rely on successfully “upgrading” companies and selling them at a gain (Horton 2015). However, when private equity firms consist of individuals possessing networks of (1) high-level domestic capital, together with (2) access to vast pools of cosmopolitan capital (both social and economic), and (3) operate in an arena of weak institutions, this risk is greatly mitigated.

Citadel Capital and EFG Hermes

Returning to the Meda Finance project, we find a team of both old and new faces of the Gamal cohort. At the 2009 conference to unveil the €22 billion initiative, Rashid and Zorba inaugurated the event, and Ahmed Heikal, erstwhile CEO and founder of Citadel Capital—“Africa’s largest private equity firm” (Citadel Capital 2010, 10)—offered the keynote address to thank his Mediterranean friends for their support in assisting Egypt’s development (Ezz 2015).¹¹

Ahmed Heikal got his start in the finance world at his uncle’s then small consultancy, Egyptian Financial Group (EFG), which he would help turn into the largest investment bank in the region, EFG Hermes. His younger brother, Hassan, became co-CEO in 2006 when their uncle retired, and Ahmed set off on his own to establish Citadel Capital. Although the Heikal brothers expressed little love for the Mubaraks (“I did not invite [Gamal] to my wedding, and he did not invite me to his,” said Hassan in a 2020 statement),¹² their firm entered into a partnership with the President’s son to form a private equity fund in 1997—a lucrative partnership that would last until at least the 2011 uprising (more on this below). Additionally, Hassan’s co-CEO at EFG Hermes, Yasser el Mallawany, was much closer with Gamal, with well-known personal ties and a seat on the NDP’s Policies Committee under Gamal’s leadership (Roll 2010; Daragahi and Wigglesworth 2012).

InfraMed private equity fund

A few months after the 2009 Meda Finance conference, EFG Hermes established the private equity investment fund, InfraMed, together with a group of European state-owned financial institutions and the “lending arm of the European Union,” EIB (2010).⁸ Mallawany sat alongside his EU counterparts on the company’s Investors Board, which designated Minister Rashid as Chairman of the Strategic Board, “responsible for providing strategic advice and orientation on the overall development of the Company’s activities” (*ibid.*).

InfraMed, included on the Invest in Med 2010 list of potential project financiers, constituted €1 billion of the identified €22 billion ostensibly taking “SMEs” as its targets, and offered equity for projects in infrastructure and

energy. Instead, its first and only investment in Egypt at the time of writing was a \$100 million stake in a Public Private Partnership led by Heikal's Citadel Capital to build a \$3.7 billion oil refinery, the Egyptian Refining Company (ERC). Additional Meda Finance “networking” targets also made investments in the project—\$85 million from the World Bank Group's IFC alongside \$55 million from German and Dutch financial institutions and a \$450 million favorable loan from EIB (Citadel Capital 2012, 26).⁹

Meanwhile, Citadel Capital board members would provide the high-level domestic connections central to liaising with the “public partners” of the PPP, in this case: (1) the state-owned Egyptian General Petroleum Corporation (EGPC) at the Ministry of Petroleum, which had a 25 percent stake in the project, and (2) representatives within the various additional government authorities, the Egyptian military among them, from whom investors would have been required to obtain a complicated series of permissions.¹⁰

As noted above, a deal such as this would be tremendously lucrative for Citadel Capital's board members, who we may recall received generous compensation for their “advisory services” on investments. Tracing the interconnected web of economic institutions, financial transactions, and individuals, we find again the return of Mr. Arafa, who had joined Citadel Capital's board just a year prior to the \$3.7 billion deal (Citadel Capital 2009). Digging a bit deeper reveals the Gamal connection in this flow of lucrative deals. Gamal owned 18 percent of EFG Hermes Private Equity, which managed the InfraMed fund for all Egypt projects (Reuters 2011a). His ownership was held in a complex web of offshore shell companies, allowing the presidential son to keep all of his “earnings”—including a cut of investments from the EIB and the other European state-owned financial institutions party to the fund—sans taxes.

Gamal & Co. interests in EFG Hermes Private Equity

In fact, EFG Hermes's foray into private equity began in partnership with the younger Mubarak. In 1997 the investment firm established an offshore company (Egypt Fund Partners) together with a Cyprus-based international securities fund called Bullion Company Limited, 50 percent owned by Gamal (MacFarquhar et al. 2011). Egypt Fund Partners, registered in the tax-sheltered Cayman Islands, would in turn manage EFG Hermes' private equity funds (Diab 2016).

The utility of having the President's son as a business partner was apparent from the start when EFG Hermes and Gamal set up their first project: the Horus I Private Equity Fund (1997), for which the latter helped raise \$54 million in commitments (Winne 1999a)—much of it from regime insiders like steel tycoon Ahmed Ezz, Hussein Salem and Mohamed Mansour, along with a contribution from Gamal himself (Diab 2016).¹³ The Horus Fund was just the start of the team's burgeoning private equity business. In 2001, EFG Hermes formed a strategic partnership with the country's largest private equity firm at the time, the Commercial International Investment Company

(CIIC) (EFG Hermes 2008, 21), bringing on board the latter's managing director, Mallowany, and taking on the task of managing CIIC's investments.

Like Mallowany, many at the helm of CIIC possessed close ties to the Mubaraks. Alongside his garment production, Mr. Arafa—whose father, we may recall, was friends with President Mubarak from their days in the Air Force—dabbled in the world of finance early, co-founding CIIC in 1994 (“Dolphinus” 2020). Serving beside Arafa on the CIIC board of directors was another high-ranking military officer's son, Taher Helmy (“CIIC” 2001)—the ubiquitous lawyer present in nearly all of Gamal's ventures. The cousins and future Businessmen Ministers, Mohamed Mansour and Ahmed Maghraby, also held a considerable weight in the venture—one of CIIC's largest shareholders with an 11.7 percent stake through their investment vehicle, Mansour-Maghraby Investment & Development Company (MMID) (*ibid.*).¹⁴ Notably, all of these men also sat alongside Gamal on the board of directors of the ECES—the USAID-funded economic think tank (est. 1992) that tirelessly promoted financial liberalization.

In 2002, the EFG Hermes-CIIC-Bullion partnership took a new name, EFG Hermes Private Equity, with a new headquarters in the tax-free British Virgin Islands. Gamal acted as an “investment advisor” for the private equity activities—for which he managed to secure around \$20 million in “fees and commissions” between 2002 and 2011 (Diab 2016), in addition to his profits on the successful exits from EFG Hermes Private Equity investments.¹⁵ Meanwhile, Walid Kaba—Gamal's long-time colleague at Bank of America and co-founder of their offshore Bullion Company—became director of EFG Hermes Private Equity until the 2011 uprising (EFG Hermes 2008). The pair's business interests were inextricably linked from the start. They left Bank of America together in 1996 to establish a London-based financial consultancy firm, Medinvest Associates—owned by their Cyprus-based shell company (Bullion, where Alaa Mubarak also sat on the board), likely to escape UK taxes. Walid and his relative, Said Kaba, owned the other 50 percent of Bullion/Medinvest.

Aside from their obvious cosmopolitan connections—Walid is a British national and the two men got their start in the financial world at one of the US's largest investment banks—other international actors were essential to the men's financial enterprise. In a 1999 interview, Gamal welcomed the entrance of foreign firms to join in the profits from the financial “opening up that we have been witnessing in the last couple of years” in exchange for their financial expertise, adding, “There is a lot of assistance that we need from foreign firms in terms of technology, products and services...” (Winne 1999a). Indeed, he hired an American private equity management firm to assist in the technical complexities of the new EFG Hermes-Bullion investment vehicle, noting that the Horus Fund “is very much modeled on the U.S. private equity fund system” (*ibid.*).

The problem with this budding partnership between the President's son and EFG Hermes Private Equity, facilitated by US technical assistance, is

perhaps best illustrated by the firm's Horus II Fund, launched in 2005, which invested in Talaat Moustafa Group (TMG), Egypt's largest property developer (London Stock Exchange 2014). That same year, TMG was awarded 33.6 million square meters of state-owned land for its Madinaty project, a satellite city not far from Cairo and the Group's largest development yet. The land was awarded by the government on favorable terms—without auction and in exchange not for cash but payment in kind: seven percent of the residential units to be built (TMG 2007, 37). As TMG's (2007) Annual Report notes, this translated to “a price that is considered to be very competitive given the escalating land prices putting TMG at a great competitive advantage vis-à-vis other developers and securing it a sound profit margin” (*ibid.*). Erstwhile Chairman of the group, Hisham Talaat Moustafa, also happened to be a friend of Gamal, member of the ruling NDP, and Deputy Chairman of the Economic Committee in the Shura Council (upper house of parliament) (TMG 2005, 13).

With the massive Madinaty project in place and thousands of villas already sold, TMG Holding's initial public offering (IPO) in November 2007 proved a great success. Shares were many times oversubscribed, receiving bids in excess of E£94.6 billion (TMG 2007, 4). EFG Hermes' Horus III Fund, established in August 2007, had also invested in TMG, and the parent company advised the offering—“the largest IPO in Egyptian history” (EFG Hermes 2009, 40). As a shareholder in EFG Hermes Private Equity (and therefore, in TMG), Gamal benefitted considerably from the “upgrading” experienced by the luxury real estate developer. Sales from the Madinaty project alone, where TMG had just barely broken ground, reached E£10.76 billion (\$1.94 billion) by the end of 2007 (TMG 2007, 81). And net profits for TMG Holding exceeded E£1.34 billion (\$241.4 million) by the end of 2007, compared to just E£247.5 million (\$42.75 million) at the end of 2005.¹⁶ Again, Gamal's capital gains would be tax free, sent to his web of offshore companies.

The Horus II Fund was the object of additional scrutiny when it exited its investments in the Watany Bank of Egypt, which was sold to the National Bank of Kuwait in 2007. Gamal and his older brother Alaa, along with EFG Hermes' erstwhile CEOs, Hassan Heikal and Yasser Mallawany, were indicted in 2012 on charges of manipulating stock prices ahead of the sale, which amounted to an estimated \$400 million in illicit gains (Daragahi and Wigglesworth 2012). During the counter-revolution climate of reconciliation, they were all acquitted in 2020 and retained the profits from the transaction (Reuters 2020).

As EFG Hermes was quick to explain in the fallout of the 2011 uprising, their private equity subsidiary co-owned by Gamal only represented a small share of the investment firm's overall activity, contributing “no more than 7 percent to the group's total revenue” (Reuters 2011a). This not only contradicted the company's 2010 annual report, which noted private equity accounted for 17 percent of revenue that year (EFG Hermes 2010, 29), but more importantly, Gamal's businessmen backers turned top members of “the state” also had a stake in the EFG Hermes parent company. Businessman

Minister Rashid became a major shareholder in the investment firm in 2004, joining Businessmen Ministers Mansour (Minister of Transport) and Maghraby (Minister of Tourism, then Housing) who had purchased their shares earlier in 2001 (Roll 2010, 361).

These Public Private Partnerships—created between state representatives and private financial institutions, such as EFG Hermes—benefitted from the financial liberalizing reforms secured via the networks and policymaking platforms examined throughout earlier chapters of this book, and offered additional venues for elite capture. One instance of how these partnerships helped secure questionable profits could be seen during the first 18 months of the new Businessmen Cabinet’s tenure, when share prices at EFG Hermes increased by almost 20 times that of their mid-2004 rates, translating to tremendous gains for investment firm’s top shareholders—the three Businessmen Ministers (Rashid, Mansour, and Maghraby) among them (Roll 2010, 361). Shares controlled by Mansour and Maghraby’s MMID, for example, increased in value from \$7.2 million in mid-2004 to \$116.8 million during the short year and a half (*ibid.*).¹⁷

Conclusion

Western-sponsored initiatives like the Meda Finance project contributed to the complex web of individuals, organizations, and companies discussed in this chapter, further enhancing the cosmopolitan capital—both economic and social—of the Egyptian elites party to the partnerships. Recall, the Meda Finance conference was ostensibly initiated to serve as a networking platform with European financiers and Egyptian “SME” beneficiaries. An alternative interpretation might posit that the types of connections formed and/or enhanced over the course of the project can be found, instead, among considerably larger actors—such as the private equity firms of the Heikal brothers or the board members of the IMC, BusinessMed, MedAlliance, and their web of PPPs.

The persisting returns of cosmopolitan capital, outliving domestic regime change, can also be seen in the Meda Finance framework. The initial financial networking conference was to become an annual event, bringing the same international financiers back at Meda Finance 2010, to present new financing opportunities to their Egyptian partners. Following a relatively brief hiatus after the revolutionary shake-up, the Mediterranean friends would reunite annually at Meda Finance 2014–2019 (*Egypt Today* 2019); and Egypt’s skilled brokers would continue to beseech Western financiers to share in Egypt’s wealth.¹⁸

This flurry of activity in the financial sector also coincided with the state and Western donor support to Egypt’s “private sector” industry discussed in previous chapters. Some may argue that other countries have successfully “picked winners” and lifted their people out of poverty in the process. However, in the context of the “market liberalizing” reforms of the 1990s and 2000s, this support to elite businessmen should be particularly problematized.

The porousness of the borders for financial flows, together with the expansion of Egypt's largest industrialists from their core activities (in say, textiles and garments or food) into finance, means the public and/or donor resources invested in business elites in the name of promoting "Egyptian industry" are easily privatized.

Contrast this situation, for example, to the oft-cited success story of South Korea in the 1960–1970s, when the state supported local industries, particularly through export promotion incentives (much like the initiatives discussed in Chapter 5). Alongside state funding to South Korea's private sector elites came strict controls on capital flows. Anyone caught transferring more than \$1 million abroad faced a possible death sentence, and a minimum of ten years in prison—a law that was "strictly implemented" (Chaudhuri 1996, 31). Moreover, unlike in Egypt during the 1990s–2000s where foreign firms were courted to share in the profits, the South Korean government prevented foreign enterprises from taking over Korean ones and discouraged foreign direct investment on the basis that it "continually drains the country through remittances" (*ibid.*, 29).

As Roll (2010) argues, the second wave of reforms (2003–2011), bringing significant changes to the financial sector, enhanced the "structural power" of top economic elites (366). That is to say, along with an accumulation of capital came new forms of leverage over policymakers. Capital market development expanded the ability of Egyptian business elites to "join forces with foreign capital" as well as transfer assets abroad, thus eschewing threats of government interference (*ibid.*). While these developments may seem favorable to ardent market liberalizers—obsessed with promoting the "private sector" and reducing the role of the "state"—the end result was the collaboration of individuals working across public-private divides to privatize public resources. Ultimately, liberalization of the financial sector, like that of trade, led to tremendous gains for the political economic elite, with little advantage for the capital-poor.

The following chapter will trace a handful of the actors that led the push for financial liberalization—and reaped the rewards of Egypt's burgeoning financial sector schemes—to a parallel development emerging from the era of PPPs: the QIZ agreement. In it, we find a tailor-made preferential trade policy to complement the financial liberalization and bespoke export promotion policies discussed thus far; and an important node in the ever-expanding web of business–state networks.

* * * * *

Notes

- 1 BusinessMed was established in 2004 by a group of business association presidents from the member countries, which alongside Egypt included: Algeria, Cyprus, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia, Italy, Greece, France, Turkey, and Spain. The ultimate aim was to increase economic integration and establish a free trade zone in the region (BusinessMed 2015).

- 2 The MedAlliance consortium included representatives from: BusinessMed, the ANIMA Investment Network, ASCAME, EuroChambres, GIZ, UNIDO, and EPA Euromediterranée.
- 3 We may recall that Mr. Ezz also served as chief advisor to Zorba in the latter's capacity as FEI President.
- 4 The comment was made many hours into our meeting after the interview had assumed a very informal tone.
- 5 Nadim (in his capacity as IMC Executive Director) and Ezz (wearing his hat as Secretary General of the Confederation of Egyptian and European Business Associations [CEEBA]) signed the Meda Finance funding agreement with the European Commission Program Director of Invest in Med, Benedict de Saint-Laurent. Mr. Zorba sat alongside them, overseeing the signing in his capacity as President of MedAlliance and BusinessMed (Ezz 2015). Others at the signing included Asem Ragab, President of GAFI, and—perhaps because wearing three hats at once was too much for Mr. Zorba—Hani Hafez, FEI managing director, stood in as the Federation's representative. At the time, Zorba also held the positions of FEI President and ECES Chairman.
- 6 Another project offering "support for SMEs" was a €125,000 grant to cultivate a "mentoring platform to support SME owners in their decision-making processes" (Invest in Med 2011, 60). A photograph of wealthy young Egyptian men on an Ain Sokhna beach, passing a peer through a hole in a net during a team-building exercise, is provided as the "success story" image.
- 7 To give an idea, in 2015 the average annual pay for the top private equity executives in the US was \$138 million compared to \$23 million for top-ranking bank executives (Protest and Corkery 2016).
- 8 EIB had already invested over €10 million in funds set up and managed by EFG Hermes Private Equity in 2000–2001 (Besedova and Lustgarten 2012, 15). The EIB committed €50 million to the InfraMed fund against EFG Hermes' investment of €15 million while the three state-owned financial institutions from across the Mediterranean offered the remainder of the €385 million investment.
- 9 Of course, Meda Finance was not the only link these individuals had to the international financing community, but the conference served as another platform for strengthening the partnerships.
- 10 This is the case for any operation involving Egypt's energy sector (see for example, Leach 2014).
- 11 Citadel Capital has since changed its name to Qalaa Holdings.
- 12 Hassan added by way of explanation: "I am the son of Mohamed Hassanien Heikal, one of the earliest journalists in Egypt to voice his opposition against the possibility of Gamal coming to power, and as a consequence, there was a natural barrier between us" (Heikal 2020).
- 13 Gamal contributed through his investment vehicle Pan World Investments, registered in the British Virgin Islands (EIPR 2016).
- 14 Mansour and Maghraby's brother and cousin respectively, Yasseen Mansour, also sat on CIIC's board of directors ("CIIC" 2001). While private equity was their main activity, CIIC also took on the financial advisory role of investment banks on occasion. They advised Egypt's first ever privatization as part of the 1990s IMF-led privatization push—the sale of El Nasr Boilers to Babcock and Wilcox International (Winne 1999c). Information uncovered after the 2011 uprising revealed this transaction to be marred with numerous abuses including vast underpricing and conflict of interest: the purchasing company was owned in part

by two businessmen brothers (Khaled and Hisham Sheta) close to Gamal Mubarak, whose father (Mohammed Sheta, close to Mubarak Sr.) sat on the board of the state-owned El Nasr Boilers. The father and sons would later acquire the company in full after an exit by their international partners in 2001 (for full details of the case see: Adly 2011). The role of investment banks in the privatization process (in this case CIIC) is to provide “strategic and transactional advice” to the government regarding pricing, marketing and sale methods, and to “solicit interest from potential buyers” (OECD 2019). In other words, CIIC did at best a very poor job at advising or, more likely, had a direct role in facilitating this highly corrupt transaction. Incidentally, Khaled Sheta also sat on CIIC’s board of directors (“CIIC” 2001).

- 15 One of EFG Hermes Private Equity’s earliest international creditors was EIB, which funneled €25 million through EFG Hermes Private Equity, CIIC, and a few other local financial intermediaries to “provide Small and Medium Enterprises (SMEs) in Egypt, wishing to modernise...with innovative equity and quasi-equity funding products” (EIB 2002).
- 16 Author’s calculations from TMG Annual Reports (TMG 2005 and 2007, 87). Conversion to USD calculated at the respective year’s average rate, or E£5.64 to \$1 in 2007 and E£5.79 to \$1 in 2005.
- 17 Along with tremendous gains on the Egyptian stock market, Mansour and Maghraby had also been busy expanding their cosmopolitan capital. In 2006, the pair’s MMID joined forces with France’s Cr dit Agricole to buy the Egyptian American Bank—a purchase highly criticized for its lack of transparency and severe underpricing (Roll 2010).
- 18 As Alaa Ezz told the group of European partners at Meda Finance 2015: “Capitalize with us, in a tradition that is summarized in the following words of ancient Egyptian wisdom: ‘Rig your boat, travel near and far, look for a wise partner, knock his door, seek his knowledge, welcome him in your home, this is how your people will prosper’” (Ezz 2015).

8 The QIZ agreement

Negotiating networks of privilege

Classical music playing softly in the background, Mohammed Kassem fielded phone calls flooding in following the national crisis. The military had just finished “clearing the squares,” resulting in over 1,000 deaths and causing a flurry of international alarm.¹ The White House was still deciding where it stood on the issue and there was, apparently, a rumor that the Qualifying Industrial Zones (QIZ) trade arrangement between the US, Egypt, and Israel had been canceled. Mr. Kassem assured his assistant that the agreement—allowing select companies to export to the US duty-free²—had not been compromised, instructing her to send a memo to the relevant investors.

As I waited to begin our interview regarding business–state relations in Egypt, I saw before me the superficiality of the divide between the nominally public and private sectors. As previously noted, Mr. Kassem began his career as an “organization specialist” in the General Authority for Organization and Administration (GAOA) (Kassem n.d.)—described by Abdelrahman (2015) as the most central body of the state bureaucracy (25)—before becoming a commercial attaché at the Egyptian Embassy in DC, where he was tasked with promoting Egyptian exports (Author interview August 26, 2013). In 1989, he “left the government to the private sector” for his current position as Chairman and CEO of the World Trading Company for ready-made garments, Egypt’s “leading marketing company in the field of Textiles” (Kassem n.d.).

Mr. Kassem, I learned over the course of our interview, was also a man of many “quasi-governmental” hats: former executive board member on the pro-“private sector” projects generously endowed by USAID in the 90s (Chapter 4); as well as deeply involved in the web of PPPs constituting Businessman Minister Rashid’s “private” partners for industrial policymaking (Chapter 5). We may recall that during Rashid’s tenure, the IMC stood at the center of the web as chief agent for Egypt’s industrial modernization, with notable “partners for development” including (among others) ExpoLink, Export Councils, and the FEI. As discussed in Chapters 4 and 5, Kassem

served as inaugural Vice Chairman of the USAID-funded ExpoLink, appointed by his friend and business partner, Galal Zorba (Chapter 4). Subsequently, he assumed the positions of Chairman of the RMG Export Council, Vice Chairman for International Relations at the FEI, and Chairman of the FEI's Chamber of Textile Industries (Chapter 5). Minister Rashid had also appointed him Chairman³ of the High Council on Textiles—what Kassem described as the “politically acceptable alternative to a Ministry of Textiles”—with a mandate to implement the “national strategy” for the textile industry (“Vision 2020”), created as part of the IMC's Studies and Policy Support Unit.⁴

We saw in the previous chapters how these Public Private Partnerships for Egypt's industrial development and export promotion, while ostensibly representative, instead facilitated economic transactions between networks of local elites and their foreign partners. This chapter examines a set of negotiations that occurred in parallel to the creation of these PPP networks—the signing of the 2004 QIZ agreement. Behind the scenes we find a number of the same actors return to similarly monopolize channels of “private sector” representation as they secure a preferential trade agreement offering great economic benefits to a relatively small group, while providing a discursive guise of inclusivity.

I argue that in addition to excluding smaller firms, the QIZ agreement and its accompanying partnerships fostered greater *deindustrialization*, rather than promote industrial development of the sector. I posit that this was done primarily through: (1) the capture of export markets by a relative few; and (2) the creation of policy favoring trade over manufacturing—privileging large RMG assemblers using high import content and with few backward linkages over textile producers far more integrated into the local economy.

This chapter begins with a summary of the macroeconomic and historical context of Egypt's textile and garments sector, stressing the importance of differentiating between textile manufacturers and garment exporters when assessing trends affecting economic development. I then provide a brief introduction of the QIZ agreement and its relevance to Egyptian exports, particularly in the textile and garments sector. This sets the scene for the core empirical sections of the chapter where I discuss: (1) the informal networks employed in negotiating the QIZ agreement, and (2) the parallel *formalizing* of partnerships—created to complement informal ties—which I point to as perpetuating economic exclusion of small businesses while deepening gains for the privileged few.

As argued in the previous chapters, central to understanding Egypt's political economic landscape emerging in the 2000s is the examination of these quasi-governmental bodies and the complex web of networks existing between them. While detailed analysis of the totality of networks between these organizations is beyond the scope of this study, in what follows I explore in depth a slice of the networks that defined the industrial policy space for Egypt's textile and garment sector.

Egypt's textile and ready-made garments industry

The story of Egypt's deindustrialization that accompanied economic liberalization holds particular significance for the textile and RMG industry. From the 1930s through the 1970s, the sector benefited greatly from Egypt's protectionist policies and experienced high productivity largely owing to state support (El Haddad 2010). This was particularly true from the early 1960s, when Nasser nationalized most of the textile industry (Beinin 2010), reserved Egyptian cotton for domestic production, and designated the government-owned textile factories as the only permitted purchasers (El Haddad 2010).

Market liberalizing reforms, initiated in the 1970s and intensified under Egypt's 1991 structural adjustment program, changed this scenario considerably, exposing the once-protected industry to global competition (Abdallah et al. 2012). In 1994, Mubarak liberalized the cotton trade, resulting in a shortage for domestic use as Egypt's high-quality cotton was instead increasingly exported (El Haddad 2010). The next year, Egypt joined the World Trade Organization (WTO), committing the government to further liberalizing reforms (Abdallah et al. 2012).

These developments were accompanied by a shift to growing private sector ownership. Between 1997 and 2006, public sector share in the textile and garment industry fell from 39 percent to around 20 percent (El Haddad 2010). Much of the complementary increase in private sector participation occurred in the RMG subsector—over 70 percent of which is now dominated by private firms (Ghoneim 2013, 3). Meanwhile, large public enterprises have maintained a considerable presence in textiles (Beinin 2010; Abdallah et al. 2012).

The basic technical distinction between these two subsectors is that textile production involves spinning, weaving, and printing, while RMG production entails the assembling of finished clothing products. In terms of required resources, RMG production demands relatively little capital and much labor, preferably at low cost. Meanwhile, textile production is capital intensive, and requires less labor. These two subsectors have become increasingly differentiated by globalization and expanded participation in international markets. As RMG manufacturers were granted greater access to inputs from abroad, they became less dependent on domestic textile producers—leading to the breakup of the sector along these subsector lines (seen, for example, in the separation of the FEI's RMG and Textile Chambers in Chapter 6).

Macroeconomic context

The consequences of liberalizing reforms on the textile and RMG industry outlined above also significantly contributed to Egypt's overall macroeconomic conditions. Constituting 27 percent of the country's industrial output and 14 percent of non-petroleum exports by the end of the 2000s, the sector has been of great economic importance to Egypt (Oxford Business Group 2012, 140).⁵ The growing trade deficit in the textile and RMG industry

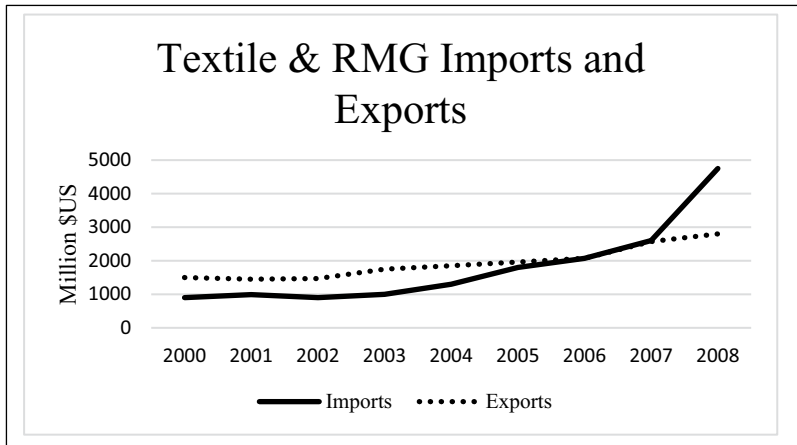


Figure 8.1 Textile & RMG imports and exports in the 2000s. Source: adapted from El Haddad (2010, 3).

affected Egypt's larger macroeconomic climate accordingly. While the sector's exports demonstrated rapid growth between 2000 and 2008, imports increased even more substantially (See Figure 8.1). Textile and garment import levels, valued at slightly less than \$1 billion in 2000, skyrocketed to nearly \$5 billion by 2008. Meanwhile exports, which started at a value of around \$1.5 billion in 2000, only increased to about \$2.8 billion by 2008 (El Haddad 2010, 3).

The causes behind these parallel developments are multifold and deeply interrelated. First, the increase of exports was largely attributable to two new trade arrangements: the QIZ agreement signed in late 2004 and the 2005 Euro-Mediterranean Partnership. Together, these agreements allowed duty-free access for Egyptian textiles and RMG to US and EU markets, which absorb more than three-quarters of the sector's exports (*ibid.*).⁶

With regard to increased imports, the equation is slightly more complicated. One obvious contributing factor was the lifting of the 30-year import ban on textiles (1998) and clothing (2002) in compliance with the WTO, which, as noted above, Egypt joined in 1995. However, as Figure 8.1 demonstrates, little increase in imports was seen during this period—consequence of the import ban being replaced instead by costly tariffs, some reaching as high as \$300 per imported item (*ibid.*, 2). Presidential decrees in 2004 and 2007 reduced these tariffs substantially, the effects of which can also be detected in Figure 8.1, with imports demonstrating their first significant increase in 2004.⁷ In addition, the import boom was considerably tied to the increase in exports. As the government reduced tariffs on yarn and fabric, imported material became cheaper than domestic products, and import content of Egyptian RMG exports increased accordingly.

The above developments in Egypt's industrial policies resulted in a self-perpetuating cycle whereby clothing became cheaper to manufacture,

allowing Egyptian exporters to sell more products internationally, and in turn requiring increased imports of fabrics and other necessary inputs to meet the demand of exporters. While these developments assisted large RMG exporters, they were less helpful for textile companies using locally sourced raw material, and the smaller firms unable to reach international markets, confined instead to the domestic arena.

Large RMG manufacturers (or traders, like Kassem) argued that they were forced to purchase imports from abroad due to the inefficiency and inferior quality characterizing much of Egypt's textile sector. However, the poor state of the sector can be attributed, in large part, to the very industrial policies pushed by the top RMG businessmen beneficiaries. Alongside the market liberalizing reform project of the 1990s, the government stopped investing in the state-owned textile companies, instead slating them for privatization (Ghoneim 2013, 9).⁸ Rather than direct resources to re-energize the industry, the government left Egypt's once robust sector to flounder.

The outline above of major developments occurring in Egypt's textile and garment sector is necessarily brief. Each policy decision and presidential decree should be seen as a complex negotiation process between a range of individuals and interests—both domestic and international. In the sections that follow I explore the networks at work behind one of the key industrial policies shaping Egypt's textile and garment industry over the past decade and a half: the QIZ agreement.

Defining trade policy: the QIZ agreement

The QIZ is a non-reciprocal trade agreement signed into effect in late 2004 between Egypt, the US, and Israel. Created with the primary aim of “promot[ing] peace and development between Israel and her Arab neighbors,” the arrangement offered duty-free and quota-free access to US markets for products manufactured in Egypt's QIZ-designated spaces contingent on the final product containing at least 11.7 percent of input content from Israel (Bolle et al. 2006, 1).⁹ At a basic level, Qualifying Industrial Zones resemble free trade zones—delimited spaces where infrastructure and necessary utilities are provided that exist “fiscally outside of the customs territory of a country” (*ibid.*, 2). That is to say, the raw materials entering the zones from abroad as well as the products leaving the zones to be sold outside the country are exempt from tariffs and subject to simplified customs procedures. However, QIZs are unique from traditional trade zones in that their products can only be exported to the US, and authority for oversight as well as setting conditions for tariff exemption is shared between Egypt and the US (*ibid.*).

The importance of the QIZ protocol for Egypt's textile and RMG industry cannot be overstated. In 2006, textiles and RMG constituted approximately 98 percent of the value of Egypt's QIZ exports to the US (Hutcheson 2006, 2). During the first five years of the QIZ's activation, textile and garment exports to the US nearly doubled, reaching more than \$1 billion at the end of

2011, up from around \$580 million just prior to the QIZ agreement in 2004 (AmCham 2014). The deal proved quite lucrative for those involved, saving QIZ participants \$30.7 million on duties in the first ten months of the agreement (*ibid.*). However, as previous chapters have emphasized, exactly *who* benefited from these developments is of central importance to understanding the consequences of the agreement for the broader economy, particularly in this case for the textile and RMG industry.

Negotiating networks of the QIZ agreement

A closer look at the driving forces behind signing the agreement sheds light on the complex process of how channels of privilege are carved out, as well as the forms of exclusion that result. The QIZ story also demonstrates an important instance of how networks exploit both *formal* and *informal* channels to influence “regulatory, market, and resource allocation outcomes” (Sfakianakis 2004, 81). Indeed, negotiations surrounding the signing of the QIZ required a complex juggling of diverse interests. While discussion of the arrangement began in 1996, the protocol was not signed until late 2004. The nature of the QIZ, strengthening economic ties with Egypt’s long-time foe (Israel), proved highly controversial among domestic political actors. However, before the network of relevant individuals can be properly examined, it serves to take a step back to observe the arena in which they operated.

Indeed, the signing of the QIZ agreement presents itself as a node in the wider web of developments within international trade, which, in turn, exist as part of the larger story of globalization. Most important for this particular arrangement are three agreements—two existing and one potential. First, and most directly, the QIZ agreement emerged from a 1996 amendment to the 1985 US-Israeli Free Trade Agreement (FTA) (Bolle et al. 2006, 1). The legislation extended Israel’s duty-free access to the US to include products coming from specially designated zones (QIZs) in either Jordan or Egypt—the two countries in the region that had signed peace treaties with their controversial neighbor.¹⁰ While Jordan inaugurated the QIZ program shortly after US Congress passed the amendment, Egypt took longer to warm to the idea.¹¹

Egypt’s eventual accession to the QIZ agreement was made viable by a dual set of developments in international trade policies—or rather, one development and one non-development. The first was the Agreement on Textiles and Clothing (ATC),¹² which created a quota system placing restrictions on textile and clothing imports entering international markets. This system constrained low-cost producers from dominating international markets, thus allowing other, less competitive countries (like Egypt) continued access to profitable export opportunities (Pickles et al. 2015). The conclusion of the quota system in December 2004 is considered the most defining development in recent history of the regulatory system governing global clothing trade (see for example Gereffi and Frederick 2010; Staritz et al. 2011). Clothing buyers in international markets, who previously faced limits on how much they could import from individual countries, were now able to

purchase as desired from the lowest-cost producers (Pickles et al. 2015). In the case of Egypt, this was particularly relevant with regard to the US—Egypt’s largest export market for clothing and textiles (Ghoneim and Awad 2009, 7). With quotas no longer limiting imports from countries such as China, India and Bangladesh, Egypt’s textile and RMG firms would be driven out of the competition. In the absence of a preferential trade agreement, Egypt’s textile and RMG industry faced its potential demise.

Parallel to the impending expiration of the ATC, a handful of Egyptian business–state elites lobbied strongly for a full Egypt-US Free Trade Agreement. Early efforts to promote the agreement were made by individuals operating through the ECES throughout the 1990s. Ahmed Galal, former executive director of the ECES (1996–1997; 2000–2005), for instance, edited multiple books on the subject (e.g., Galal and Lawrence 1998; Galal and Lawrence 2005). Meanwhile, elite business associations (namely AmCham and the US-Egypt Presidents’ Council) went straight to the source, sending lobbying missions to Washington in support of the FTA.

In the final countdown to the quota system’s expiration, Egyptian lobbying for a bilateral trade agreement took on a new vigor. The US-Egypt Business Council (revived from the ashes of the US-Egypt Presidents’ Council) served as the primary vehicle for direct Egyptian missions to US Congress to push for the FTA. We may recall from Chapter 1 that the US-Egypt Presidents’ Council was established in 1994 to expand commercial ties between the two countries and promote Egypt’s market liberalizing reforms initiated in 1991 (US Department of State 1996). The Council, under Gamal’s chairmanship, was comprised of 15 appointed Egyptian business elites. When the body’s mandate expired at the end of the Clinton administration, President Mubarak met with the recently elected President Bush to renew the group in 2001 under the title of the US-Egypt Business Council (Zulficar et al. 2004).¹³ In its restructured form, the Council had a narrower objective than its predecessor. For the Egyptian delegation, consisting of a mostly reshuffled stack of elite businessmen, the body became, above all, a lobby for an FTA between Egypt and the US.¹⁴

However, negotiations hit a number of stumbling blocks. Despite President Mubarak’s optimistic announcement in March 2001 that his impending trip to Washington would produce an FTA, he returned to Egypt empty handed (Momani 2003). On the economic front, the US demanded the protection of patent rights for US pharmaceutical companies operating in Egypt (*ibid.*, 96); And US businesses complained of continued restrictions on importing US poultry,¹⁵ along with Egypt’s generally “overly burdensome regulations” (Embassy Cairo 2006a). Meanwhile, in the US domestic realm, some business and political representatives rejected the idea. As one American member of the US-Egypt Business Council opposed to the FTA wrote in a USAID survey: “As a defense contractor, we are not interested in destroying jobs in the USA” (Milner et al. 2003, 20).

Additionally, on the political front, the Egyptian government was not satisfactorily progressing toward democracy as prescribed by the Bush administration’s

“democratizing mission.” Much to the dismay of Mr. Zorba (in his capacity as President of the US-Egyptian Business Council), the “U.S. preoccupation with Ayman Nour”—Mubarak’s 2005 presidential contender who had been sentenced to five years in prison shortly thereafter—was hampering the FTA process (Embassy Cairo 2006a). So too was the delay of Egyptian municipal elections, which Zorba argued “did not matter to the Egyptian people” (*ibid.*).

With US Congress showing no signs of adopting the full bilateral agreement in time for the expiration of the ATC, the QIZ agreement became the only hope for RMG exporters to the US to preserve their market, and the lifeline of their companies. While Congress blocked the FTA on the economic grounds of insufficient benefits offered to US businesses, and the “moral” grounds of Egypt’s failures in political liberalization, the QIZ agreement carried no such conditions. As far as the RMG team’s US counterparts were concerned, the QIZ was first and foremost a project to “help broaden support for the Middle East peace process” (Bolle et al. 2006, 1)—in other words, to support their longtime ally, Israel. The agreement was a “geostrategic” decision, not an economic one—according to one top US official: “the most generous US preference program” (Embassy Cairo 2009f).¹⁶

The unique nature of the QIZ agreement offered Egypt’s RMG exporters a loophole for working around the noncompliant US Congress that had been impeding their lobbying efforts for the full FTA. Congress had already passed an amendment to the US-Israeli FTA in 1996, which authorized the US President to create QIZs in Jordan and Egypt. All that was required to initiate Egypt’s participation in the program was approval by the US Trade Representative (USTR), Robert Zoellick, to whom President Bush delegated the issue (USTR 2004b).

Within weeks of the conclusion of the quota system, a negotiation team comprised of a handful of RMG business elites secured the signatures of Egypt’s executives. On December 14, 2004, President Mubarak and Minister Rashid met with US Trade Representative Zoellick and Israel’s Deputy Prime Minister and Minister of Trade, Ehud Olmert, who had traveled to Cairo to sign the agreement—bringing the deal into effect without approval from either the US Congress or Egyptian Parliament (USTR 2004b). In order to understand how the small cohort managed such a politically sensitive move (formalizing an economic partnership with Israel), it serves to take a closer look at the portfolios of capital possessed by those involved.

1) “The private sector”: *Shillat el QUIZ*, or the QIZ gang

The central actors responsible for securing Egypt’s eventual accession to the QIZ agreement were RMG exporter, Galal el Zorba, along with his team of garment elites whom we may recall from previous sections: Mohammed Kassem and Alaa Arafa, the latter in the capacity of Vice Chairman of the QIZ negotiation team.¹⁷ As mentioned, Mr. Zorba, known in the industry as *Mohendes el QUIZ* (Engineer of the QIZ),¹⁸ also served as President of the US-Egypt Business Council, in which capacity he began his lobbying of US

Congress for the failed US-Egypt FTA, before turning to the QIZ alternative. For a brief reminder of the team's earlier cooperation in reform networks: all three served on the board of the Gamal-era ECES (est. 1992), co-founded ExpoLink (est. 1997), and led the RMG Export Council, while Zorba headed the FEI, with Kassem at the helm of the FEI's Textile Chamber. ECES and ExpoLink alone received a cumulative \$42.7 million in USAID start-up funds (Wellons et al. 2005; ECES 2009), endowing the team with substantial links to early rent streams of US capital.

Along with their US ties to cosmopolitan capital of the economic variety, collectively the team had cultivated decades worth of high-level social cosmopolitan capital, offering them familiarity with US channels party to the QIZ agreement. As noted, Mr. Kassem spent time in the Washington, DC-based Egyptian Embassy as commercial attaché (1980s). We may also recall Mr. Zorba's invitation to the official state dinner held in the US capital to celebrate the signing of the Egypt-Israel Peace Treaty in 1979 (*Washington Post* 1979), and his subsequent appointment to the US-Egypt Presidents' Council (est. 1994) as one of the 15 elite members (along with Rashid under Gamal's chairmanship), which offered regular visits to US Congress. These appointments were followed by Zorba's tenure as President of the US-Egypt Business Council in 2001, granting several additional visits to the US capital.

As for the team's domestic "state" connection, Zorba provided the strongest link to the new Businessmen Cabinet through his old family friend, the newly appointed Businessman Minister of Industry and Trade, Rashid.¹⁹ Meanwhile, Mr. Kassem—former "organization specialist" in the heart of Egyptian state bureaucracy (the GAOA) in the 1970s, followed by more than a decade in the Ministry of Foreign Trade as commercial attaché, retiring as a "commercial counselor"—carried with him his connections to the old guard bureaucracy (Kassem n.d.). For his part, Mr. Arafa offered the military link—his father, Ahmed Arafa, former officer in the Egyptian Air Force.²⁰

Behind the scenes, an additional "public" representative worked in close partnership with the team, rounding out the essential "state" contacts: Mansour Mohammed,²¹ then Chief of the Economic Wing in the *mukhabarat*, or Egyptian Intelligence Service. While the former group's interest in promoting the agreement is readily apparent, that of Mr. Mansour is perhaps less so. Sitting in his living room in silk robe and matching slippers, he described to me the long road to signing the agreement and his "patriotic concern" for ensuring its success.

2) The deep state: Mansour Mohammed

Mr. Mansour, five years retired from his position in the *mukhabarat*, did not like to reflect on the past. He was doing his sister a favor by meeting with me in his comfortable apartment, sitting in the shadow of the high walls surrounding the Military College [*el Kulliyaa el Harbiyya*]. As his maid brought tea and platters of fruit, Mr. Mansour explained his role as Chief of the

intelligence agency's Economic Wing. Responsible for protecting "the people" [*el sha'b*] and preserving "the state" [*el dowla*], Mr. Mansour was tasked with monitoring the well-being of the business elite, who, as he described it, were an important source of "national wealth." Thus, it was his role to "eliminate any impediments or difficulties that faced the businessmen with respect to the country's laws."

He provided by way of example the "issue of the QIZ:" "The state [*el dowla*] completely rejected this [agreement]. Personally, I had the role to try to prove to the political leaders—that is, President Hosni Mubarak and groups in the government—that it was necessary to sign on." Mr. Mansour explained that numerous rounds of negotiations were required to secure executive approval due to the sensitive nature of all things surrounding Israel. Over the course of the interview, there emerged three distinct reasons for why he was so persistent in ensuring activation of the QIZ agreement despite such internal dissent.

The initial answer was an unsurprising diplomatic response: "The QIZ protocol is a good thing for the country and for the workers also. The American market is incredibly important to promote Egyptian exports, and thousands of workers depend on this." As an agent of the security services, his job was to look after "the interest of the people" [*maslaHat el sha'b*] at the imagined macro-level. Indeed, the official line in support of the agreement espoused by the Ministry of Industry and Trade was that it would prevent the loss of 150,000 jobs in the textile and garment industry (Bolle et al. 2006, 4).²²

Throughout the rest of our conversation, however, additional reasoning surfaced. At the meso-level, demonstrating the intertwined interests manifested in informal networks, he envisioned his job as protecting the country's business sector: "We had to sign on so that the factories and companies of our businessmen who depend on the American market wouldn't be hurt." And finally, a micro-level justification emerged:

I also had many factories... and America, for me, was an enormous market. So we would go with our products and they would exempt us from tariffs. And when they exempted me from the tariffs, my shirts became a very reasonable price.

Mr. Mansour explained how this was a necessary action following recent developments in the global economic landscape. "Take note!" He cautioned: "There is a ghou that has appeared in the world that has beaten down all of the world's economies. This ghou is called China." Referring indirectly to the conclusion of the previously outlined international Agreement on Textile and Clothing (which we may recall heralded the end of the international quota system in 2005) he continued:

In the shadow of commodities from China and India t-shirts are E£5, so of course American buyers are going to send my E£30 t-shirt back to Egypt. If I have to pay the customs on my t-shirt, my market is gone and I won't be able to compete at all. I'll be kicked out of the competition.

As Wurzel (2004) notes, economic actors can play many roles simultaneously: “a middle- to high-ranking politician or bureaucrat whose interest should be the maintenance of the system dominated by the state can at the same time be engaged in substantial private sector activities” (112). Indeed, as an agent of the intelligence services, Mr. Mansour had an interest in protecting the system (the regime) that provided him his livelihood. However, at the same time, his personal economic interests motivated his decision to push for a policy that would be deeply controversial, potentially compromising the stability of the regime.

Of equal importance, we see how Mr. Mansour’s actions were not merely self-serving, but rather deeply intertwined with the interests of others—a clear demonstration of how “economic behavior is socially situated and cannot be explained by abstracting actors from their social contexts” (Granovetter and Swedberg 1992, 9). Indeed, Mr. Mansour was only able to effectively push for these policies because he was deeply embedded in networks with the country’s top businessmen sharing similar interests—possible due to his position as a state official in the *mukhabarat*—as well as networks connecting him to the top authorities in the state.

Mr. Mansour explained the nature of his interaction with the private sector, limited to “the top 50 businessmen. The pioneers. The elites in each sector.” He continued by way of example:

Ahmed Ezz [steel] and Abou el Enein [ceramics, tourism] and Farid Khamis [textiles (carpets), construction]. Important people. Those were the only ones I would work with. I wouldn’t work with someone who opens a car shop, for example. But I’d deal with Abou Ghaly [the official authorized dealer for Mercedes-Benz, Jeep and other top car brands] in the automotive sector; Hatem el Gabali [Businessman Minister of Health (2005–2011)] in the health sector. For all of them I would make their voices heard to the President in person. I was the only intermediary between businessmen and the President of the country.²³

Communication with the “top 50” occurred on a regular basis through informal channels. As Mr. Mansour explained:

We would be in touch every day. Every day there would be direct phone calls. Or meetings in person. Every day ... Most of my meetings I wouldn’t do in my office or the office of the businessmen. Why? It just wouldn’t be right. It wouldn’t be right to bring a businessman to the building of the intelligence agency. And it wouldn’t be right for me to go to his office and sit in front of him like a student. He would be embarrassed! ... Instead, I would meet him in the Sheraton, in the Fairmont, the Meridian, downtown. And we’d talk about various issues and solve the issues. And that would be better for him and for me.

Occasionally, meetings would also take place through more formal channels, such as when Mr. Mansour would be personally invited to attend business conferences and seminars—in particular those of the ECES from “the days

of Taher Helmy”—a period in which Zorba served as Vice Chairman, accompanied by Kassem, Arafa, and Rashid on the executive board.²⁴ However, as Mr. Mansour revealed, even these formal arenas were not devoid of secrecy surrounding the nature his role as a mediator between “business” and “state.” He noted: “Maybe if there were foreigners there, I wouldn’t say that I was a general in the intelligence agency... We would write on my ID that I was a consultant, an advisor, something like that.”²⁵

In addition to attending these elite gatherings organized by the ECES, Mr. Mansour also had the responsibility of cultivating relationships with relevant actors in the nominally inclusive “quasi-governmental” business associations: the FEI—of which Zorba was President (2004–2013), appointed by Minister Rashid—and FECC,²⁶ as well as their governmental “partner,” the Ministry of Industry and Trade (Minister Rashid). These close contacts cultivated over the 1990s and early 2000s translated into the partnerships that would be central to QIZ negotiations. Mr. Mansour described how he met with core actors such as Zorba, “in his capacity as President of the FEI,” and other “major exporters” from the FEI and AmCham, finally getting Minister Rashid on board before presenting their case to President Mubarak.

While details of the internal negotiation process remain opaque, the nature of the formal and informal encounters facilitating relations between “public” and “private” representatives sheds light on the “multiple channels through which both identities and interests can be translated into action during struggles over economic reform” (Wurzel 2004, 103). Mr. Mansour, both a “public servant” and a “private sector” participant, utilized his networks across the juridical division of the public and the private to achieve an end beneficial to him and some of Egypt’s most important economic players.

3) **Cosmopolitan connections: Early seeds of the QIZ**

The QIZ saga began well before the story outlined above. As previously noted, the initial idea for the agreement (introduced in 1996) had been rejected by the Mubarak administration due to its politically sensitive nature. However, as described in earlier sections, a confluence of developments made the agreement viable by late 2004. In the international arena, this took the form of the imminent expiration of the ATC in 2005; and on the domestic front, the small cohort of elite RMG producers experienced increased political sway with the recent inauguration of the Businessmen Cabinet’s Minister of Industry and Trade, Rashid. These factors help explain Egypt’s eventual participation in the scheme. However, in order to understand the inception of the unique trilateral agreement itself, we must return to the earliest participants involved in the QIZ project. Here we find a new set of actors—neither Egyptian nor American, expanding the web of networks further.

The main drivers behind the original idea to create special industrial zones in Jordan and Egypt were two elite businessmen: an Israeli, Dov Lautman, and a Jordanian of Palestinian descent, Omar Salah. Lautman, a leading garment manufacturer, owned Delta Galil Industries, boasting sales of \$817 million in

2012, with its main clients mass buyers such as Walmart, Victoria's Secret, Primark, and Marks & Spencer (Azmeah 2014). Salah, an entrepreneur in his own right, created Century Investment Group (CIG) specifically to broker business deals following a new round of peace accords in 1995 (Oslo II), and would serve as Lautman's partner for Delta Galil's investments in Jordan (*ibid.*, 61).

Both men's wealth of capital also extended beyond the economic realm—Salah, described in a Wikileaks cable from the US Embassy in Amman as the QIZ “forefather” (Embassy Amman 2002), had strong ties to the Jordanian king and government; and Lautman served as Israel's Chairman of the Coordinating Bureau of Economic Organizations in the 1980s and early 90s before becoming Prime Minister Yitzhak Rabin's Special Emissary for Economic Development (1993–1995) (“Delta Galil” 2016).

Lautman's business expansion into Jordan and Egypt began in 1995, following the Oslo II peace agreement, when he established garment assembly factories in the two countries to take advantage of lower labor costs. Hoping to maintain the tariff-free unlimited access to the large US market—granted to him by the US-Israel Free Trade Agreement in 1985—Lautman teamed up with Salah to campaign for an extension of the bilateral FTA. The QIZ, as previously noted, would not be a stand-alone arrangement, but rather an addendum to the 1985 US-Israel FTA.

In Jordan, the two men achieved relatively quick success, and in 1998 the first QIZ opened in the Irbid-based industrial park—home to Lautman and Salah's Delta Galil and CIG. US Trade Representative, Charlene Barshefsky, lauded the pair's role in securing the agreement, expressing her appreciation at the inauguration of the first Qualifying Industrial Zone: “[W]e are fortunate to have visionaries like Omar Salah of Jordan and Dov Lautman of Israel, the businessmen who organized the Irbid park. They have not lost sight of the goal of peace and are working every day to make it a reality” (cited in Azmeah 2014, 62).

Mr. Lautman's centrality to securing Jordan's QIZ agreement reappears during the Egyptian expansion six years later. In October 2004, Zoellick (Barshefsky's successor as US Trade Representative) visited Jerusalem to meet with Prime Minister Olmert, who introduced him to a small group of Israeli businessmen, Lautman among them. As Zoellick explained during a press conference at the December signing—where Lautman was also present as part Olmert's delegation of Israeli businessmen—the businessmen in attendance during his October visit strongly advocated for the QIZ (Muscal 2004; USTR 2004b).

This Israeli support was essential to securing US authorization, which we may remember did not require approval by Congress, but rather had been delegated to USTR Zoellick. As Zoellick explained following the signing:

[W]hen my Israeli and Egyptian colleagues, a few months ago [September 2004], started to complete this agreement, then I started to work with them to try to shape it. And so today I signed a Federal Register Notice and as soon as that is published, this goes into effect.

(USTR 2004b)

The incentives for Mr. Lautman's promotion of the project are clear. The QIZ agreement granted Lautman the same privileged access to US markets for products assembled in his Egyptian factories that he had experienced for his products manufactured in Israel under the bilateral FTA. Egypt also offered the added incentive of providing low-cost rent and labor for Delta Galil's low value-added activities. As Lautman had previously explained to the popular Israeli newspaper, *Yedioth Ahronoth*, regarding his decision to base RMG factories in Egypt: "You can't employ seamstresses in a Western country like Israel. It's too expensive...The work of the seamstresses abroad allows us to employ thousands of designers and professionals in Israel and pay them a good salary" (Goldstein 2011).

With his Egyptian operations, Lautman grew to become, alongside Arafa and Zorba, one of the top RMG producers in Egypt. However, few additional Israeli manufacturers expressed a desire to set up shop in the country and bring the increased FDI and jobs promised during early QIZ lobbying. A year on from the original signing, Lautman's Delta Galil represented one of only two Israeli-owned factories of significant size. The other, Bagir, an Israeli garment producer, had established earlier ties with one of our lead Egyptian mediators, Mr. Arafa. In 2000, Bagir entered a joint venture with Arafa's Port Said Garment Company, establishing the Middle East Tailoring Company (Piotrowicz and Cuthbertson 2015, 266).

The other Israeli businessmen who rallied for Egypt's QIZ inclusion were less keen on investing in Egypt and more interested in what the requirement of Israeli inputs would mean for their export sales. As Ali Awni, director of the QIZ Unit (which represented the Egyptian side of the joint Egyptian-Israeli committee responsible for managing the zones)²⁷ told *Daily News Egypt* in December 2005: "The only query I get from Israeli businessmen is about supplying Israeli content...I haven't heard anything about investment" (*Daily News Egypt* 2005). Others, alongside Kassem, were interested only in serving as intermediaries, utilizing their American connections to source from Egyptian companies and sell to buyers in the US.²⁸ These incentives offered to Israeli businessmen were essential not only for securing the agreement itself, but also for the subsequent development of the scheme, which included the expansion of eligible zones (discussed in the following chapter).

* * *

Assessing QIZs: modes of SME exclusion

Throughout our interview, Mr. Mansour repeatedly emphasized the broad national benefit of the QIZ agreement. However, upon closer examination, such claims of inclusivity prove dubious. Empirically, it is clear that particularly large firms experienced the preponderance of QIZ benefits. During the first five years of the agreement (2005–2009) approximately 95 percent of QIZ exports came from companies of more than 200 workers (Nugent and Abdel-Latif 2010, 25). That is to say, a mere five percent of firms benefiting

from increased exports fell into the “SME” category. What is more, the vast majority of beneficiaries were of the ultra-large variety—with 50 percent of exports from companies with over 2,000 employees, and around 25 percent from firms with more than 3,000 workers (*ibid.*).

Additionally, the number of participants in QIZs also suggests a high level of exclusivity. Only around 200 companies (some of foreign origin such as Lautman’s Delta Galil and a number of Turkish companies) exported from QIZs. What is more, most of these companies were early participants in the program, with few new additions throughout the 2000s (*ibid.*). That is to say, the original beneficiaries of the QIZ agreement—typically large, already exporting firms—continued to experience gains with no evidence of advantages to smaller firms.

Not only were SMEs unable to achieve direct access to the QIZ exporting benefits due to high barriers to entry, but there is also nothing to suggest they enjoyed indirect positive externalities. Indeed, no sub-contracting agreements nor interfirm linkages existed between large QIZ participants and smaller domestic firms (*ibid.*, 26). Had it been the case that large firms increased their exports while integrating smaller firms into their circle of success, claims to national benefits of QIZs might have been more credible. Instead, “the same large companies simply became larger to meet higher exports” (*ibid.*).

Meanwhile, interfirm linkages existing among textile producers using locally sourced material suffered. Like the earlier mentioned national reduction of tariffs on textile imports by presidential decree in 2004 and 2007, the QIZ protocol favored the assembly of ready-made garments at the expense of textile production using locally sourced materials. Indeed, despite aggregated assessments of benefits for “the textile and garment sector” as a whole, between 2005 and 2009 only around .47 percent of QIZ exports were comprised of yarn and fabrics (i.e., textiles), while ready-made garments accounted for 95 percent of QIZ exports (Nugent and Abdel-Latif 2010, 26).²⁹ Tariff exemptions offered by the QIZ scheme facilitated RMG firms’ importing of raw materials, thus further weakening incentives and/or opportunities for domestic interfirm linkages—most directly between garment producers and textile companies, and indirectly between textile companies and local manufacturers of various inputs. As one contact in the process of closing his medium-sized textile firm, explained:

Not fewer than ten factories I dealt with will probably go out of business because we’re closing—local producers of sewing machines, packaging, oil for the machines, many. We’ve built personal relations over the years and I know they’re suffering because we’re suffering.³⁰

This failure to integrate smaller firms into the web of large beneficiaries of the QIZ program can be attributed, in large part, to the details of the agreement itself. As Pickles et al. (2015) suggest, it is through the complex details embedded in preferential trade agreements that the politics of policies play out. Of particular relevance for the QIZ agreement is the liberal nature of its

rules of origin (i.e., rules governing the sourcing of inputs). The QIZ is unique among US trade agreements in this sense—one of the very few that does not demand adherence to the “yarn forward” rule, which requires that products use yarn and all subsequent inputs from the exporting country (or the US) in order to qualify for duty-free access to US markets (Azmeah 2015, 479).

Instead, the QIZ requires only that 35 percent of processing costs—which include wages, research and development, overhead, and input materials—come from participating countries (Egypt, US, or Israel), with at least 10.5 percent from Israel (Bolle et al. 2006, 2).³¹ This meant a mere 24.5 percent of costs was required to come from direct Egyptian inputs (again, including wages, R&D, and overhead). Large RMG exporters were thus allowed to source most of their inputs from low-cost producers such as China and Bangladesh (tariff-free), assemble the material, and export it to the US markets (customs-free).³² In the absence of requirements or incentives to integrate smaller Egyptian firms or local textile producers, these firms could maintain their closed circle (*diera mughlaqa*), benefiting from a trade agreement tailor-made to fit their particular enterprises.

If we recall the main drivers behind the QIZ negotiations, this lack of concern for genuine broad inclusion should not be surprising. Indeed, Arafa, Kassem, and Zorba of the RMG business elites were well-served by the QIZ agreement. Arafa—Egypt’s largest RMG businessman, representing ten percent of the country’s RMG exports (“Arafa Holding” 2012a)—saw his gross profits for apparel nearly double within the first few years of the QIZ agreement, from \$12 million in 2005 to \$20.89mn in 2006, and \$22.42mn in 2007.³³ His textile operations saw a similarly dramatic increase, from \$2.72mn in 2005 to \$6.18mn the subsequent year. What this meant in terms of overall reported gross profits was an increase of nearly \$30mn for Arafa Holding in 2008 compared to 2005.³⁴

Meanwhile, for Kassem—who is not an RMG manufacturer, but rather a broker between Egyptian RMG sellers and US buyers—the QIZ also maintained access to his most lucrative market. His World Trading Company serves as Egypt’s top intermediary for major US department store brands, such as Levi’s and Liz Claiborne (Salinger 2008, 34), for which he sources from Egypt’s largest RMG producers, most notably Zorba. As for Zorba, according to his son, Walid Zorba, who has taken over as CEO of the family’s Nile Clothing Co., the QIZ was “a life-saver” for his business—the US market destination of 80 percent of his exports (Worldfolio 2015).³⁵

* * *

Feigning inclusivity: negotiating numbers and displacing responsibility

Unsurprisingly, this bias toward large firms was not widely advertised. Indeed, the idea that the QIZ agreement served *maslaHit el sha'b* [the interest of the people] was sustained via a range of mechanisms at both the micro-level of company participation as well as the meso-level of zone creation. As Ali Awni,

head of the QIZ Unit at the Ministry of Industry and Trade, told AmCham's *Business Monthly* magazine: "The QIZ protocol has encouraged Egyptian companies without any previous export experience to enter the US market" (El-Bakry 2006). However, rather than provide any evidence of new exporters emerging as a result of the QIZ protocol, the publication merely points to the increased number of *registered* companies, making no mention of how many were *actually exporting*. Closer examination reveals that although during this period there were 800 registered companies, as noted above, only around 200 companies were able to export their goods (Nugent and Abdel-Latif 2010, 26).

Such a feigned inclusivity can also be seen in the number of spaces designated as QIZs versus the number of actually exporting zones. By early 2006, of the 16 Qualifying Industrial Zones that existed, a mere six of them accounted for 80 percent of QIZ export, while the remaining ten exhibited little export activity (*ibid.*). This discrepancy between nominal participants and actual beneficiaries can be interpreted in similar vein to the previous chapters' *qisas el nagaH* ("success stories"). In order to justify the value of the QIZ agreement, a semblance of inclusivity had to be created.

Finally, exclusion can also be found in the forms of representation available to potential participants. As early discussion of the agreement revealed, participation in the QIZ program required costly initial commitments. In an interview with *Business Monthly*, an official from the Ministry of Industry and Trade addresses the concern, remarking that big companies with extensive knowledge and experience in exporting as well as ample resources will be able to participate in the QIZs with ease (El-Bakry 2005). "As for the smaller companies," he continues, "we will always be there to provide them with the support, but the initiative has to come from within the sector" (*ibid.*). But if we recall from the previous chapters, the central bodies "representing" Egyptian industry, large and small—the FEI, its subsector Chambers, and sector-specific Export Councils—were all dominated by business elites, with no avenues for smaller firms to take the "initiative" required to be included.

* * *

Negotiating networks of discourse

My interview with Mr. Kassem demonstrated the usefulness of the previously discussed discursive veil behind which business and political elites functioned during the reforms of the 2000s. It also shed light on the extent to which the networks of individuals party to the QIZ negotiations were embedded in larger networks, facilitated by the ostensibly representative PPPs introduced in Chapter 5. Indeed, the "experts" with whom Kassem connected me for my study "on business–state relations in the textile and garment industry" included two economists—one from each of Egypt's most prominent (internationally funded) economic think tanks whose "activity clarified, organised and gave scientific credibility to the reform agenda of the new business class" (Roccu 2013, 81): The Economic Research Forum (ERF) and the ECES.

The article cited throughout this chapter to illustrate the differential benefits of the QIZ protocol was co-authored by Mr. Kassem's contact at the ERF, Abla Abdel-Latif. While the report presents the same data as provided above, it offers an alternative interpretation. Describing the QIZ agreement as the outcome of "a successful public private alliance in the textile and garment industry," the authors conclude that Egypt's participation in QIZ has been, on balance, a positive experience (Nugent and Abdel-Latif 2010, 28). As evidence, they highlight the agreement's success in increasing garment exports, improving "know-how," and creating important "policy linkages" alongside the QIZ negotiation process (*ibid.*, 30). However, each of these "positive" consequences requires closer examination.

First, regarding increased exports of garments, as discussed above, developments within the textile and garment industry are deeply interconnected. As consequence, we cannot assess the success of garment exports, without considering the wider implications within the sector, both in terms of firm size as well as subsector classification. Who were the winners? And who were excluded? As shown in previous sections, large businesses comprised the vast majority of the beneficiaries. Meanwhile, small and medium-sized firms failed to profit due to a combination of high barriers of entry to QIZ participation, lack of government support facilitating the process, and the absence of appropriate representative channels to voice their demands. At the subsector level, textile firms suffered as acquisition of cheaper goods from abroad reduced incentive for RMG assemblers to purchase domestic raw materials and basic textile inputs. This also carried with it a wider economic impact expanding beyond the textile and garment sector, particularly due to the density of interfirm linkages between textile companies and domestic manufacturers of intermediary inputs.

Second, with regard to improving "know-how," there is little evidence to show that technological advances which may have occurred within the factory walls of QIZ beneficiaries exhibited any kind of trickle-down or technology diffusion to smaller firms. Instead, as the authors themselves note, larger firms tended to be isolated and vertically integrated (*ibid.*, 26). Thus, any creation of "know-how" would have been confined to the large exporters, offering them even further advantage over their smaller counterparts.

Finally, the "policy linkages," or Public Private Partnerships, highlighted by the authors as a positive externality of QIZ negotiations prove equally problematic. These included: (1) the transformation of commodity councils "into active export councils;" (2) the incorporation of the IMC under the auspices of the Ministry of Industry and Trade, allowing the former to provide "significant support to QIZ exporters;" and (3) the bringing together of "private and public key players in the textile and garment business community to produce a future plan (Vision 2020)"—a "national strategy" for the industry (*ibid.*, 28). These policy linkages, held by the authors to be the redeeming qualities of the QIZ despite the program's acknowledged exclusionary nature, should instead be seen as promoting even further exclusionary access to economic privileges.

Problematizing QIZ “policy linkages”

First, as discussed in Chapter 6, the creation of Export Councils left much to be desired regarding broadly shared benefits. Second, as argued in Chapter 5, the transition of the IMC from an independent body to a “quasi-governmental” organization under the auspices of the Ministry of Industry and Trade proved highly problematic—serving as an organizational veil that facilitated elite capture of public and foreign funds. The fact that the integration (as the authors note) enabled “significant support for QIZ exporters” should be seen as another instance of promoting elite resource capture. We may recall, the IMC was established with the stated aim of serving as Egypt’s leading “development agency for industry” for all of Egypt’s SMEs and large enterprises (“IMC” 2009a). However, incentives inherent in the QIZ protocol promoted neither broad industrial development, nor inclusive benefits across firm sizes. Again, QIZ exporters were predominantly large firms—consequence of high entry costs for participation and lack of government policies ensuring smaller firm inclusion. Thus, the IMC’s provision of “significant support” to the QIZ exporters, resulted in an increased transfer of public resources and foreign donor funds to predominantly *large firms* engaged in *assembly and trade activities* at the expense of the industry-heavy textile manufacturers (along with their domestic SME linkages providing intermediary inputs) and smaller firms across sectors.

Additionally, although the IMC ostensibly offered support to all sectors, as the authors note, “the garment industry is estimated to have benefited from the opportunity more than the others” (Nugent and Abdel-Latif 2010, 28). Indeed, QIZ garment exporters enjoyed the lion’s share of benefits from the IMC’s “special division” created to train employees, as well as IMC assistance to “[enhance] their physical capital base” and to finance foreign technical consultants assisting in facility set-up (*ibid.*). As we may recall from Chapter 5, Mr. Arafa, with reported net assets of more than \$330 million in 2010 (Arafa Holding 2010a), appears among the main beneficiaries of this generous IMC support to QIZ exporters—gaining access to IMC subsidies to acquire “the latest technology” and have his companies’ skilled workers “trained by experts from Italy” (“Arafa Holding” 2016). While it is difficult to determine the true amount of IMC funds allocated to Arafa Holding due to conflicting information cited in the Group’s financial statements, there is reason to believe the Company received millions of dollars in IMC subsidies over the period 2005–2011.³⁶

This significant IMC support to QIZ exporters also illustrates the common trend of double-dipping on the part of business elites benefiting from reform era industrial policies. According to Rashid’s Industrial Development Strategy (Chapter 5), IMC assistance was only intended for those *not operating in free zones* (MOTI 2006, 31).³⁷ Qualifying Industrial Zones are, for all intents and purposes, free zones for exporters to the US.³⁸ Thus, added to the substantial privileges of operating within QIZs (i.e., duty-free exports to the US and tariff-free imports), we see major QIZ exporters (particularly RMG

businessmen) also capture IMC resources—funded by the public coffers of both Egypt and the EU—intended for equitable development.

The importance of this organizational web in feigning inclusivity returns to the fore, as illustrated in a 2008 USAID-commissioned evaluation on QIZ developments. The author of the report notes that indeed smaller firms seem to have been excluded, but points to the IMC as a possible source of assistance (Salinger 2008, 15). The evaluator makes the suggestion based on “exploration of the IMC website,” noting that she was “unable to meet with IMC during the weeklong visit to Cairo” (*ibid.*).

Finally, Vision 2020 expands the web of exclusionary networks even further—overlapping again with both the IMC and RMG Export Council, along with the individuals in charge. This “national strategy” for the textile and garment industry also served the important function of providing the technical discourse to support the agenda of the RMG elites. The 2007 report (“Vision 2020”) was financed by the IMC at the cost of €150,000 and compiled through the IMC’s Studies and Policy Support Unit. The Unit, in turn, utilized “top-notch international and local consultancy offices with extensive expertise in the field of industry” (“IMC” 2009b). On the local side, Mr. Kassem would be the driving force—appointed by Minister Rashid as Chairman of the High Council on Textiles, which was established in tandem with Vision 2020 to serve as the overarching body guiding the sector and implementing the “National Strategy for Textile Development” (Author interview August 26, 2013).

The Vision offers much of the same language used to promote the original QIZ agreement, highlighting the potential of job creation—thus ostensible broad inclusion of beneficiaries—as a justification for its importance: “The Egyptian textile industry has the potential... to generate additional employment for 1 million workers, within the coming 5-10 years” (Gherzi 2007, 1). Moving forward, Vision 2020 posits as its central aim: “to ensure that the required resources for growth of the industry are made available” (*ibid.*). To do so, two main objectives include: (1) facilitating access to raw materials “through regulatory changes in the imports and trade of cotton;” and (2) making “needed industrial infrastructure available in terms of *industrial land* suitable for textiles [emphasis added]” (*ibid.*, 2). While these objectives appear benign enough on the surface, closer examination of the report suggests otherwise.

First, like the case of the QIZ agreement, the Vision has a clear bias toward RMG importer-exporters over locally sourced textile producers—a bias tactfully concealed in the aggregated title: “Egypt Textile National Strategy.” The privileging of RMGs becomes more apparent in the proposed steps for developing the industry at large. As the report reads: “Egypt will focus on expanding its finished product sector (garments and home textiles) *using imported raw material* [emphasis added]”—suggesting that such a move would, “create the critical mass required to attract investments in primary textiles” (*ibid.*, 1).

The report espouses the familiar trickle-down argument, positing that success in RMGs would create a positive investment climate, thus benefiting all

participants in the textile industry and promoting Egypt's industrial development at large. And yet, as seen in the consequences of the QIZ, this logic has proven false. Empirically, textiles have suffered greatly during the period of increased RMG profits. Rather than bring locally sourced textile producers into the circle of success, large RMG firms imported raw materials, demonstrating little effort toward cultivation of domestic linkages.³⁹ As Stiglitz (2002) emphasizes, firm *creation* is a far more difficult task than destruction; and firm closures are not easily undone—once bankrupt, a company's net worth is demolished and the process of rebuilding is arduous. Instead, such an equation of facilitating imported raw materials for the eventual aim of cultivating domestic textile inputs invites the implementation of partial reforms—allowing RMG exporters using high import content to experience increased benefits, further capture Egypt's avenues of political economic representation, and leave the country's textile industrial base to continue to founder.

Meanwhile, the Vision's second objective regarding land acquisition is conveniently vague, not specifying where the land would come from or to whom it would be allotted. An interview with Mr. Kassem revealed that he believed this land should be "provided by the government" to the generally conceived "private sector." As Mr. Kassem explained:

One of the problems of industrial expansion is the availability of land. The government is able to solve that problem. The private sector can do the job. The industry will have the land and the government will receive taxes and an improved economy. Everyone wins. I am pushing the government to give more land. We would like to take the Public Private Partnership approach.

The acquisition of public land by select "private sector" representatives at uncompetitive prices was common practice during the 1990s (Wurzel 2004) and continued at full force in the 2000s (Adly 2011; Kandil 2012).⁴⁰ Under the guise of Public Private Partnerships, Vision 2020 set the stage for more non-transparent land transfers under organizational cover, justified by the pretense of "Egyptian industrialization" as a whole. Mr. Arafa's 2014 land case, for example—which succeeded in converting 25 thousand square meters designated for industrial production into plots for real estate—suggests the trend is likely to continue (Khalifa 2014).⁴¹

* * *

Implications for development: analyzing winners and assessing the competition

While some argue that firm destruction is necessary for economic development—a Darwinian survival of the fittest and natural outcome of competition—the QIZ story suggests something different. Again, we find the *who* and the *why* to be central details in assessing the consequences of the agreement.

Whose firms are being destroyed and *why*? Are firms simply being outcompeted by more efficient ones? Or are they closing as a result of government policies privileging one group of individuals (say, connected elites participating in assembly activity) over another (smaller firms and textile producers using locally sourced materials)? As this chapter argues, the preference for importing rather than using local materials was made attractive by a range of politically conceived decisions and international developments: (1) policies of neglect regarding Egyptian textiles⁴²; and (2) incentives provided to those operating in QIZs—namely, tariff-free imports with highly liberal rules of origin.

As detailed above, the personalistic nature of the QIZ negotiations allowed the small group of cosmopolitan elites at the core of the process (Zorba, Kassem, and Arafa) to use their portfolio of connections—offering essential links to individuals in key “state” positions as well as international interlocutors—to monopolize channels of representation and ensure private gains, while including a relative few into their circle of profits. These early negotiators would go on to maintain their positions as the principal contacts for Israeli and US partners for concerns regarding the program and its development. Zorba remained the “chief Egyptian interlocutor” (Embassy Amman 2005) while Kassem became head of the QIZ Private Sector Council (Embassy Cairo 2009f)—the representative body of businessmen operating within the QIZs, to which Rashid also appointed Zorba’s son, Walid (EUSBC 2015b)—and Arafa assumed a seat on the QIZ Unit (Embassy Cairo 2009c), the Egyptian side of the joint Egyptian-Israeli committee responsible for administering the zones (MOTI 2016b).

Further, the cosmopolitan capital possessed by this group of RMG elites can be seen as not only essential to their ability to negotiate the QIZ agreement, but also to their business success more broadly. As Dezalay (2004) highlights, cosmopolitan elites often only exist as such owing to resources acquired within the framework of their domestic arenas. Walid Zorba explained the concept in other terms: “In the US, you have to be really, really smart and offer something really, really innovative to be bigger than these behemoth companies. In Egypt, you can adopt ideas and localize it, but you won’t face that much competition” (Worldfolio 2015). By dominating the space of industrial representation (FEI, RMG Export Council, High Council on Textiles), industrial policy creation (QIZ together with those discussed in Chapter 5), and development funds (IMC, ExpoLink, EDF), *shillat el QUIZ* and their associates were granted access to the domestic wealth of Egypt, while simultaneously contributing to the convenient absence of competition.

Finally, this lack of competition—making it unnecessary to be “really, really smart and offer something really, really innovative”—also had repercussions for Egypt’s broader economic development. As Rodrik (2006) notes, while trade agreements facilitating garment exports offer a potential source of immediate growth, in order to make this growth sustainable, subsequent policies must promote diversification into new sectors for export (985).⁴³ However, with the negotiations and subsequent administration of the QIZ led by a small

group of RMG businessmen, there was little incentive to push for this diversification. Indeed, as the Israeli Economic Commercial Counselor expressed to her US interlocutors after a visit to Egypt to discuss QIZ developments: “despite their rhetoric to the contrary, the Egyptians do not appear to be genuinely looking to diversify the QIZ beyond textiles and ready-made garments” (Embassy Cairo 2009e). At the time of her visit (i.e., five years after the agreement came into effect) RMGs still comprised nearly all of QIZ exports (*ibid.*).

Contrary to pre-QIZ discussions in the Zorba-led US-Egypt Business Council—asserting that “QIZs would provide Egypt with new opportunities for developing export-oriented industries such as pharmaceuticals and IT products” (Zulficar et al. 2004, 3)—QIZ exports have remained (as of 2020) dominated almost entirely by garments, with Arafa and Zorba two of the largest exporters under the QIZ scheme. Recalling the “politics of policies” (Robinson 2009), this outcome is hardly surprising. The participants securing and subsequently administering the agreement lacked incentives to facilitate diversification and promote inclusion.

Conclusion

As Moreno-Brid and Paunovic (2008) argue, government policies to induce investment (such as exemption from import duties) while perceived as neutral, in fact, “radically change the cost structure in certain sectors, giving them advantage over others” (89). We see in the case of Egypt’s textile and garment sector how this applies *within* the sector as well, with the QIZ protocol altering advantages between both firm sizes and subsectors. As a result, there has emerged a parallel process of smaller firm exclusion along with further deindustrialization of the textile and RMG sector—the latter occurring as assemblers of RMG exports monopolized the policymaking space, while excluding textile companies using locally sourced materials.

The QIZ agreement, in concert with the “policy linkages” that emerged alongside it, resulted in both direct and indirect exclusion of smaller firms. Direct exclusion occurred as smaller firms were prevented from accessing benefits of the QIZ due to their insufficient resources and an absence of state assistance. Indirect exclusion ensued as (1) domestic interfirm linkages were weakened following sector domination by large RMG exporters, characterized by high import content and/or vertical integration, and (2) large RMG exporters, with the assistance of public and foreign subsidies accompanied by a regime of preferential trade policies, “ate the little guys.”⁴⁴ As consequence, Egypt’s large firms became larger, perpetuating the “missing middle” through their effective mediation between international capital (both money and people) and domestic resources. However, as the next chapter examines, this cosmopolitan capital, while highly lucrative, can also pose a liability—with imperfect partnerships complicating business agendas.

Notes

- 1 Interview conducted August 26, 2013, two weeks after the occupation of Cairo squares by anti-coup demonstrators was violently dispersed by security forces (August 14).
- 2 Contingent upon conditions discussed below.
- 3 According to an interview with the Chairman of the FEI's Textile Chamber Mohamed el Morshidi in Egyptian newspaper, *el yom el saba'*, Mr. Kassem was appointed to the position by Rashid because he was Zorba's partner. El Morshidi highlights the fact that Mr. Kassem "has never owned a textile or ready-made garment factory in his life" [author's translation] (Tasweer and Rahman 2014).
- 4 Mr. Kassem explained that Egypt had "missed its opening" in creating a Ministry of Textiles, referring to the Nasser era when central planning was acceptable. Instead, the "quasi-governmental" High Council on Textiles, with Minister Rashid at its head and Mr. Kassem at its helm, was mandated to implement the national strategy for the textile and garments sector (Vision 2020).
- 5 Numbers from a 2008 survey. Between 2005 and 2010 (the first five years of QIZ implementation), textiles and garments were calculated as accounting for, on average, 28 percent of non-oil exports and 20 percent of manufacturing in Egypt (Oxford Business Group 2016, 129).
- 6 In the case of the US, this duty-free access is conditional on requirements discussed below; in the case of the EU, this access was contingent on rules of origin requirements.
- 7 As highlighted in Chapter 5, notable exceptions to these cuts included suits and carpets, which maintained their 30 percent tariffs following both rounds of tariff reductions. Arafa and Khamis dominated the suit and carpet markets, respectively, the latter commanding over 90 percent of Egypt's carpet market in 2009 (Oriental Weavers 2009, 22).
- 8 Meanwhile, the privatization efforts remain politically sensitive, largely due to the historical proclivity for political activity among the textile sector's labor force (see for example Beinin 2010).
- 9 The required Israeli inputs would later be reduced to 10.5 percent in late 2007 following many rounds of negotiations—discussed in the chapter that follows.
- 10 The agreement also included Palestine's occupied territories, where a number of Israeli firms sub-contracted labor-intensive activities to benefit from lower wages (see Nugent and Abdel-Latif 2010, 4).
- 11 While the agreement also faced considerable controversy in Jordan, the relatively few actors constituting Jordan's political economic arena as compared to Egypt's made the QIZ more viable. For more details on the negotiations and actors see: Nugent and Abdel-Latif 2010, 5; Azmeh 2014 and 2015.
- 12 The ATC originated from the Multi-Fiber Agreement (MFA), which was brought into effect in 1974. The ATC replaced the MFA following the Uruguay Round in 1994 and was created with a ten-year lifespan set to expire December 31, 2004.
- 13 The new body was mandated to serve as "a bilateral business council to facilitate private sector business growth in Egypt and to strengthen trade and investment ties between [Egypt and the US]" (Milner et al. 2003, 26). See also: Zulficar et al. 2004. The feigned inclusivity of previously discussed USAID initiatives (such as the FEI and ExpoLink of Chapter 4) can be seen yet again in the new Business Council. Contrary to the Council's mandate, stipulating that members "should comprise a cross-section of each country, and include small, medium

and large firms” (Milner et al. 2003, 26), all of the Egyptian members (and most of the Americans) were multimillionaire business elites. Egyptian membership consisted of only 13 individuals who, like the top FEI board, were appointed by Egypt’s Ministry of Industry and Trade. Many of the core individuals from the earlier USAID projects also retained their roles as mediators with the US in the new Council. Mr. Zorba was appointed Co-Chairman (2001–2009) (his American counterpart: Steve Farris, CEO of Apache Corporation), and would conduct his US missions alongside notorious members of the Gamal cohort, most notably Ahmed Ezz, Raouf Ghabbour, Shafik Gabr, Moataz Alfi and, future Businessmen Cabinet member, Mohamed Mansour (for a full list see Milner et al. 2003, 18). The question of greater inclusivity was raised in a 2003 review survey of the Council proposing broader membership participation. Most members rejected the proposal. As one American member argued: “The best route to the key decision-makers at the Egyptian side is keeping the Council small and distinguished” (*ibid.*, 22). Another offered: The key to success is to retain the key Egyptian business leaders, as is the case today. By expanding the forum, I am certain we would lose the key participants from the Egyptian side, who are critical to the success of the Council (*ibid.*).

- 14 As one US member complained in a 2003 USAID survey of Council activity: Originally we got involved because it was the Presidents’ Council. At the time the focus was much broader than the US Egypt Free Trade Agreement. Once the Council began to concentrate on the FTA, it became a lot less important to my company. We have felt it is now one-dimensional... (Milner et al. 2003, 20)
In another response to a question gauging the willingness for members to finance the Council after the expiration of USAID funding one US member commented: “We would be much more interested if the Council’s focus on FTA were broadened to include other initiatives” (*ibid.*, 21). Another US member’s opinion: “The current council has been completely co-opted by the Egypt members to advocate their interests... It has become a single-issue organization to assist the Egyptians to get an Egyptian only Free Trade Agreement” (*ibid.*).
- 15 We may recall Mr. Alfi, CEO of Americana-Egypt and Egyptian poultry king, stood at the center of many of the Businessmen Cabinet PPPs.
- 16 The comment was made by Assistant US Trade Representative for Textiles Gail Strickler, whose role in QIZ developments will be discussed in the subsequent chapter.
- 17 An additional RMG manufacturer, Khaled el Bihaa and one top textile producer, Mr. Abu el Sabaa’, were also on the core lobbying team alongside Zorba, Kassem, and Arafa. However, according to numerous independent contacts within the industry, Zorba, Kassem, and Arafa were the central players.
- 18 According to the executive director of the Chamber of Textiles: “[Zorba] is the one who drew up the agreement, then it went to the government, and the government signed it—with the US, Egypt, and Israel” (Author interview February 15, 2015).
- 19 This is according to a top advisor in the Ministry of Industry and Trade, who is deeply connected to the web of actors under consideration in this study. She notes the friendship in an academic paper that evaluates the “positive outcomes” of close partnerships between the public and private sector (Abdel Latif and Schmitz 2009, 24). The paper does not provide names, but refers to their positions at the time: “the Minister of Trade and Industry [Rashid] and the Chairman of the Federation of Egyptian Industries (FEI) [Zorba] are old friends at individual and family levels, both born in the same city (Alexandria)” (*ibid.*).

- 20 This was confirmed independently by a number of my sources close to Arafa.
- 21 Name changed for confidentiality.
- 22 While the Egyptian government has not published figures regarding QIZ employment creation/preservation, this estimate is unequivocally high. By 2010, only 200 companies were exporting from QIZs, demonstrating no interfirm linkages with smaller firms (Nugent and Abdel-Latif 2010). Additionally, employees are not necessarily Egyptian (although there are limits on percentage of foreign workers permitted). As one Turkish businessman operating in a QIZ noted, he preferred to import labor (in his case from Bangladesh) rather than hire Egyptian workers.
- 23 While relevance of these connections cannot be explored given the scope of this book, they are noteworthy examples demonstrating the small space of policy networks that exist across sectors and are ripe for further study. Additionally, as noted in previous chapters, Mr. Mansour's position as exclusive intermediary between businessmen and President Mubarak is a bit embellished. Many, like Khamis, had more direct routes, conducting their own private meetings with the President.
- 24 Recall Taher Helmy served as the official spokesman for the Egyptian army to the US under the Clinton presidency, after inheriting military connections from his father who was a colonel close to Nasser (Wahish 2005). He was also co-founder of the ECES and close confidant of Gamal Mubarak. A lawyer, Mr. Helmy was one of the main participants in drafting legislation for Egypt's 1991 privatization program (Grimaldi and O'Harrow 2011).
- 25 While Mr. Mansour did not elaborate on his desire to hide his position as intelligence agent from foreign participants, it demonstrates the complex layers of domestic business-state networks and their interaction with international interlocutors—raising questions ripe for further study.
- 26 Recall, the FEI and FECC were intertwined in a thick web of overlapping elite businessmen leadership beginning in the 1990s (Chapters 4 and 5). One quintessential *mediator* can be found in the person of Alaa Ezz—"chief advisor" to FEI Chairman Zorba, and secretary general of the FECC among many other posts.
- 27 The QIZ Unit is part of the Ministry of Industry and Trade and will be discussed in greater depth in the chapter that follows (MOTI 2016b).
- 28 This grievance was expressed by several of my medium-sized contacts who lacked connections to US networks and were required to go through costly intermediaries to reach US buyers. The Ministry of Industry and Trade also offered no help on this front. As one contact explained: "The Ministry could help me find Israelis to buy from, but gave me no Americans to sell to" (Author interview April 14, 2015).
- 29 Home textiles (including carpets) comprised the remaining 4.6 percent of QIZ exports.
- 30 Author interview November 20, 2013. Although my contact did not attribute his closure to the QIZ agreement in particular, he pointed to consequences of the sector's structural preference for RMG exporters as his major impediment: tariff reductions, smuggling, and fabric dumping (discussed in Chapter 6).
- 31 This was reduced from 11.7 percent in 2007.
- 32 Meanwhile, the EU FTA imposes far greater demands regarding rules of origin for Egyptian RMG.
- 33 Author's calculations from the financial statements of Arafa Holding, representing figures from the 2005 and 2007 fiscal years (31/3/2005-31/3/2006; 31/3/2007-31/3/2008).

- 34 Not all of this profit increase can be attributed to the QIZ. We may recall the Euro-Mediterranean Partnership agreement was signed in 2005, granting customs-free access to the EU (under certain rules of origin conditions), which served as Arafa's largest market (Fayed 2010).
- 35 Walid Zorba explained the importance of such market access: "When you sell to Walmart, you are selling [to] 3-4,000 of the biggest stores in America. Or if you sell to Levi's, they are selling to all of the department stores across America" (Worldfolio 2015).
- 36 For example, in the mid-year 2009 report, \$202,922 from the IMC is recorded in the section of "other revenue" for the nine-month period 1/2/2009-31/10/2009, while in the FY2009 report (31/1/2009-31/1/2010), the IMC category disappears. The financial statements also record a total \$2.16mn in "technical support income" between 2005–2011, which according to the new PPP plans of the Industrial Development Strategy would have come from the IMC (author's calculations from Arafa Holding financial statements). To complicate matters, this number, which is calculated from the Arabic statements, does not correspond to that recorded in the English statements which, for example, reports \$0 received in technical income for FY2011 against \$505,015 cited in the original Arabic version for the same period. What is more, while the IMC category does not appear on the financial statements until 2009, a former human resources specialist at Arafa's Swiss Garments Company who worked at the firm in 2007 and 2008 cites in her published CV that some of her tasks included: "Preparing and delivering all the documents to IMC to claim the reimbursements." It is possible that instead the subsidies were recorded in the ambiguous category of "other operating revenue," which totaled \$22.7mn between 2005 and 2011 (author's calculations from Arafa Holding financial statements).
- 37 As the Strategy notes: "The [IMC] beneficiary should be a private industrial entity that ... does not operate within a free zone" (MOTI 2006, 31).
- 38 As we also saw in Chapter 5, aside from their participation in the QIZs, both Arafa and Khamis were already operating out of free zones yet managed to circumvent this early stipulation.
- 39 Instead, as one high-level employee at Khamis' Oriental Weavers explained, "If you want something done right, you have to do it yourself. We do everything by ourselves here. That means we have great quality, but at the same time I know we kill the companies around us" (Author interview March 2, 2015).
- 40 "Under Mubarak the state allocated 67,200 square kilometers... worth E£800 billion to favored investors. In addition, the illegal diversion of 185,000 feddans of arable land to construction projects had cost the economy E£78 billion in the past decade. In the weeks following the 2011 revolt, 123 cases...were considered by the courts..." (Kandil 2012, 215).
- 41 From Arafa Holding investor report (Arabic only). Notably, Arafa's brother also worked primarily in the real estate sector (a fact confirmed by multiple sources on close terms with Arafa) and Arafa has since expanded his own activities in the sector as well.
- 42 These policies of neglect towards the textile industry can be seen in both the state of the public sector textile factories as well as the agricultural policies regarding cotton production (including a series of subsidy cuts to cotton farmers).
- 43 Additional cases of unsustainable "maquila-driven economic growth," or garment assembly for export, can be seen across Latin America. Mexico provides a particularly relevant comparison as NAFTA offered similar incentives for firms

to use Mexico as an assembly station to import cheap materials for low-value added assembly and subsequent tariff-free export to the US (see for example Gereffi et al. 2009).

- 44 This phrase is common “knowledge” repeated throughout the Egyptian business community and used by a number of my small and medium-sized businessmen interlocutors. “*el kibeer biyakul el sughayer*” (the big eats the little).

9 Expanding privilege?

International actors complicating domestic agendas

Despite the apparent hegemony of connected elites within Egypt's political economy arena of the 2000s, parallel developments suggest a more complicated picture—one replete with both intra-elite tensions and convoluted negotiations with international actors. One instance demonstrating the complex nature of maintaining networks of privilege, as well as the ongoing negotiations that persist following initial policy creation, can be seen in the campaign for QIZ expansion—itsself intertwined in a campaign to reduce the percentage of Israeli inputs required for QIZ exports.

A series of Wikileaks cables originating from the US Embassy in Cairo follow the multi-year negotiation processes for these two desired amendments. The cables illustrate the complexity of the networks involved—a web of intersecting and diverging interests between Egyptian businessmen, Israeli counterparts, and representatives from two US administrations. The cables are also revealing on additional fronts, demonstrating (1) the recurring discursive techniques employed by Egyptian elites in attempts to secure rents from their US counterparts under the guise of inclusive benefits; and (2) the centrality of geopolitics (or the special US-Israeli relationship) in influencing US economic decisions during the Bush era, which would be called into question by representatives with competing priorities under the Obama administration.

Lobbying for expansion: cabinet-level pleas

The story of calls for QIZ expansion stems back to the initial year of the program's implementation in 2005. The original QIZ agreement designated three areas eligible for QIZ participation: Greater Cairo, Alexandria, and the Suez Canal Zone. Proponents of the expansion pushed for the inclusion of two additional governorates in Upper Egypt: Minya and Beni Suef. At the center of the campaign, we see a return of Mr. Arafa. As the cables explain, Arafa was having problems with his workers. Most of his employees had been commuting to his factories in Tenth of Ramadan (on the outskirts of Cairo) from Beni Suef, a 200 km journey, resulting in low productivity and high rates of absenteeism. And so, Arafa decided to bring the factory to them.

Beni Suef offered additional attractions, namely cheaper labor, which had until that point accounted for over 40 percent of Arafa's costs (Fayed 2010); and "unfettered access to land," granted by the 1997 Investment Guarantees and Incentives Law.¹ Under the new Businessmen Cabinet, several additional incentives and subsidy schemes were also offered to select investors to assist with starting projects in Upper Egypt.²

Utilizing these incentives, Arafa began building a factory in Beni Suef under the assumption that he could secure its inclusion into the QIZ program. After all, he had been the Vice President of the original QIZ negotiating team, had a joint business venture with Israeli partners, and enjoyed a well-cultivated relationship with Minister Rashid. Following the initial signing, Arafa also took a seat on the QIZ Unit—the Egyptian side of the joint Egyptian-Israeli committee responsible for administering the zones (MOTI 2016b). However, despite his wealth of high-level capital, Mr. Arafa found the process more difficult than expected.

Rashid began lobbying for the expansion within the first six months of the QIZ program's implementation. In a letter addressed to his US counterpart during the initial signing—Robert Zoellick, who had recently been promoted within the Bush administration from US Trade Representative to US Deputy Secretary of State—Rashid thanks him for his support regarding the inclusion of additional zones, which they discussed during Zoellick's recent visit.³ Reiterating his talking points, Rashid notes that the QIZ expansion would greatly assist the government's fight against unemployment. Citing the current economic benefits of the program, he explains: "397 companies, mostly small and medium-sized enterprises, are registered and started exporting to the US" (Embassy Cairo 2005b). He adds that between February and March of 2005, "the total exports of these companies reached around \$42 million" (*ibid.*).

Demonstrating the ever-recurring discursive technique of feigning SME inclusion, Rashid fails to mention that only 70 of the 370 "registered" companies were actually exporting (i.e., benefiting from the agreement), also conveniently omitting that the 300 non-exporters accounted for the SME majority (*ibid.*). But there were more pressing matters to consider. The letter continues:

More importantly, the fact that the QIZ is the first trade agreement signed by the U.S., Israel and Egypt gives all its economic benefits great political ramifications for the Middle East. Trickling down the benefits of the QIZ to people on the street in Egypt means a change to the mindset of the Egyptians with respect to Israel. The extension of the QIZ to more zones ensures that more people will be affected by this change. And we cannot underline the importance of such a mindset change for Middle East peace enough. To say the least, it is key to allow Egypt, as a regional leader, to play an active role in the normalization of Arab-Israeli relations.

(*ibid.*)

Rashid was well aware that support for Israel served as the essential factor behind the US decision to sign on to the QIZ. Zoellick, who had explained to his Egyptian counterparts in 2003 that an FTA would not just “be handed to them on a plate by foreign ministers because Egypt is a big and important country” (Momani 2003, 96), showed enthusiastic support for the “historic” trilateral partnership, which he called “the most significant agreement between Egypt and Israel since the 1979 [sic] Camp David Accords” (Wallis 2005). Still, Rashid’s early attempts to secure the expansion proved unfruitful, and the original cast of QIZ promoters turned to additional lobbying networks.

Fabricating inclusivity: negotiating input requirements

Alongside the Egypt-US discussions for QIZ expansion, another set of negotiations was taking place on the Egypt-Israel axis. We may recall the original agreement stipulated that 11.7 percent of QIZ manufacturers’ input material be sourced from Israel in order to enjoy the benefits of the preferential agreement (i.e., exemption from import duties and tariff-free access to the US market). As early as 2006, a number of Egyptian QIZ manufacturers began lobbying for a reduction in the percentage of required Israeli inputs, complaining that there were not enough products on offer at reasonable prices to allow them to meet the current conditions. They proposed, instead, a reduction to eight percent—the amount required under Jordan’s QIZ agreement (Embassy Cairo 2006b).

“On the sidelines” of the quarterly QIZ committee meeting, Gabby Bar, head of the Israeli delegation, relayed to his US interlocutors that the Israeli team was not convinced that 11.7 percent posed an unreasonable burden (*ibid.*). He based his argument on the logic that because QIZ manufacturers continued to expand production and increase exports under the scheme, they must have been benefitting despite the costly 11.7 percent Israeli input requirement. However, behind the scenes, there was another set of negotiations that made this apparent contradiction possible.

Indeed, the vast majority of medium-sized firms I spoke with expressed a difficulty, if not impossibility, of adhering to the minimum requirement for Israeli inputs (even after it was eventually reduced to 10.5 percent in late 2007). They explained the expense of the inputs outweighed the benefits of operating in the zones. However, as I was told by multiple medium-sized contacts who did manage to export from QIZs, some of the top RMG exporters helped them around this. My interlocutors revealed that the small cohort at the center of the QIZ project opened an importing company to buy packaging material from Israel.⁴ While the cost of other inputs (zippers, buttons, fabrics, etc.) from Israel typically far surpassed those from suppliers to the East, packaging did not cost significantly more than the alternatives. First using the packaging for their own exports, the QIZ brokers sold any extra, along with receipts above and beyond their own quotas for Israeli imports to businessmen wanting to operate in QIZs. When the QIZ administrators came

to ensure that the required percentage of the product value had been sourced from Israel, the medium-sized firms would present the receipts as evidence of compliance.

As my contacts explained, this scheme was facilitated by the fact that monitoring of the input requirements was conducted on a post-facto basis, as opposed to a single shipment basis as was the case in Jordan.⁵ This meant visits of the Israeli-Egyptian auditing team occurred quarterly, offering a wider time frame for RMG elite exporters to accumulate receipts of purchased products, and, in turn, sell the receipts to manufacturers who were short of meeting the required percentage of Israeli inputs. Thus, a decrease in this 11.7 requirement would not only reduce costs for the large Egyptian producers themselves, but also facilitate their scheme of fabricated inclusion. The core Egyptian team knew this appearance of broader inclusion was necessary for any further expansion of the QIZ agreement—made evident by repeated US calls for greater diversification of the current QIZ participants.

The joint Egyptian-Israeli proposal

Despite Bar's early refusal, the Egyptian negotiators managed to secure cooperation from a higher power. In October 2007, Israeli Minister of Industry and Trade, Eli Yishai, approved the joint Egyptian-Israeli team's proposal for a reduction of required inputs from Israel. At the businessmen's behest, Minister Yishai simultaneously requested that the USTR accept expansion proposals to Upper Egypt—noting that the Israeli businessmen providing inputs for the Egyptian-manufactured products strongly supported the move (Embassy Cairo 2008a).⁶ As an example of this Israeli business support, US Ambassador Ricciardone cites in a cable to Washington an encounter between the US Embassy Economic Officer and Anis Aclimandos, President of TransCentury Associates—a trade and financial consultancy firm also specializing in procurement services (facilitating imports/exports). Mr. Aclimandos, a consummate *skilled broker* with early USAID ties,⁷ relayed to the Economic Officer that he had been contacted by Israeli rubber manufacturers hoping to export rubber seals for the new QIZ products expected to result from the Upper Egypt expansion (Embassy Cairo 2007a).

Still, despite Israeli support, US approval for expansion was not forthcoming. At the quarterly joint Egypt-Israel QIZ committee meeting held in November 2007, the members submitted a follow-up proposal to US officials for expansion of the scheme, noting they hoped for “speedy” US consideration (*ibid.*). However, even the joint proposal failed to produce desired results, with conversations throughout the cables suggesting US representatives wanted additional assurances that the QIZ expansion would not pose a threat to US industry.

In 2008, the team utilized an additional lobbying forum, well integrated in the QIZ network. An AmCham “Doorknock Mission” to DC yielded initially optimistic, but ultimately fruitless results. As Ehab Zorba, another of Mr. Zorba's son, explained in the Mission Report: “During our

mission, one of our priorities was to generate support among decision-makers for the approval of [the expansion of QIZs to Upper Egypt]. Several congressmen and senators have [voiced] their willingness to support this” (AmCham 2008). However, Zorba Jr. added that his American interlocutors wanted guarantees that the garment industry would not dominate these new zones as had been the case in existing ones, (*ibid.*)—guarantees difficult to provide. As Ambassador Ricciardone noted in a November 2007 cable, despite the QIZ committee’s insistence that an expansion to Upper Egypt would help diversify the participants to include additional sectors, such as furniture and leather, such an outcome was highly unlikely—the US tariffs on products other than garments were not high enough to compensate for the increased costs of buying Israeli inputs (Embassy Cairo 2007a).

Unable to provide evidence that greater inclusion would in fact ensue, the Egyptians again returned to Washington with a stronger lobbying power. During the August 2008 quarterly QIZ review meeting in Jerusalem, Egyptian trade officers requested greater Israeli assistance in promoting the expansion—suggesting a joint delegation travel to DC (Embassy Tel Aviv 2008). With a US administration transition looming, the issue took on greater urgency. As a cable from Tel Aviv to the US Secretary of State reads: “Egypt is concerned that once the current [Bush] administration leaves it will be more difficult to push for the expansion” (*ibid.*).

Indeed, as Zoellick explained prior to the QIZ signing, the agreement represented: “a concrete, practical result of President Bush’s plan to promote closer U.S. trade ties with the Middle East so as to strengthen development, openness, and peaceful economic links between Israel and its neighbors” (USTR 2004a). The Egyptian team understood that their ability to secure the original agreement resulted from Bush’s greater “plan” for the region. The new administration would bring with it new actors, disrupting the networks long cultivated with Bush era appointees by both Egyptians and Israelis.

With the extra Israeli support, the joint delegation secured expansion approval just in time. In the last days of her tenure as the final Bush-appointed USTR, Susan Schwab approved the inclusion of the Upper Egypt zones (January 2009). However, the attempt to lock in future gains proved less successful than believed.

Navigating new US partners: Obama administration appointees

As feared, the new US administration brought with it a new team of interlocutors and new conditions, delaying implementation of the Bush-era approval. Mr. Arafa met with the US Embassy’s Economic Officer to express his frustration: “Arafa is livid over the delay,” the cable reads (Embassy Cairo 2009c). He called the decision “absolute stupidity,” and blamed US resistance on their desire to protect domestic industry—an accusation not without grounds.

Indeed, the new set of actors in the US Trade Office had their own networks of interest. In September 2009, the Obama administration's US Trade Representative, Ron Kirk, appointed Gail Strickler as USTR for Textiles to serve as his chief advisor on all textile and garment trade policy issues. In his appointment announcement, Kirk praised Strickler's years of experience in the industry, making her the perfect choice for "exploring new market opportunities" (*Textile World* 2009). Indeed, Ms. Strickler's history had prepared her well for the task of expanding textile markets for the US. Strickler was former Vice President of the Global Apparel Division for Duro Textile, a large private sector firm based in the US; previously sat on the board of the National Council of Textile Organizations (America's largest textile lobbying group with considerable influence in Congress); and continued to sit on the US Cotton Board, with a mission statement of promoting US cotton (USTR 2009; NCTO 2016; "The Cotton Board" 2016).

The first five years of the QIZ program suggested that zone expansion would increase Egyptian garment imports to the US—a fact not likely to appeal to someone tasked with promoting the interests of US textile and garment producers. However, as noted, approval had already been given for the expansion by the previous administration, and so the US trade team turned to semantics. Former USTR Schwab had granted QIZ eligibility to "the areas occupied by the currently producing factories" (Embassy Cairo 2010a). Whether or not this wording was intentional, the new USTR for Textiles cited the US Federal Register (where Schwab's approval had been recorded) to request a list of these "currently producing" factories, as well as proof of their operations at the time of the January designation.

The Egyptian team responsible for administering the QIZs (the QIZ Unit, housed at the Ministry of Industry and Trade) initially resisted the request. But when the US position proved non-negotiable, Ali Awni (Head of the QIZ Unit) conceded, submitting a list quickly revealed to be fabricated (Embassy Cairo 2010a). In response to repeated petitions for a revised list, Mr. Awni argued such compliance was simply not required by the initial QIZ agreement (Embassy Cairo 2009c). Awni's successor, Mohammed Ashour, who assumed the position as QIZ Unit chief later that month, offered a similar response. While he admitted that the Unit had made a "mistake" in the previous list, he remained firm in his refusal to procure a new one (Embassy Cairo 2010a). For his part, Arafa (who we may recall also served on the QIZ Unit) echoed the pair's excuse to the US Economic Officer, insisting the demand infringed on conditions of the original QIZ agreement.

Mr. Kassem, however, offered a second opinion. In a separate encounter, the US Economic Officer met with Kassem, the latter wearing his hat as the head of the Private Sector QIZ Council. Kassem explained to the Economic Officer that the QIZ Unit's reluctance likely stemmed from the fact that the list of factories capable of exporting from Upper Egypt at the time of the January QIZ designation would be a short one, consisting of only four or five companies (Embassy Cairo 2009c).⁸ And Arafa's new factory, it seems, might

not have been on it. As the new US Ambassador to Egypt, Margaret Scobey, noted in a cable to Washington:

Arafa's anger likely reflects his personal stake in the matter: His company's recently built factory in Beni Suef will likely not qualify for QIZ participation on the grounds that it was not operating at the time of the designation of factories in the Beni Suef and Minya governorates as part of the QIZ.

(ibid.)

Alongside the QIZ Unit, Minister Rashid had also been lobbying in defense of those not yet completed factories. In an August 2009 letter to US Trade Representative Kirk, Rashid stressed the importance of not limiting QIZ inclusion to those already operating companies, explaining the need to bring new investment and employment to the economically depressed areas of Upper Egypt, and again insisting no harm would come to US industries (Embassy Cairo 2009b). Rashid concluded his petition by requesting a special meeting with Mr. Kirk during an impending November trip to Washington.

Conditional approval

Following the pair's meeting in November, Kirk sent his chief textile and garment advisor, Strickler, to Cairo. During her visit, Strickler offered a modified proposal. She explained that the US would welcome new factories, but only on the condition they be individually approved before exporting. As Strickler explained to the QIZ Unit's Ashour and Awni (the latter now acting as QIZ Unit policy advisor), the US found this a necessary precaution against potential smuggling and shipment of illegal goods.

Awni complained that the demand was "inflexible;" and Ashour refused the proposal, explaining that only members of the joint Israeli-Egyptian QIZ committee (comprised of the QIZ Unit and its Israeli counterpart) had the authority to certify QIZ factories (Embassy Cairo 2009f). Strickler reassured the pair that approval on a factory-by-factory basis would be quickly forthcoming if the facilities in question were shown to be in compliance with QIZ requirements, stating: "If it is operational and it meets acceptable standards, we will certify it" (*ibid.*).

However, the subtext of Strickler's visit hinted that factory approval might not be as straightforward as suggested. Alongside discussions of new factory certifications, Strickler also met with top RMG producers, and "encouraged [them] to look at the benefits of using U.S. cotton in their production"—a proposal for which Kassem expressed interest (Embassy Cairo 2009d).⁹ The year of Strickler's visit (2009), Egypt imported approximately 4.6 percent of its raw cotton from the US amounting to \$6 million. Just two years later, this number jumped to 36.2 percent, or more than \$46 million (OEC 2009 and 2011).

Intra-elite tensions

Despite Kassem's apparent willingness to cooperate, Ashour and Awni remained firm in their refusal and continued their petitions. The pair explained that some companies wanted to expand to Upper Egypt, but were reluctant to make investments without complete assurance they would be approved for QIZ participation. To support their case, they cited a number of large companies keen on participating, which, they argued, would bring thousands of jobs to the economically depressed area—among them, Magdi Tolba's Cairo Cotton Center, one of Egypt's top five largest RMG producers (Embassy Cairo 2010b).

However, Tolba, it seems, was not the best person to include on their second fabricated list. When the US Economic Officer met with Tolba in January 2010, the latter denied having ever supported the idea, saying he had been against the inclusion of zones in Upper Egypt "since day one" (*ibid.*). In fact, Tolba blamed Rashid and his partners for mismanaging the entire QIZ program. Despite being an early supporter of the QIZ agreement (Loza 2006), Tolba argued Rashid had failed to properly advertise the QIZ program, which resulted in low participation. We may recall from Rashid's letter to former USTR Zoellick, Rashid had stressed his dedication to promoting "a mindset change" in the average Egyptian with regard to their historical Israeli foe. However, as Tolba explained to his US interlocutors, Rashid had done his best to distance himself from the deal with Israel from the very beginning. By way of example, Tolba recounted an incident from the press conference held after the signing of the agreement where Rashid had him field questions from dozens of "angry journalists" in his stead (Embassy Cairo 2010b).¹⁰

More generally, Tolba expressed deep dissatisfaction with Rashid's approach to the industry—and to several components of the PPP projects discussed in previous chapters. Tolba explained that he had resigned from his post as Chairman of the RMG Export Council in 2008 (a position which would be taken up by Arafa, then Kassem) after becoming frustrated with Rashid, who "does not understand the problems of business here" (*ibid.*). He criticized Rashid's Export Development Fund, complaining that the ten percent subsidies were delaying needed reforms in the industry.¹¹ He also dismissed the labor "training projects" set up within the framework of the IMC and its web of affiliates as useless—all damning indictments, particularly considering Tolba had been a top beneficiary of many Rashid-era policies. Tolba was one of the largest QIZ exporters and a major recipient of EDF rebates (*ibid.*).

Conclusion

Due to this complex blend of conflicting voices, approval for the first factories to participate out of the new QIZs in Upper Egypt did not occur until December 2012—seven years after the original request.¹² As late as November 2012, USAID had continued to commission studies on the potential impact

of the proposed expansion on US industries (USAID 2012), and Arafa's companies were not approved until February 2013 (MOTI 2016a). However, despite the imperfect nature of international partnerships during attempts to expand privilege, the initial QIZ scheme—along with the many millions of dollars in gains offered to *shillat el QUIZ* and select members of their *diera mughlaqa*—had already been entrenched. By late 2015, 56 percent of all Egypt's garments would be exported to the US under the QIZ arrangement—benefiting top exporters accordingly (Donaldson 2015). And as will be explored further in the final chapter, early QIZ proceeds of cosmopolitan capital would continue to reap dividends despite revolution and regime change.

* * * * *

Notes

- 1 This land access was contingent on approval by GAFI (2016), where Arafa sat as a member on the Board of Trustees (GAFI 2011). As previously noted, GAFI's mandate was expanded considerably by Law 14/2004, which along with other changes, established a new board of trustees designated as an investment advisory council to offer policy advice and suggestions for legal changes that would lead to "investment promotion" (Stone 2006, 7).
- 2 The IMC offered the primary vehicle for funneling rebates on "modernization" costs—covering 95 percent of expenditures for a wide variety of activities including technology transfers, vocational training, export development, R&D, and technology systems upgrades (Loewe 2013, 36).
- 3 Mr. Zoellick assumed his new post in February 2005, which he held for a year before becoming World Bank President (2007–2012). Incidentally, Zoellick would later appoint Mohieldin (Egyptian Minister of Investment on Nazif's Economic Team alongside Rashid and Ghali) as WB managing director in 2010 (World Bank 2010).
- 4 My contacts were reluctant to provide names because doing so would implicate relatives of their friends.
- 5 In Jordan, the QIZ audit took place differently—requiring a pre-qualification review of each product before being shipped to the US under the benefits of the agreement. After the Egyptian QIZ was signed, the Jordanians negotiated for a post-facto audit of factories, arguing they should be "treated the same" as the Egyptians (Embassy Amman 2005). The Israeli counterparts replied that they were still in the trial period with the Egyptians, and should they decide to preserve the quarterly review in Egypt, they would extend it to Jordan.
- 6 Again, Ambassador Ricciardone draws attention to the fact that they expected "the economics of this arrangement [would] continue to overwhelmingly favor exporters of ready-made garments" (Embassy Cairo 2008a). On the positive side, Ricciardone notes this would not likely affect US industries as very few companies would have the means to move their enterprises down to Upper Egypt.
- 7 Mr. Aclimandos was former Senior Financial Analyst at USAID (1976–81) during Sadat's *infatih* years. To give an example of some of the networks in which he was embedded: Aclimandos was also appointed to the FEI's International Affairs Committee along with Kassem and Nadim with the rise of the Businessmen

Cabinet; and had a seat on the US-Egypt Business Council (2002–2010) under Zorba’s presidency (“TCA” 2016).

- 8 Kassem added it was possible the Ministry was buying time, allowing the factories currently under construction to be finished in the hopes of securing inclusion.
- 9 We may recall Kassem manufactured nothing, and instead served the function of skilled broker between Egyptian producers and the US market. Despite this fact, we may also recall, he had been appointed by Minister Rashid to lead the “politically acceptable Ministry of Textiles” (the High Council on Textiles)—a position from which he played no small role in influencing policies concerning Egyptian cotton production. Meanwhile, the US has been the target of much controversy in the international arena for heavily subsidizing its cotton producers (see for example USTR 2010)—an industrial policy sustained in no small part owing to the lobbying efforts of the National Council of Textile Organizations and US Cotton Board (where, as noted above, Strickler sat as board member).
- 10 Zorba echoed Rashid’s hesitancy to fully embrace his Israeli partners. Head of the Israeli delegation, Gabby Bar, noted that during their recent meeting, Zorba had expressed enthusiasm for “increasing ties with the Israeli manufacturing community” (Embassy Tel Aviv 2008). And yet, the latter’s invitation to meet with the Chairman of Israel’s Manufacturers’ Association in Israel was left unanswered many weeks later. The head of the Egyptian delegation confirmed Zorba’s receipt of the invitation but relayed to his Israeli counterparts that Zorba remained “noncommittal” (*ibid.*).
- 11 This claim is supported by a statement made by Louis Bishara, one of Egypt’s top garment exporters:

I would have to completely stop my exports without the export subsidies. It is only a small amount, but without it, I would not sell anything abroad! You must see that the garment market is extremely competitive: small differences in price mean that you are out of the market.

(cited in Loewe 2013, 60)

Mr. Bishara was also on the elite US-Egypt Presidents’ Council alongside Zorba and appointed by President Mubarak to the Shura Council (alongside Khamis in the 1990s).

- 12 Naturally, the 2011 uprising also contributed to the delay, putting negotiations on pause.

10 Reorganizing networks of privilege

Disruption, reconfiguration, and persistence in the face of regime change, 2011–2020

The networks of elite businessmen followed in this book gained much of their privileged access to reform benefits as a result of their proximity to the Mubarak family (Gamal in particular). The 2011 Revolution compromised the value of these connections. However, as argued throughout this book, the diversified portfolio of high-level capital cultivated by the actors under consideration meant that ties to the faces of the old regime were not their only source of wealth. This chapter engages with post-Mubarak transformations that occurred within the networks examined throughout. It illustrates how some important partnerships were preserved and others reconfigured, despite the disruption of the most visible links to the ruling regime.

This chapter is organized around the core individuals of the networks examined earlier in this book. It traces some of their attempts to renegotiate networks (between international and high-level domestic connections) through the short Muslim Brotherhood era (2012–2013) to the rise of Sisi’s military-backed regime—the latter development highlighting the dividends of military capital. Through the employment of cosmopolitan and/or military connections, we find the persistence of lucrative resource capture—despite domestic regime change, institutional instability, and economic crisis at the national level. Alongside key individuals, this chapter also traces the outcomes of some of the central “quasi-governmental” organizations previously discussed, the fates of which similarly offer examples of both persistence and disruption of elite resource capture. In the final section, I address the elephant in the book: the deep-rooted and expanding role of the military in Egypt’s political economy.

This chapter is particularly unique as it corresponds to my fieldwork temporally—coinciding with the overthrow of the Muslim Brotherhood (July 2013) and the ascendancy of President Sisi—and offers access to an important moment in network reconfiguration following regime change.

Abouleish, Nadim and Rashid: “victims of the former regime”¹

Even as events of the January 25 Revolution were still unfolding and Mubarak continued to cling to his well-worn throne, a number of business–state elites faced imprisonment or travel ban. As discussed in Chapter 5, former IMC

Chairmen, Abouleish and Nadim, along with their “public” partner, Minister Rashid, could be found in the earliest batch of those facing prosecution. Abouleish spent some three months in prison before being released, and he and Nadim, who had gone into hiding, were convicted by a Cairo criminal court for squandering public funds (*CNN Arabic* 2011).² For his part, former Minister Rashid fled the country and spent six years in exile before reaching an agreement with Egypt’s special committee set up for recovering embezzled funds in late 2016. The court dropped his multiple cases—two involving misuse of public funds from the Export Development Fund and the IMC—in exchange for a settlement of at least £E500 million (\$27.6 million) (*Akhbar el Yom* 2016).

Notably, all three of these men suffered a shortage of military capital in their otherwise abundant portfolios. This capital deficiency likely accounted for their inability to evade the Egyptian courts, as many other businessmen guilty of far more egregious forms of resource capture managed to do (discussed below). However, what these individuals lacked in military links, they compensated for in cosmopolitan capital—a fact that would cushion the post-Revolution blow and ensure their continued prosperity.

As Helmy Abouleish’s father, Ibrahim (then CEO of the family’s Sekem Holding Group), explained in the Group’s sustainability report:

An entity that works like SEKEM does not function on its own; it is embedded in different networks. On the one hand, SEKEM made numerous connections to economic partners all over the globe, and so became part of the world. On the other hand the network also includes friends from the cultural and political sections, through which SEKEM is taking an active role in shaping the world.

(Sekem 2008, 53)

Indeed, as Mr. Abouleish describes, through a web of international networks the family business has become “part of the world,” a status ensuring continued returns despite regime change and economic woes on the national level. When I visited Helmy Abouleish in 2013, he was working on plans for greater land expansion of his pharmaceutical and agricultural facilities on the outskirts of Cairo. And years later, Abouleish continues to grow his companies both in Egypt and abroad (Pharma Boardroom 2016; Sekem 2019), benefiting from the early gains in machine upgrades, employee training, and land acquisition, all of which were heavily subsidized by European and Egyptian public funding during the Businessmen Cabinet era.

Similarly, Nadim’s participation in the public-private networks also demonstrated continued returns in cosmopolitan capital. In the early days of his case in May 2011, Nadim published a statement on Facebook answering the oft-asked question: did he regret his participation in the organizations of the Rashid era in light of the legal fallout? His post, written in English, offered a resounding no, accompanied by a list of what he took pride in from his time at the IMC. Nadim concludes: “I am mostly proud that when I started public

work I had maybe thirty contacts on my mobile today the list extends to thousands that compose my huge family of friends” (Nadim 2011). Together with his extended network of international contacts, Mr. Nadim’s family furniture company continues to flourish, with a basketful of new projects to furnish Parisian hotels, luxury European resorts, and even “a ceremonial throne for Pope Francis” (“Nadim Industries” 2016 and 2020).

But while the preserved international networks of Abouleish and Nadim offer a case of network persistence in terms of their cosmopolitan capital, the pair’s ties to top decision makers disappeared with the departure of their chief public partner, Minister Rashid. The 2005 act of bringing the once-independent IMC into a Public Private Partnership with the Ministry of Industry and Trade would now work against the original visionaries. With the cabinet change, the IMC (along with its remaining endowment) was passed to a new group of individuals, leaving the ensuing Ministers of Industry and Trade as the ultimate arbiters of funds.³

While Abouleish and Nadim lost the IMC to subsequent bureaucracies, ExpoLink was instead stripped of its status as “quasi-governmental” organization to be returned to its position as a “private sector” body. During the first post-Revolution board meeting of the Export Development Fund, new Minister of Industry and Trade Mahmoud Eissa—assuming Rashid’s former position as Chairman of the Fund—confirmed that he had disqualified ExpoLink from serving as the official agent responsible for organizing Egypt’s trade exhibitions “seeing as it is a non-governmental organization [*gama’aya ahlaya*]” (EDF Board Minutes 2012, 3). The new designation thus barred ExpoLink’s access to the public coffers, once provided through the Export Fund.

Alaa Ezz: the quintessential skilled broker

While Abouleish, Nadim, and Rashid served as the faces of the enviable cosmopolitan business elite—making them easy targets of mid-Revolution resentment—others commanding less prominent positions maintained their roles as skilled brokers, uninterrupted. This is particularly apparent in the continued omnipresence of one of our central mediators, Mr. Alaa Ezz. Indeed, in the turbulent months following the 2011 uprising, Ezz was hard at work collaborating with SCAF to ensure select companies could get their goods to port after curfew, escorted by a convoy of military vehicles (Author interview July 31, 2013).⁴

Ezz would also continue his work with the international community, connecting European donors with subsequent cabinets and regimes. A self-described pragmatist, Ezz played his role regardless of who was holding the reins. Ezz explained:

When you take a train, do you check who the driver is before getting on? I don’t care who’s driving the train. Come to my office and you’ll see a row of photos. One of Nasser carrying me as a child, one of me with

Sadat, one of me standing next to Mubarak—him with greying hair and me with jet black hair—another one with me and Mubarak, except now he has jet black hair and I have a grey head. And one with me shaking hands with Morsi ... My relation to the government is like a love affair. There are good times and bad times. But we'll always be together.

(Author interview July 31, 2013)

During the early days of Morsi's tenure, for example, he organized a conference bringing together Brotherhood Cabinet members and top representatives of the European Commission, along with a select group of European and Egyptian businesspeople ("EU Egypt Task Force" 2012). Demonstrating Ezz's fluency in the organizational design of cosmopolitan conventions, the sessions of the conference would be "moderated Davos-style." Panel leaders included a mix of top actors from the Businessmen Cabinet's PPP beneficiaries alongside rising Brotherhood businessmen. In one session (moderated by Ezz), Zorba and Khamis sat alongside the chief Brotherhood businessman representative, Hassan Malek. The team set about molding new connections, presenting the Brotherhood Cabinet and European investors with ideas on how to "stimulat[e] strategic alliances and joint investment." Following a "networking coffee break," representatives from the European donor community (EIB, EBRD, et al.) then presented a panel on EU "funding available for business" (*ibid.*). Still, Ezz had his reservations about the Brotherhood—at least in retrospect after their ousting. "They wanted me on their team," he said. "But I told them I'm not for sale" (Author interview July 31, 2013).

In the weeks following Morsi's overthrow, I met with Ezz at the Marriott Hotel, a former palace from the days of Egypt's monarchy located in the upscale neighborhood of Zamalek. I waited for Ezz in a quiet corner of the palace's garden café. "Clearly you don't know how to pick a place here," he said on arrival. We relocated, instead, to a table beside the main entrance leading to a marble staircase and the opulent reception. His strategic positioning became evident as the evening continued and we were met with a young woman, a higher-up at the Ministry of Industry and Trade, followed by a former Minister of Communications and Information Technology.

"We missed you at the Iftar dinner!" Ezz exclaimed as he greeted his old friend. Ezz had just finished describing to me the Ramadan feast he had organized the previous week, bringing together 14 ministers of the new cabinet—most of whom had some relation to the economy, others not directly, but, as Mr. Ezz explained, "I know I'll need them soon." Two weeks prior to our meeting, the transitional cabinet of Hazem el Biblawi had been sworn in to replace the Brotherhood Cabinet, ousted by the military. The country's political economy entered a new phase of transition, and Ezz was there to serve as midwife.

In March 2015, a bit short of a year since the election of President Sisi, I contacted Mr. Ezz again. He was busy preparing for Sisi's Economic Development Conference ("Egypt the Future")—a three-day event bringing together high-profile participants including IMF Managing Director,

Christine Lagarde, and the UK's erstwhile Middle East Envoy, Tony Blair, along with top Egyptian and international business representatives. The gathering solidified the new military President's international legitimacy that was, until then, still under great debate following the bloody repression of Brotherhood supporters.⁵

Ezz served as an ambassador for the conference, traveling to Brussels, Barcelona, and Beirut in the lead-up to the summit that offered similar attractions to those provided during both the Mubarak era (such as the annual Invest in Med conference of Chapter 7) and the Brotherhood-era conference described above. Meanwhile, tracing the flow of economic capital, we find EU representatives presenting grants and financial instruments at Sisi's economic extravaganza through the platforms of MedAlliance and BusinessMed (Chapter 7)—led by Zorba and Ezz as his chief advisor (Samir 2015). With attendance at the conference by exclusive invitation only,⁶ it is unlikely that any of these opportunities would have reached beyond the elite participants.

Zorba and Kassem: *Mohendes el QUIZ* and his sidekick

As for Mr. Kassem, starting as a public sector commercial attaché to the US before moving into the “private sector,” we find a similar preservation of his role as a “quasi-governmental” mediator. This persistence is perhaps best exemplified by his participation in subsequent developments regarding the QIZ agreement (Chapters 8 and 9). The value of cosmopolitan capital is particularly pronounced in this trilateral trade arrangement. In the post-Revolution period, the central networks cultivated around the early implementation of the QIZ continued to capture spaces of representation—which, in the world of business, means the capture of lucrative markets.

At a Las Vegas summit for textile sourcing, Sourcing at Magic, convened in March 2015, a joint Egyptian-Israeli-American delegation gathered with top US retailers. The President of the US Fashion Industry Association described the nature of the event: “In between visits to the show floor and slot machines, we discussed the big issues,” chief among them, opportunities offered by the QIZ agreement (Hughes 2015). Kassem and Gabby Bar (QIZ Director for the Israeli Foreign Trade Administration) sat on a panel, headed by US Trade Representative for Textiles Gail Strickler, to present the benefits of buying from the Egyptian-Israeli sources.

Alongside the handful of prominent US retailers (potential buyers for the Egyptian garment producers) sat representatives of Cotton Inc.—a trade organization funded by US cotton growers via the Cotton Board, which we may recall from Chapter 9, had a mission to “expand domestic and foreign markets and uses for cotton” (“The Cotton Board” 2016). Ms. Strickler—who, in addition to her “public” position as USTR for Textiles, also sat on the Cotton Board—shared this mission of expanding markets for US cotton.⁷

Such collaboration suggested that Egypt's already struggling cotton industry should not expect support in the near future. Instead, benefits from these

early networks of PPPs would more likely be channeled to the eight Egyptian garment companies, along with the Israeli businessmen mediators and US cotton lobbyists, who were invited to partake in the Vegas meeting. Chief among the Egyptian team: Kassem and Zorba's son, Walid. Indeed, when—just a few months later (July 2015)—the Egyptian Ministry of Agriculture and Land Reclamation attempted to promote domestic cotton by refusing to issue permits for cotton imports, it was swiftly overruled. “[U]nder pressure from manufacturers and importers,” erstwhile Prime Minister Ibrahim Mehleb canceled the decision less than two weeks later (Hamza 2016, 2). The move was just one of many illustrative examples of the team's monopoly over policy influence that harmed the very industry they pretended to protect. As for the cotton farmers, according to a US Department of Agriculture report, many switched to growing other crops “due to the marketing challenges facing the crop as well as the floundering and ever changing government's policies” (*ibid.*).

Meanwhile, the international QIZ team would unite later that year in New York City for a similar event to their Las Vegas outing, the Sourcing Journal Summit. As described by Israel's Commercial Mission based at the Israeli Embassy in DC, the Summit offered “an exclusive gathering of top policy experts, high-level executives, and supply chain leaders in the textiles and apparel industry” (“Israeli Ministry” n.d.). At the “exclusive gathering,” the transnational networks of “public” and “private” sector representative were granted the opportunity to pursue their respective interests, while leaving those deficient in cosmopolitan capital outside of their international *closed circle*. The Las Vegas and New York summits would occur annually, continuing to serve as platforms for the joint Egyptian-Israeli delegations to promote top QIZ participants.

Back in Egypt, Kassem remained in his position as RMG Export Council Chairman until 2017. It is perhaps unsurprising then that there is nothing to indicate the RMG Export Council or its system of representation has become any more inclusive. Instead, when questioned regarding the possible inequity of the export rebate system (of Chapter 5), Kassem replied that it was an “empty debate” (Nowar 2016). He dismissed the importance of the firm recipient's size, and instead highlighted that all beneficiaries were *Egyptian*, suggesting a broadly shared benefit to the nation (*ibid.*). With regard to criteria for receiving the rebate, Mr. Kassem explained that each sector defined its own standards and presented them to the government, which would ultimately decide. In his position at the head of Egypt's quasi-governmental vestiges, Mr. Kassem would have no small role in defining these standards for selection.

Mr. Zorba would similarly maintain his profitable business–state networks after the 2011 Revolution. He acted as FEI President for an additional two years—continuing to use the platform to serve as a chief interlocutor for international donors at the conferences organized by his assistant, Alaa Ezz. In 2013, Zorba passed the position to Mohammed Zaki el Sewedy—head of his family's transnational electrical equipment business (Zaki el Sewedy Group)—who later became leader of the pro-Sisi “Support Egypt Coalition”

(2017–2018) in Parliament (*Egypt Today* 2017). At the organizational level, the fate of the post-Revolution FEI also demonstrates the persistence of elite capture facilitated by cosmopolitan links. Following the early infiltration of the FEI by the Gamal cohort during the US-funded project to privatize the association (Chapter 4), the Federation continues to suffer from a dearth of representation. Its leadership structure remains institutionalized to grant voice only to top-level businessmen, despite attempts by smaller firms for more representative inclusion.⁸

Zorba delegated his other posts (like those on QIZ committees) along with the reins of the family's business ventures to his sons. In addition to Zorba's garment subsidiaries, Walid inherited his father's seat on the board of a leading investment and private equity firm, EK Holding, which—facilitated by the economic liberalization of the 2000s—had earlier secured profitable partnerships with the Egyptian military (Marshall and Stacher 2012). Through private equity investments (like those of Chapter 7), EK Holding board members were able to share in tremendous gains on their Public Private Partnerships—in this case, the “public” represented by Egypt's top brass.

Arafa: the king of RMG

As for our third member of *shillat el QUIZ*, Mr. Arafa would also continue to employ his cosmopolitan and military capital to great effect. As demonstrated in Chapter 5, Arafa's early access to the public coffers through the Export Development Fund would not only continue but increase following Mubarak's ouster. And as will be discussed below, Arafa proved adept at integrating into new networks under the Sisi regime.

From Morsi to military

Less than a week after the military's bloody dispersal of anti-coup protesters in 2013, I met with Mr. Arafa at the Semiramis hotel café in downtown Cairo.⁹ His previous interlocutor, a representative from the US Embassy, followed awkwardly behind in navy blue suit departing with a “thank you for your time.” “Listen,” Mr. Arafa said as we began our interview. “Today we speak only economy. Let's forget about politics.” I agreed obligingly. But after 15 minutes of Mr. Arafa's explanation of the importance of exports, economic zones (“particularly QIZs”), and cheap labor for Egyptian businesses, the conversation veered to the inevitable.

Adhering to our agreement to leave out the politics, I asked how he was coping in the current economic climate given recent events: “It must be bad for business?” I was corrected. “I feel like our country has been returned to us [*ana Hassis in balidna ragaa'itlina*]! It was occupied. Do you know what occupied means? For the last two and a half years the Brotherhood were occupying us.” He explained that immediately following the Revolution, the Brotherhood had “taken control of the political situation” [*kano biyisaytaroo 'ala el mowqif el siyasi*].

From his exuberance at their departure, I guessed he didn't have the best relationship with the Brotherhood-era government. But wrong again.

On the contrary! I tried to help them. I tried a lot! Look at the ECES—it's *the most important think tank in Egypt and I am the Chairman*.¹⁰ We organized sessions and gave them documents. Go to the headquarters and ask there. Hassan Malek [prominent Brotherhood businessman, appointed by Morsi to liaise with Egypt's business community], he attended. We wanted to teach them. *We gave them lists of what to do and what not to do*. We told them that Egypt had to export gas. Sarah, they wanted to export gas and take it for the Brotherhood [*el gama'aya*!] Look, we have to do what's in the best interest of the country [*el balad*]. We have a responsibility to do what's best for the country. They want what's in the best interest for the Brotherhood [*el gama'aya*] before the interest of the nation [*el watan*], and that just can't happen. They weren't doing any *development*. Show me where is the *development* they've done?

However, as Arafa explained, the poor result was not for lack of trying: "The Brotherhood wanted to learn. They made this group called *Tawassul* with 24 businessmen. Many of them were Brotherhood." In July 2012, the recently elected President Morsi had created *Tawassul* (meaning "Communication") to serve as his central mediator with the private sector (*Egypt Independent* 2012). The body, comprised of a small group of established business elites alongside Brotherhood businessmen, was also intended to serve as the central platform for negotiating post-Revolution corruption charges raised against its elite members (Roll 2013).

But Arafa remained unimpressed. He continued: "But Sarah, they have everything wrong. There's no *exposure*, there are no *experts*, *there are language barriers*. *They are not professional*." The Brotherhood lacked the cosmopolitan capital that until the Revolution had assumed such unequivocal dominance (alongside that of the military) in Egypt's capital hierarchy. To Arafa, their domestic portfolios did not suit the globalized world of the twenty-first century. It simply was not appropriate for a "modern" Egypt. But there was another, perhaps more important, issue to consider.

"The biggest problem," Arafa continued, "was *el sama' w el taa'a*" (listening and obeying). Mr. Arafa's Brotherhood interlocutors (Hassan Malek the apparent point person along with other Brotherhood businessmen) took orders from a higher power.

I would always ask Hassan Malek: 'Where do you play on the team? Are you standing in the goal? Or playing *forward* or *defense*? Or are you giving massages and carrying the towels? Where do you play on the team??' We would give them advice, tell them to do this and that and they would say 'ok, ok.' Then they would go to their *superiors* and return and say: 'No, sorry, we can't do that.'

Mr. Arafa offered an instance of when this dynamic had been the cause of considerable consternation: “For example, we told them [Prime Minister] Qandil had to go. And then what?” He didn’t go. The *biggest* problem, it seemed, was that Arafa and his ECES colleagues no longer had direct access to the people making decisions. They could no longer make the rules of the game.

Mr. Arafa’s frustration with his interlocutors’ lack of compliance flowed seamlessly into an apparently well-rehearsed argument, neatly packaged for his Western audience: “Sarah, you have to understand, the Brotherhood is a terrorist cell.” “*All of them are terrorists?*” I asked. He explained in terms he thought I would be able to understand:

Look, do you know the ‘*abaya*?¹¹ Under the big *abaya* everyone is included. The Gamaa’ el Islamaya, the Brotherhood, Hamas. If I told you “Sarah, go kill” and you killed. Who is the terrorist? Both of us. Not all of them kill, but all of them are under the same ‘*abaya*. You see?¹²

But what of Hassan Malek and Arafa’s Brotherhood businessmen counterparts? I asked if during his meetings, Arafa sensed they were “bad” people. “No! Nice! They were very nice!” He said, before returning to their most egregious offense: “The problem is the Brotherhood *are very hierarchical and they listen to their leaders without thinking.*”

Arafa’s mobile buzzed. “I only have a few more minutes, so ask me your final question.” I had arrived in Egypt on July 2, 2013 to start fieldwork for my original research project on the business association established under Brotherhood initiative: The Egyptian Business Development Association (EBDA). The association had been explicitly modeled off a business organization in Turkey (MÜSIAD) whose core membership base emerged from what became known as the “Anatolian Tigers.” The Tigers, a sizable group of small and medium-sized firms that exhibited impressive growth in the 1980s, have often been attributed with a period of relatively inclusive economic development in Turkey.¹³ MÜSIAD had clear religious undertones and well-known links to Turkey’s ruling Justice and Development Party. I was curious how, following the Revolution, the Brotherhood’s Freedom and Justice Party might try to emulate their neighbors to the north. But a day after I arrived, Morsi was ousted. And so I directed my research inquiry, instead, toward the likes of Mr. Arafa. For my final question, I wondered what Arafa thought about the now-aborted EBDA. Arafa explained:

Issam Haddad [chief foreign relations advisor to President Morsi] and Hassan Malek came to me in the very beginning to join the association, but the picture still wasn’t clear, and I thought it might be something political, so I refused. *I have never participated in politics.* I was never in the NDP.

Arafa offered a prime example for how the business–state divide played a convenient function for himself and his fellow members of Egypt’s cosmopolitan elite. To his Western interlocutors, such as myself and the US Embassy representative who had just departed the Semiramis café, Arafa posited himself as a representative of the “private” sector. He had “never participated in politics.” Arafa had never been a member of the former ruling party, and therefore, his hands were ostensibly clean. However, as argued throughout this book, Arafa had several other pathways outside of explicit political parties to exercise his influence—not least of which, his inherited endowment of military capital from his father, former officer in the Egyptian Air Force and one-time classmate of Mubarak.

Arafa’s discussion was revealing not only vis-à-vis the nature of his interactions with the Brotherhood administration, but also regarding how Arafa had become accustomed to operating in the pre-2011 political economy. When he, as ECES Chairman, and his colleagues hosted cabinet members and told them what to do, they expected results. Meanwhile, in the international arena, Arafa’s decades of cultivated cosmopolitan capital meant he was among the earliest interlocutors for Western diplomats as they decided how to respond to the ousting of a democratically elected leader, and the rise of a military-backed regime.

Integrating into networks of Sisi’s security state

Arafa was quick to ingratiate himself with the new general-turned-president. Shortly after assuming office in June 2014, President Sisi set up a fund, *Tahya Masr* (“Long Live Egypt”), to receive donations from the Egyptian business elite and bolster the country’s floundering economy. Arafa represented one of the earliest and most enthusiastic donors to the unaudited charity fund, offering £E20 million in August 2014 (Aggour 2014).¹⁴

Arafa also employed his connections to the Egyptian security apparatus and Israeli business–state networks to seal a \$19.5 billion deal to import gas from Israel in 2018/2019.¹⁵ He had earlier (in 2014) founded Dolphinus Holding—a “gas trading” company registered in the offshore tax haven of the British Virgin Islands—as the vehicle to sign the agreement. Paving the way for the transaction, Sisi issued Law 196/2017, “the milestone of liberalizing the gas market in Egypt,” which until then had been dominated by public entities (GASREG 2020). But again, we find Egypt’s “market liberalization” to be more of a market manipulation in favor of the cosmopolitan capital-rich and, in this case, their partners in Egypt’s authoritarian regime.

Although touted as a “private sector” project, the scheme has since been revealed to be deeply entangled with Egypt’s General Intelligence Service (GIS), which—together with Arafa and the American and Israeli companies involved—stands to profit most (Bahgat 2018). In a speech shortly following announcement of the agreement, Sisi said Egypt “scored a goal,” adding that the partnership will help turn Egypt into a regional energy hub (Al Hayah 2018). But a look at the networks commanding the flow of profits behind the

scenes reveals a clearer picture of who will likely benefit. The GIS has a controlling stake in multiple companies party to the deal and owns, partially or fully, the various pipelines to be used (Bahgat 2018). And a win for the GIS is a win for Sisi. The body enjoys its own unaudited budget, answers directly to the president and, as of January 2018, has been under the supervision of Major General Abbas Kamel—one of Sisi’s closest confidants and his former chief of staff.

Moreover, most of Egypt’s gas infrastructure lies within or passes through the Suez Canal Zone (SCZone), largely managed by the Suez Canal Authority—“the [Ministry of Defense’s] main economic vehicle in the zone” (Sayigh 2019, 245)—which is led by Sisi-appointee, Lieutenant General Osama Rabie. Any gas piped in from Israel for re-export would have to pass through the Suez Canal corridor at least once—to reach the liquefaction plants in Damietta and Idku on the North Coast—and again for shipments to markets in Asia. This would mean a steady stream of “management fees” for the military and intelligence agency, which together control the SCZone and a portion of the pipelines to be used. Meanwhile, Arafa, as head of the “private sector” firm founded to front the project, will profit handsomely for mediating the transactions between long-time Israeli partners and the various wings of the security state.

Naturally, none of these networks are noted by the Texas-based Noble Energy or Israeli Delek Group party to the partnership—nor by the US government’s “development bank,” the US International Development Finance Corporation, which provided \$430 million in insurance to support the deal (DFC 2019).

Khamis: the king of carpets

Lastly, Khamis—rich with military and cosmopolitan capital—also reappeared from early reform networks to offer support for the new military president. Like Arafa, Khamis did not appreciate being excluded from the top circle of decision makers during Morsi’s tenure. A few days after President Sisi assumed office in June 2014, Khamis hosted British MPs at a lavish dinner to share with them his opinion on the ongoing crackdown of Brotherhood supporters (Nasralla 2014). Khamis’ invitation to the British politicians came at a time when the UK was conducting a review of Brotherhood activities, and still determining its position on Sisi’s legitimacy following the violent coup. At the event, Khamis showed a movie comprised of a montage of appearances by the ousted President Morsi, interspersed with footage of Islamist militants holding up severed heads and lighting churches on fire. As Reuters reported, Khamis introduced the film to the MPs saying: “We have decided to make this short film...that gives you the truth about what happened in my country” (*ibid.*).

In this period of regime transition, we find the utility of Khamis’ unique blend of military and cosmopolitan capital in reconfiguring networks of privilege. Khamis—who had organized a meeting between the British MPs

and the newly elected President Sisi before the dinner (Nasralla 2014)—possessed a wealth of cosmopolitan capital that would facilitate his business diplomacy. For the purposes of this audience, Khamis had earlier completed a PhD at England’s Loughborough University (“BUE” n.d.), before expanding his carpet empire to the UK with a subsidiary company, Cambridge Weavers (Oriental Weavers 2009).

In addition to his donations of cosmopolitan capital, Khamis also offered Sisi capital of the economic variety. Khamis joined Arafa as one of the earliest donors to the new president’s *Tahya Masr* charity fund, contributing £30 million (Ramadan 2014). He would also be appointed to sit on the Fund committee, comprised of select businessmen and government officials, to manage the donations (*English Mubasher* 2014).

Khamis’ generosity to the new regime would be reciprocated by the Sisi administration. The black box government of the Brotherhood era now removed, Khamis regained access to the top levers of “the state.” Under Morsi, Egypt had strengthened political relations with Turkey, with new economic partnerships following in step. In 2012, the two countries signed the Ro-Ro Agreement, considerably bolstering Turkey’s exports to Egypt.¹⁶ However, increased trade liberalization with Turkey, a major carpet producer, did not appeal to Khamis, who until then had commanded an uncontested monopoly of Egypt’s carpet market.

I met with Mr. Ziad, a high-level employee at Khamis’ Oriental Weavers, in March 2015. During our conversation, Ziad offered an example of productive “business–state collaboration” under the Sisi administration.¹⁷ As Mr. Ziad recounted, during Morsi’s tenure, a “huge amount” of Turkish carpet manufacturers had been allowed to sell their products on the Egyptian market. Following the Brotherhood ousting, there was a “big movement” by Oriental Weavers to remedy the market penetration. Khamis’ company heads paid a visit to the new Minister of Supply and Internal Trade and presented a list of around 200 outlets, which they claimed lacked the proper paperwork.

“We wanted to make sure the government takes what it’s entitled to,” Mr. Ziad explained. The Ministry closed the Turkish outlets, and Egyptian industry was protected. “But when did these shops close?” he asked rhetorically. “Only when Oriental Weavers felt it was harmed and took the initiative to go to the government.” Ziad added hastily, “but of course, the government didn’t just pay attention to the situation for the benefits of Oriental Weavers, but because truly the Egyptian industry is threatened by Turkey.” However, as Khamis dominated 90 percent of Egypt’s carpet market (Oriental Weavers 2009), it is unlikely the closures benefited many others.

As Mr. Ziad explained, this was just one example of how Khamis collaborated with the government to promote economic development in Egypt. “Thanks to the old relationships [*el ‘aliqaat el ‘adeema*] between the company and the ministers and the governmental sector in Egypt, we can prevent a situation like that very easily.” Indeed, no doubt with the help of these old relations, Khamis was able to preserve early access to a number of lucrative rents from the Mubarak era. Despite the bankrupt state of the Egyptian

economy, Khamis continued to access uninterrupted preferential credit lines from the government's Export Development Bank;¹⁸ and government subsidies through the Export Development Fund (Chapter 5) amounting to nearly \$5.8 million in 2015 (Oriental Weavers 2015).

* * *

Military Inc.: the elephant in the book

The networks of “globalizers” traced throughout this book were empowered with both economic capital and political sway during Egypt's reform projects—the latter as they monopolized the country's core platforms for industrial representation and export promotion. Through these bodies, they were also offered the pens of policymaking. However, as Henry and Springborg (2010) caution, we must not grant too much assumed power to these globalizers whose “primary institutional power base” lay in the cabinet (192). Ultimate decision-making, instead, sat with “the triumvirate of ruler and his entourage, the military, and the security forces” (*ibid.*).

It is impossible to discuss Egypt's business–state networks without considering this triumvirate. While the “ruler and his entourage” have been highlighted throughout this book, the military and security forces have only been danced around—existing sometimes parallel to, sometimes intertwined with, the reform networks examined above.¹⁹ The military in particular takes a prominent role in the political economy under consideration. As expertly detailed elsewhere (e.g., Sayigh 2012; Adly 2014; Abul-Magd 2015; Marshall 2015), Egypt's top brass emerged as major winners of the earliest Mubarak-era reforms in the 90s, which continued well into the 2000s. They similarly exploited the openings for resource capture provided by Egypt's “market liberalization,” also employing many of the tools highlighted in this book.

Indeed, the Gamal cohort was not unique in its use of “Public Private Partnerships” to capture reform benefits. The military also used the vehicle of PPPs to take advantage of the various Businessmen Cabinet reforms. These reforms—accompanied by loans from IFIs offered to promote the liberalizing endeavor—facilitated the army's partnerships with multinationals and Gulf conglomerates (Marshall and Stacher 2012). The military's lucrative partnerships were also greatly facilitated by private equity firms (such as the military-civilian business projects of EK Holding noted above).

As Marshall and Stacher (2012) posit, the army experienced both increased gains and threat from the Businessmen Cabinet reforms. On the one hand, using this PPP vehicle along with increased privatization, those with military capital were able to initiate new economic endeavors. On the other hand, “[The Nazif] program, had it continued, might have dismantled the last public-sector enterprises in Egypt, many of which the army runs” (*ibid.*). Moreover, “Tenders of privatization are excludable goods” (*ibid.*)—with the cosmopolitan elite posing direct competition to military higher-ups hoping to command the rent windfalls from underpriced sales of public assets.

Rent streams of cosmopolitan capital played an important role in this delicate balancing act between the “globalizers” and the military—often serving to keep top military actors at bay. The \$1.3 billion in annual military aid from the US played no small part in this equation.²⁰ The American capital not only channeled rents directly to the military, but also indirectly offered financial support to the Nazif team. When a US Congressman proposed shifting a considerable portion of the military subsidy to “development,” for example, Nazif “argued strongly against” the idea, highlighting the fact that “any reduction of US funds to the military would have to come instead from the government’s budget” (Embassy Cairo 2005a).²¹

In this sense, the rise of the military-backed regime also represents the persistence cosmopolitan capital-based networks, with the decades of US donations serving as an important rent stream for bolstering the top military brass. The fact that President Sisi studied at the US Army War College also offers a fitting example of the capital that had been cultivated across borders during the years of the Egyptian military’s “special relationship” with the US, prompted by the signing of the 1978 Camp David Accords.

The effective employment by these two groups of competing interests (the “globalizers” and the military) of the same vehicles for resource capture (PPPs), with the aid of the same currency (cosmopolitan capital) emphasizes the utility of analyzing Egypt’s “business–state relations,” in terms of networks of capital, rather than along institutional divides

Reconfiguring networks, old and new

Since the armed forces retook control of the country in 2013, the uncontested economic winners have been military affiliates. The military stands center stage in all of Sisi’s megaprojects—from the \$58 billion New Administrative Capital to the \$8.2 billion Suez Canal Development Project, the \$1.1 billion cement plant (in a country with a cement surplus), and the dozens of new road and infrastructure projects across Egypt. Sisi-era legislation has also expanded military privileges for profiting from Egyptian land, and exempted military-owned properties, such as hotels and supermarkets, from VAT and property tax (Noll 2017; Sayigh 2019).

Nonetheless, civilian elites of the Mubarak era continue to play a formidable role in Egypt’s economy. In March 2015, Sisi amended the law on illicit gains by presidential decree as part of his efforts to prove himself “investor friendly” and inject much needed foreign currency into the country. Under the new system, special committees were formed to reach reconciliations with Mubarak-era elites who faced lawsuits in the revolutionary fallout. Many of these early reform winners are back (or still) in action.

In some instances, they have integrated themselves into the military-led projects. Both Arafa and Khamis expanded their footprints in the luxury real estate business considerably, taking advantage of the state resources Sisi has directed to building up the infrastructure of his New Administrative Capital pet project. Bloomfields—a high-end development located on the outskirts

of the New Capital and owned in part by Arafa Holding—boasts “direct access to New Cairo Capital’s fast train station and International Airport” (“Bloomfields” 2020). And in September 2018, Khamis’ Orientals for Urban Development launched the first phase of Jnoub—a luxury residential neighborhood with plans to include sports and medical facilities—in the New Capital (“Investgate” 2018). Jnoub, along with the other investors in the New Capital, will share its profits with the Administrative Capital for Urban Development—majority owned by the armed forces.

Another major investor in the President’s New Capital, Talaat Hisham Moustafa, provides a particularly egregious example of Sisi’s rehabilitation of Mubarak-era cronies. Less than a year after the wildly successful 2007 IPO of his company, TMG (of Chapter 7)—which, we may recall brought astronomical profits to both Moustafa and his investors, including Gamal Mubarak—the real estate tycoon and former ruling NDP member of parliament was arrested on charges of hiring a hitman to murder his ex-girlfriend, Lebanese pop star Suzanne Tamim. Moustafa was convicted in 2009 and sentenced to death, before having his punishment converted to 15 years in prison (BBC 2012). In Sisi’s Egypt, Moustafa secured an even better deal—a presidential pardon in 2017, accompanied by (according to Moustafa) the complete erasure of his criminal record. While state sources originally cited “health concerns” as reason for his early release, the convicted killer returned to his post as CEO of his real estate empire within days of leaving prison (Reuters 2017a and 2017b). And in less than year, he launched Celia—“the largest fully comprehensive project so far in the New Administrative Capital” (TMG 2018). By 2020, Moustafa was celebrating his third year in a row of being named “one of the most influential figures in the Egyptian economy” by Prime Minister Moustafa Madbouly (TMG 2020).

In other instances, Sisi and his military loyalists have integrated themselves more deeply into successful pre-existing projects. Ahmed Heikal’s Qalaa Holdings (formerly Citadel Capital) and its Public Private Partners—the Egyptian government, armed forces, and international investors—are poised to enjoy tremendous gains from the \$4.3 billion oil refinery put in motion under Mubarak and completed in 2019, the Egyptian Refining Company (ERC) of Chapter 7. In the first nine months of 2020, Qalaa’s revenues increased 144 percent year-on-year largely due to refinery earnings (excluding ERC numbers, revenues declined by 5 percent during the same period) (Qalaa Holdings 2020a).

Qalaa—already a “familiar private partner of the [Ministry of Defense]” (Sayigh 2019, 264)—integrated additional military affiliates into the lucrative project along the way, for example, subcontracting a company led by a retired military general to transport heavy equipment for the construction in 2016 (*ibid.*, 206). And Sisi, who inaugurated the refinery, was quick to claim the project as one of his “Mega National Projects.” At the “inauguration”—which awkwardly took place a full year after the facilities had begun operating—Heikal thanked the President and applauded his visionary reforms: “This project would not have seen the light of day had it not been for the

President's support. The government's economic reform program helped to gain the confidence of investors and financiers who took part in the project" (Qalaa Holdings 2020b).

Mubarak-era reform winners have also regrouped and reintegrated themselves in Egypt's political economic arena without any obvious links to the military-backed regime. One illustrative example can be seen in the purchase and subsequent activities of CI Capital—once the investment banking arm of Egypt's largest private bank, Commercial International Bank, and, after the 2017 sale, majority owned by a consortium of private investors. The new owners of CI Capital included many familiar faces mentioned throughout this book including: Arafa (9.35 percent), Rashid (9.44 percent); Rashid's former colleague on the Businessmen Cabinet, Mohamed Mansour (5.58 percent); and Gamal Mubarak's father-in-law, real estate tycoon, Mahmoud el Gammal²² (9.35 percent) (CI Capital 2018a).

Under this ownership of Mubarak-era dealers, CI Capital's net operating profit grew by 48 percent in the first year; and by 140 percent year-on-year in the first 18 months to \$29.53 million (CI Capital 2018b). One significant contributor to the jump in profits was income generated by the group's January 2018 acquisition of Reefy—Egypt's first for-profit microfinance lender, which we may recall was established in partnership with the “pro-poor” quasi-governmental body of Chapter 3, the Social Fund for Development. In the first nine months of 2018, Reefy collected some \$8.2 million in interest from its microfinance borrowers, who were charged at an average 23.5 percent interest rate (*ibid.*). Reefy—which translates to “my countryside”—targets clients in rural areas, particularly Upper Egypt, where illiteracy rates reach as high as 37.2 percent (*Al Masry Al Youm* 2018). The for-profit lender is also expanding operations, with seven new branches and scores of “energetic” loan officers added in 2018 (CI Capital 2018b).

Recall in 2007 the SFD invested in Reefy in partnership with the former Chairman of Banque du Caire, Ahmed el Bardai, and Naguib Sawiris—billionaire businessman of Egypt's wealthiest family. “The days of tycoon businessmen calling the shots are behind us,” Bardai told the *Financial Times* in 2011 (Halime 2011). He explained that the time had come for smaller firms to gain access to finance—the lack of which had been stifling their growth for years. But as Bardai made clear, he did not believe in charity, nor in the existing not-for-profit microfinance organizations. “I was trained as a corporate city banker. I was not a believer in this type of banking” (*ibid.*).

Reefy's start-up investments were provided in part by the state coffers and donor funding through the SFD at a time when Rashid and Mansour—businessman multi-millionaire and billionaire, respectively—sat on the board of directors of the “pro-poor” organization. The acquisition of Reefy by Rashid, Mansour, and other Mubarak-era elites in 2017 proved Bardai's declaration of the end of rule by business tycoons decidedly false. The tycoons were back, and ready to recoup their losses—in this instance, even more directly from Egypt's capital-poor.

Conclusion

This chapter has offered a brief look at some of the mechanisms through which elite networks have been maintained or reconfigured, ultimately resulting in various forms of economic exclusion for the Egyptian majority. While some networks of resource capture from the Businessmen Cabinet-era reforms were dismantled, numerous others remained. The IMC, which stood at the center of the web of PPPs, no longer served the group of globalizers that once commanded the Center's well-endowed budget. However, other "quasi-governmental" vestiges (such as the remnants of USAID's privatization project in the FEI and the RMGEC) continued to offer platforms for business elites to leverage their wealth and connections in setting national policies and liaising with international partners. Preferential trade agreements benefiting these early winners would be preserved (like the QIZ initiative), while those that posed threats (e.g., the Ro-Ro Agreement) were eliminated. The QIZ cohort maintained lucrative transnational partnerships to expand their garment markets on the floors of Vegas alongside US cotton lobbyists, while Egypt's cotton farmers experienced another round of devastating subsidy cuts (Ahmed and Feteha 2015).

At the level of Egypt's top elites, Khamis and Arafa demonstrate the strength of accumulated capital resulting from Egypt's decades of neoliberal reforms.²³ While briefly threatened by exclusion during the Brotherhood administration, using their various shades of capital, they worked hard to ensure success for the military overthrow of the democratically elected government. Despite the Morsi administration's overtures to include Arafa, the garment king was not content to be a voice among many. He much preferred the *diera mughlaqa* of the Mubarak era, which he hoped would return with the Brotherhood's ouster.

However, these Egyptian elites, skilled brokers, and organizations were not the only components of Egypt's networks of exclusion. International proponents of neoliberalism also played their part in shaping Egypt's post-Mubarak political economy. Sisi's March 2015 Economic Development Conference, "Egypt the Future," set the tone for the international community's approach to the networks under construction. And at the conference, each component played its part. Alaa Ezz used his organizational platforms to garner international support in the lead-up to the conference. Khamis and Arafa networked with the international community of donors and investors in attendance to assure them—now that the former regime of "terrorists" had been expunged—Egypt was "open for business." Tony Blair, former British Prime Minister and the UK's erstwhile Middle East envoy (a "public" position, despite his considerable private economic interests in the region), took it upon himself to participate as a central conference organizer and advise the new President Sisi on economic reforms (Milne 2014). And for her part, Christine Lagarde, IMF Managing Director, offered praise for Sisi's early reforms to attract investors, adding in her conference speech, "The journey to higher growth has already begun" (*Ahram Online* 2015).

In November 2016, Sisi secured a long-postponed loan for \$12 billion from the IMF, subjecting the country's majority to painful conditionalities. A week earlier, to coax the IMF approval, the Sisi administration had floated the Egyptian currency, resulting in a sharp devaluation. The pound lost over half of its value in the immediate post-flotation period, devastating Egypt's cosmopolitan capital-deficient. As for those more well-endowed, the devaluation offered lucrative opportunities. The goods of Egypt's major exporters (such as Zorba, Arafa, and Khamis) became more attractive to foreign buyers—increasing sales and access to international currency; And currency speculators, both Egyptian and international, with enough capital to participate in the financial scheme (made possible by Egypt's earlier financial liberalizing reforms) were now offered a path to experience astronomical gains.

Additional austerity measures demanded by the terms of the loan similarly punished the Egyptian majority. On its website, the IMF responds to a “frequently asked question” regarding what will be done to “shelter the poor and vulnerable” from the effects of Egypt's reforms. The IMF offers little reassurance, stating “social protection is a cornerstone in the government's reform program” (“IMF” 2016). However, if the past is any indication of what's to be expected, there is reason to be skeptical that such “social protection” will be forthcoming. Instead, Egypt's Sisi-era political economy, ruled by military and cosmopolitan capital, seems better positioned to perpetuate international networks of exclusion.

* * * * *

Notes

- 1 In an interview following his release from prison, Abouleish commented that he did not see himself as a victim of the Revolution, but rather of the former regime (Sekem 2011).
- 2 Nadim had also been sentenced in absentia to five years prison alongside Rashid by a criminal court (Abdel Razeq and Nasr 2012), but his case was appealed and later dismissed or settled without prison time.
- 3 But before the men were stripped of their positions, they did their best to disburse the funds from their IMC slush fund. According to a January 2015 report from the Central Auditing Agency—a government anti-corruption watchdog—as the country was in full revolutionary swing, the IMC sent E£953,000 (apx. \$166,028) to the Egyptian National Competitiveness Council (ENCC)—Egypt's “only independent body that advocates for improved economic competitiveness” (ENCC 2016)—which was, ironically, both founded and chaired by Abouleish (Ibrahim 2015).
- 4 We may recall Mr. Ezz from Chapter 5–7 for his abundance of cosmopolitan capital and quasi-governmental hats. Mr. Ezz simultaneously commanded the positions of Secretary General of the FECC, Secretary General of CEEBA, top organizer of the Meda Finance and Invest in Med initiatives, and chief advisor to Mr. Zorba in his capacity as Chairman of the FEI, BusinesMed and MedAlliance. Ezz's mother was British, his father Egyptian, and he was born in the US. He held three passports and boasted to me during our interview that he would shuffle

- them around in his front pocket in the passport lines. Demonstrating his assets as a skilled broker, he explained, “When *you* go to Europe, you have to wait in the ‘Others’ line. I just walk right through.”
- 5 See Shenker 2015 and Corkery and Khalil 2015 for a critical assessment of the conference.
 - 6 The conference organizers rejected the application of one of my contacts with \$2 million in investments in Egypt. According to my contact, the conference was instead meant for individuals ready to invest in the tens of millions.
 - 7 We may recall from the previous chapter that Strickler had met with Kassem during her first trip to Cairo as America’s “ambassador for textiles” in 2009. As described in Chapter 9, Strickler proposed to a group of Egyptian QIZ garment producers that Egypt import US cotton—a proposal for which Kassem, Egypt’s de facto Minister of Textiles, expressed interest.
 - 8 See for example: Hussein 2013.
 - 9 Author interview August 20, 2013.
 - 10 Throughout our interview, Arafa flowed seamlessly between English and Arabic. English portions denoted with italics.
 - 11 Long flowing cloak, typically worn by women in conservative Muslim circles.
 - 12 Throughout our conversation, Mr. Arafa expertly alternated between discussing the Brotherhood’s lack of transparency (thus barring him from the reins of decision making) and terrorism.
 - 13 See for example: Demir et al. (2004).
 - 14 The *Tahya Masr* Fund’s lack of accountability, transparency, or oversight has led to considerable criticism. Many see the Fund, with hundreds of millions of dollars in donations, as a tool for the regime to pursue pet projects without having to dip into the budget of the state or the military (see for example, Kassab 2016).
 - 15 The original \$15 billion deal signed in 2018 increased to \$19.5 billion in October 2019 (Rabinovitch and Cohen 2019).
 - 16 See for example: Davison 2015.
 - 17 Author interview March 2, 2015.
 - 18 For more on the extent of the value of this government credit see: Roll 2010.
 - 19 We may recall, for example, Mr. Mansour, Chief of the Economic Wing in the General Intelligence Service, who served as an important link in the QIZ negotiations; And the military officer relatives of Arafa, Khamis and Taher Helmy.
 - 20 It’s important to note that this money does not go directly to the military, but rather is earmarked for spending on US-made military equipment and consultants—an arrangement quite expedient for US weapons businesses. See for example, Marshall 2012.
 - 21 In response to questions regarding why the Egyptian military needed such a large budget despite Egypt’s lack of military threats, Nazif offered the well-rehearsed reasoning to his Western interlocutors: it was “an anti-terrorist army” (Embassy Cairo 2005a).
 - 22 El Gammal was one of the first to take advantage of the opportunity for reconciliation after the 2015 amendment to the illicit gains law, paying E£238.7 million to clear his name for acquiring state land at prices far below market value.
 - 23 As detailed in the preceding chapters, both men were major beneficiaries of liberalizing policies of the 1990s, including early access to USAID funding.

Conclusion

The increased globalization and economic liberalization of the past 40 years have changed the dynamics of elite participation in domestic political economies considerably. Lines once more firmly drawn between the various arenas in which political and economic developments play out—the domestic and international; the private sector and the state—have become increasingly obscured. This has also meant the opening of new avenues for the abuse of power. Crony capitalism, traditionally discussed as a domestic arrangement between individuals operating in business and government, has been complicated by market liberalizing reforms, which have introduced new categories of actors alongside increased flows of international capital. Naturally, this capital has had empowering effects for those with access to it, while sidelining those without.

This book has attempted to shed light on the role of networks—of local elites entangled with international actors—in facilitating resource capture and rent seeking during economic liberalization. It is well-documented that select Egyptian businessmen enjoyed special access to public resources—from land to energy to public bank loans—during the Mubarak years (Adly 2011 and 2013; El Tarouty 2015; Diwan et al. 2019a). But the rents handed out by the regime as part of its patronage networks were not the only ones circulating in Egypt’s political economy. International donors also injected substantial resources into the country, often empowering the same groups of individuals who enjoyed benefits from the regime. This book has focused on the latter set of rents and the consequences of those foreign inflows on Egypt’s reform era political economy.

Linking theory and empirics

To examine the outcomes of Western support for Egypt’s “private sector,” I have highlighted the “analytical imperative of examining networks” (Haddad 2012, xiv) functioning behind the scenes during Egypt’s reform experience. I have argued that dissecting these capital-based networks—and the various formal and informal channels in which they are embedded—is essential to understanding how reform processes play out.

A chief objective of this book has been to offer ethnographic details of some of these networks shaping Egypt's reform outcomes. I aimed not only to shed light on the nature of transactions operating within elite circles, but—of equal importance—on those functioning at lower levels of the socioeconomic hierarchy. I began this book by offering a reconceptualization of “business–state relations”—emphasizing capital (social, cultural, economic, cosmopolitan) as a factor more important than institutional identifiers (i.e., “business” or “state”). As posited in Chapter 2, regardless of whether individuals represented “business” or the “state,” those lacking cosmopolitan capital and/or high-level domestic connections suffered similar exclusion from the country's macro-level economic prosperity. At the tier of low-level bureaucrat and micro/small entrepreneur, Egyptians' reform experience was one of marginalization and collaborations of convenience, with their networks affording a subsistence-level existence (Chapters 2, 3, and 6).

The remaining chapters explored how the networks comprising “business–state relations” manifested themselves at the level of cosmopolitan elites. Here, actors' capital portfolios similarly outweighed considerations of juridical and geographic divisions between the “private” and “public” sectors, or “domestic” and “international.” Capital-rich individuals operated seamlessly in all of these realms to their advantage.

This book asked:

- 1) Who benefited from the international support for private sector development in Egypt during Mubarak-era “market liberalizing” reforms?
 - 2) How did this international support facilitate elite resource capture?
- And,
- 3) Why did the numerous, well-funded, “SME” promotion programs yield such unimpressive results?

First, as this book has demonstrated, the beneficiaries of international support largely consisted of individuals well-integrated into networks characterized by high-level capital, particularly of the cosmopolitan variety. During Mubarak-era rounds of Washington Consensus-inspired reforms (1991–2011), Egypt's globalizers, the champions of economic liberalization, served as the country's “private sector” representatives on the international stage—a position which granted them substantial economic resources from their international interlocutors. This, in turn, empowered the globalizing elite on the domestic stage. The “pro-free market” thesis driving these cosmopolitan partnerships shepherded in reforms encouraging an environment of deregulation, which proved ripe for exploitation by colluding powers—specifically, major capital holders and policymakers well-positioned to manipulate laws and regulations to their shared advantage.

Egyptian elites were not the only beneficiaries of “private sector” development programs. International investors also gained from the networks created around the initiatives, affording them lucrative partnerships with their Egyptian counterparts. To name a few examples from this book: US businesses were invited to become members of the FEI during the USAID program to privatize the Federation, granting them direct access to policymakers alongside those of the closed circle (Chapter 4);¹ mega multinationals like Nestlé managed to siphon off public funds from the EDF (Chapter 5); international business conferences, like that of the Invest in Med project, smoothed the way to multi-billion dollar partnerships in private equity deals between well-connected Egyptians and their European partners (Chapter 7); and the QIZ agreement benefitted a small group of Israeli businessmen who either brought their factories to Egypt to exploit the cheap labor and favorable terms of the new tripartite trade agreement, or sold their goods to QIZ participants who were now required to include Israeli inputs in their products (Chapter 8).

Second, international support—namely from the US, then the EU—facilitated resource capture by formalizing networks of privilege among elites through the creation and funding of organizations, from think tanks to export associations and “industrial modernization” programs. As noted earlier, the organizations discussed throughout this book were not arbitrary case studies, but rather the central donor and/or state-funded bodies intended to support inclusive “private sector” industrial development in the 1990s and 2000s. These organizations offered official platforms for select business elites to both channel external rents to their own individual firms and to other elites, strengthening powerful networks and increasing their policymaking influence in the process.

From the privileged position of donor-funded organizations (or international partnerships in the case of QIZs), these individuals also tapped into additional rents from the state coffers. The Egyptian government co-funded the FEI and IMC and forwent revenue sources (tariffs on imports, for example) with the QIZ agreement. Meanwhile, perhaps the largest slush fund for very large businesses during the Businessmen Cabinet, the EDF—which, although sourced from the state budget—was deeply intertwined with other donor-funded organizations and the cronies leading them. Zorba and Kassem, among others, used the USAID-funded FEI, ECES, and ExpoLink to write the legislation that eventually created the EDF, which, after Rashid became minister, distributed tens of millions of dollars to their own businesses and Egypt's largest oligarchs through the web of organizations that they dominated.

With regard to the book's final question, the preceding chapters have attempted to demonstrate that the well-funded SME promotion programs proved so unsuccessful largely because they were led by these networks of business–state elites who had little incentive to include smaller firms into their closed circles when they could instead boost their own enterprises, and strengthen their networks with other influential high-level capital holders.

Organizing networks and shaping reform outcomes

A more thorough understanding of reform outcomes resulting from capital-based networks requires consideration of diverse components that exist in an iterative relationship with these human connections—most important for this book, organizations, industrial policies, institutions, and discourse. These components of the political economy arena were shaped by and, in turn, shaped the privileged networks that facilitated elite capture.

1) Organizations

As Haddad (2012) posits, during the early processes of economic liberalization, informal networks serve as the main form of interaction between political and entrepreneurial elites as they learn to navigate “new forms of economic governance and their attendant legal, institutional, and organizational correlates” (85). It is only with the accumulation of capital and confidence that these business actors complement their informal relations with more formal channels to handle the “growing volume of economic transactions” (*ibid.*).

In Egypt, during the reforms of the 1990s, these formal channels emerged in plenty to accommodate the growing economic transactions of USAID support channeled to Gamal’s cohort of globalizers. As Egyptian elites learned to navigate the openings offered by economic liberalization, they cast a web of organizations (Chapters 1, 3, and 4) with generous funding from their international counterparts. Using their early gains in capital, the Egyptian private sector representatives rose to political positions, further blurring the already tenuous distinction between the “public” and the “private” with the ascent of the Businessmen Cabinet.

To complement the Businessmen Cabinet, several of the formal channels established in the 2000s took the form of “Public Private Partnerships.” As I have argued, the ambiguity of the distinction between the two realms (public and private) inherent in the PPP construction served several functions perpetuating economic exclusion. Most importantly, PPPs granted rents to empower business–state elites, while simultaneously transferring state responsibility for “SME inclusion” to the “quasi-governmental” sector led by these individuals.

2) Industrial Policies

Manipulation of industrial policies involving foreign capital (whether economic or social) also became a central arena for entrenching the privileges gained from the 1990s during the Businessmen Cabinet era—in particular, policies concerning exports and subsidies for industrial upgrading (Chapter 5).

The importance of exports for economic development in the context of globalized markets has been well established (Moreno-Brid and Paunovic 2008). But trade policy affects firms differently depending on their

competitiveness in export markets (Tambunan 2011). Not all firms see the benefits of trade liberalization. Thus, exploring who does (and does not) have access to export markets as well as how that access is secured is of utmost importance to understanding how the majority of Egyptian firms have been excluded from the country's economic growth of the early 2000s. Accordingly, this book has highlighted the importance of networks influencing access to export markets and export subsidies—emphasizing both the linkages involved in policy negotiations, as well as the channels emerging from the process through which economic privilege would be entrenched.

Similarly, the industrial policies articulated in the Businessmen Cabinet's Industrial Development Strategy were both designed and implemented by a small group of “private sector” actors (with their “public sector” counterparts) who lacked incentives for genuine national industrial development. Through their web of PPPs, they became the central mediators for accessing both Egyptian and international public funding intended for “industrial promotion”—particularly, subsidies for technology upgrades and vocational training. As discussed in Chapter 5, the hundreds of millions of Euros did promote industrialization, however, did so only for a small group of individuals who stood as the core brokers—between the Businessmen Cabinet and international interlocutors—and others they chose to integrate into their web of rent streams.

3) **Institutions**

The rise of coalitions formalized in the organizations noted above also gave birth to a spate of new “rules of the game,” or legislation, catering to the business interests of the networks involved. The 1990s brought, for example, Law 8/1997 for Investment Guarantees and Incentives, and Law 3/1997 for Ports and Airports Privatization (spearheaded by Khamis and lobbied for through the FEI platform). And in the 2000s, the Income Tax Law (91/2005) provided significant improvements to the bottom lines of those involved in directly crafting and lobbying for the legislation—again, achieved through powerful networks connected via the executive boards of the organizations discussed above.

4) **Discourse of inclusion**

Central to elites' ability to gain and maintain access to rents was creating an effective guise of inclusivity. The organizational veil provided by the various “business development” bodies created or redefined during the reform era (e.g., FEI, ExpoLink, IMC, RMGEC) served an essential function, allowing individuals in the small cohort of cosmopolitan elites to hide behind a shroud of acronyms that suggested inclusive service provision, while simultaneously offering the globalizers direct channels to network with those sharing their cosmopolitan capital in the international arena—securing both donor funds and export markets.

While the cosmopolitan capital-rich sat behind the veil on the organizations' executive boards, in front of the veil, an army of quasi-governmental bureaucrats blossomed to contend with the masses (Chapters 3 and 6). The new brand of bureaucrat also served the essential function of providing ostensible inclusion through *qisas el NagaH* (success stories), articulated by a regime of marketing materials (pamphlets, websites, videos) that were necessary to maintaining the rent streams of both public resources and cosmopolitan capital channeled to the executive boards.

In its final assessment of the Businessmen Cabinet policies, a paper for the German Development Institute (DIE) concludes: "Everyone gained from the liberalization of the financial sector, the reorganization of the customs clearance system and the streamlining of administrative procedures" (Loewe 2013, 76). While the author is critical of the Nazif-era policies and concedes that "some benefited much more than others," he maintains that the policies "did not harm any specific groups" (*ibid.*).

However, this book has offered an alternative assessment of the Businessmen Cabinet policies. As argued in the preceding chapters, not everyone gained from the liberalization of the financial sector, nor from the streamlining of the customs and administrative procedures. Instead, financial sector liberalization supported the rise of an economic elite so empowered by monetary gains that their supremacy in Egypt's political economic space has persisted, despite regime change, and will likely persist long into the future. The consequences of this entrenched influence can similarly be expected to fuel the continuation of policies benefiting the interests of the few at the expense of the majority for years to come. In light of these developments, we can say that the differential access to these benefits did indeed harm specific groups, namely the capital-poor.

Meanwhile, access to the privilege of bypassing Egypt's dreaded bureaucracy remained confined to those possessing capital of the sort that would free them from the very large vestiges of "the state" that had not been shed, but rather pushed aside. The globalizers' parallel quasi-governmental organizations (e.g., GAFI, EECF, the "Central Unit" at the Ministry of Industry and Trade) that were created to implement the streamlined procedures, offered carved out spaces of efficiency to a select few, allowing them to grow their enterprises, while leaving the rest of Egyptians to drown in the morass of remaining *mowazzafeen* (low to mid-level bureaucrats).

Specifically addressing Egypt's smallest enterprises, the DIE paper concludes: "Manufacturing MSEs [micro and small enterprises] did not benefit much from the Nazif government's general economic reforms—but they did not suffer from them, either" (Loewe 2013, 77). Instead, the author argues that while their gains may have been marginal compared to those of larger firms, the general climate of the period did offer some benefits, noting: "the SFD now provides [business development services] to MSEs" (*ibid.*)—a comment that, when we recall the nature of the SFD (Chapter 3), once again proves the effectiveness of the veil of inclusivity.

Lasting implications of early reform winners

This book has attempted to highlight the lasting implications of early market liberalizing reforms for entrenching domestic elites' ability to manipulate the political economy arena in their favor. This group's tremendous amounts of socioeconomic capital accumulated over the years of privileges apportioned to them during the reforms of the 1970s, 1990s, and 2000s have created a new reality for "business–state relations." The internationalization of their wealth through the increased ease of transferring capital out of Egypt into international banks has shielded this group from the full brunt of domestic instability. So too has their business expansion into the international arena—both via market penetration as well as economic collaboration.

And yet, the source of this internationalized wealth has been derived from Egypt's resources (be it state subsidies, tailor-made industrial policies, tax exemptions, market monopolization, low-cost land, cheap labor, or often, all of the above). Such a dynamic of international mobility and access to domestic wealth has created a new beast in Egypt's political economy arena, with the result that the category "Egyptian businessmen" seems less appropriate for this group than that of "cosmopolitan elites."

Shortly before the Arab Spring, Henry and Springborg (2010) posited:

The emerging crony capitalism in the [MENA] region may not be a merely transitional, functional phase for further development of a productive market economy, since another plausible scenario is that the present state-dependent, crony capitalism may have created a nexus between the political elite and successful businessmen that is too central to the system, too institutionalized, and too remunerative to both sides for it to be easily broken.

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The events of 2011 have thrown additional variables into the equation, stigmatizing many of the former "political elite" and changing the dynamics of relations within the ruling regimes. In the case of Egypt, we have seen regime change and numerous cabinet shuffles in the ten years following the overthrow of President Mubarak. As consequence, discussion of a nexus between the "political elite" and "successful businessmen" becomes more complicated. Instead, as discussed in Chapter 10, what we see is the persisting influence of these early reform winners in the political arena, regardless of who occupies the seat of power.

The ousting of Mubarak, then Morsi, and the rise of Sisi's military-backed regime have offered concrete examples of the need to examine not only powerful human networks, but also material and ideological elements defining Egypt's reform era and post-Revolution political economy. Some networks have remained, while others have been reconfigured, and others newly created. However, their very fluidity, existing in parallel to persisting trends of structural exclusion and elite capture, also emphasizes the need to integrate

other factors into our analysis. The overarching framework of neoliberal reforms and discourse offers a thread of continuity that has persisted through all of Egypt's regimes for nearly the past half-century, despite changing faces.

Neoliberal reforms expanding pathways for elite capture

Rent seeking and elite capture by no means originated with the neoliberal reforms that began to dominate the global stage in the 1980s. Indeed, the early argument pushed by the IMF, WB, and their supporters was that economic liberalization would dismantle arrangements of unfair resource distribution existing in the statist orders of the Global South in the 1950s and 1960s—replacing them with “competitive markets,” and thus expanding opportunities for more inclusive economic participation. Unfortunately, such was not the case. Instead, earlier tendencies by networks of privileged individuals to maximize access to state and donor resources continued; and as privatization and deregulation opened the flood gates of possible rents, they now had a bigger pool of resources in which to swim.

Neoliberalism's central tenets have proven extremely lucrative for cross-border partnerships of the capital-rich, while leaving a widening gap between reform “winners” and “losers.” Financial deregulation and trade liberalization—resulting in the increased mobility of money and goods—have enhanced the ability of large capital holders, irrespective of birthplace, to exploit the weak currencies and weak institutions of “developing” countries. And privatization has simultaneously expanded opportunities for crony capitalism in the domestic realm, while also opening doors for partnerships between international actors and newly empowered groups of indigenous elites. These trends have brought a substantial decline in economic opportunities for the unconnected, while at the same time, the reduction of government spending on social goods has led to the further deterioration of the basic building blocks of society, like health and education.

This phenomenon of elite capture during market liberalizing reforms is not unique to Egypt. Across the globe, from Asia to the Americas—North and South—neoliberal reforms have been shown to benefit the already wealthy, while increasing inequality (e.g., APMDD 2018; García-López 2019). This has held true even in contexts with relatively strong checks and balances such as the US. The 2008 financial crisis offers a revealing case of the redistribution of state resources to the extremely wealthy—with financial institutions disbursing over \$32 billion in bonuses to the executives who caused the crisis, while hundreds of billions of tax-payer dollars were sent to bail out their sinking ships (Story and Dash 2009).

Implications of capital-based networks for international donors

Despite the growing criticism of the neoliberal agenda that has dominated the global stage for the past 40-some years, it shows no signs of disappearing in the near future. Given this reality, this book attempts to contribute to the possible

mitigation of international capital's (social and economic) role in facilitating capture. This book has aimed to problematize a core aim of neoliberal reforms: the attempt to get the "state" out of the market and promote the "private sector." As this book has demonstrated, it is not the "state" per se that manipulates markets, but rather networks based on high-level capital (social, cultural, economic, cosmopolitan) that transcend public-private divides.

Conceiving of elite capture as executed through these networks has many implications for international donors and their attempts to influence economic reforms. First, the danger of donors funding "pro-private sector" organizations led by business elites becomes readily apparent. The likely result of such an arrangement is the distribution of the external rents among elites, which in turn: (1) enables them to out-perform their unconnected compatriots, making the market even less competitive; and (2) increases their influence in securing self-serving legislation and policies.

One possible path for donors to mitigate this capture is to maintain acute awareness of conflicts of interest, and the importance of incentives. If business elites command the boards of development bodies, resources can be expected to flow to their own economic endeavors. Similarly, when organizations, such as the IMC, take on mandates to support firms of all sizes, elite capture also becomes a likely outcome. In the absence of oversight and/or incentives, why would the elite members choose to channel resources to smaller firms when they could instead enrich their own enterprises and those of friends in their valuable networks?

Second, genuine channels of representation must be made available for smaller, unconnected firms. As with elite capture of rents, the preceding chapters have demonstrated how cosmopolitan capital-rich cronies similarly monopolized channels of representation, such as the FEI and Export Councils. They in turn claimed to speak for smaller firms, and in the process not only excluded these smaller voices, but also gained legitimacy in the eyes of donors ostensibly attempting to reach the latter. The interlocuters of international donors must not be confined to those who are adept at speaking the same language—in the broadest sense of the word.

Finally, this reconceptualization of agents in terms of their capital portfolios has implications for the other side of the business spectrum—the so-called "SMEs." Definitions of "SMEs" based on number of employees or annual turnover misses this important social element. The economic endeavors of Egyptian elites or their children could very well fall into the "SME" category as currently defined. And yet, their capital (social, economic, etc.) already places them in networks conducive to business success—with connections to bypass suffocating bureaucracy, access markets, and secure start-up funds. In an environment in which one's networks play such an essential role in determining business success, the aim of donor programs should be to compensate for low-income actors' dearth in all types of capital through targeted assistance in streamlining bureaucratic procedures, integration into external markets, and the creation of platforms exclusively for low-income entrepreneurs to make their voices heard.

Grappling with networks, inequality, and causality

Outcomes as complex as elite capture and inequality never have a single cause. However, there are variables that are inextricably entangled with these outcomes. Any analysis of Egypt's political economy since 1974 cannot, for example, ignore the role of international capital—both social and economic—in shaping networks of privilege. Between 1978 (after Egypt signed the Camp David Accords) and 2019, the US gifted Egypt some \$30 billion in civilian aid, in addition to the some \$49 billion in military aid (USAID 2019a, 2019b).² Tens of millions of dollars from this money contributed to formalizing and empowering networks of cronies in their rent seeking ambitions, while nearly two billion more went directly to the Mubarak regime in exchange for implementing economic liberalizing reforms (often to the benefit of regime cronies), in the “cash for policy” approach of the 1990s to the mid-2000s (USAID 2005). And, as noted, the lion's share of these rents was channeled to the armed forces, which since 2013 has become the dominant actor defining closed circle beneficiaries of Egypt's political economy to operate alongside their Military Inc.

This book has focused on a slice of Egypt's networks of elite resource capture. However, no individual nor set of actors can be singled out as the cause of Egypt's resulting inequality. Instead, it must be seen as the result of the confluence of factors defining the reform era—individuals' actions were shaped by changing opportunity sets, made possible by the dominant ideological context of economic liberalization promoted by IFIs, international donors, and the financing that followed in step. These funds were channeled through organizations set up in “Public Private Partnerships” and used to dominate financial markets, industrial policies, and export markets—securing privileged access for the few, while excluding the majority.

This absence of a singular identifiable culprit in the web of interconnected networks is what has made the gross inequality that emerged alongside developments of Egypt's reform era so resilient. And yet, throughout revolution, coup, and regime change, we do find an underlying unifier: a cacophony of voices promoting economic liberalization, and well-placed elites—international and domestic, military and civilian—ready to catch the windfalls.

The IMF's most recent \$12 billion partnership with President Sisi and his military loyalists has inaugurated yet another “wave of reforms”—with loan conditionalities paving the way for expanded gains for the cosmopolitan and military elite, and increased hardship for the majority. Like the IMF-led reforms under Sadat and Mubarak, this round has been selectively “liberalizing”—reducing social spending while empowering those who operate at the highest levels of the business–state nexus, and indeed facilitating their manipulation of “the market.”

Domestic and international real estate tycoons are sharing their profits with Egypt's top brass in the military-led white elephant projects such as the \$58 billion New Administrative Capital in the desert; financial speculators are reaping considerable rewards as IMF-demanded financial deregulation

has removed barriers to their speedy withdrawals from the country (Knecht 2017); international oil and gas giants are happily extracting Egypt's resources, while channeling rents to the authoritarian regime; and government spending on health and education, which already suffered from lack resources, was cut by a collective \$6.2 billion in the FY2019 budget compared to FY2016 (Ministry of Finance 2019).

Until there is a paradigm shift in the world of IFIs away from a neoliberal agenda, even the trailhead to the path leading to a more equitable Egypt will remain elusive; and the "safety net" programs put in place to catch the falling capital-poor will remain halfhearted attempts to prove there are at least some *qisas el nagaH* (success stories).

* * * * *

Notes

- 1 Recall the USAID-commissioned review of the project to privatize the FEI found the Federation to be "an effective lobby for business and economic reforms that enhance the performance and profitability of US companies that are on the rise in Egypt" (Sines 1999, vii).
- 2 Author's calculations. In historical dollars, not adjusted for inflation.

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Appendix I

Chart of business-state networks, 1991–2011

<i>Name/ Affiliation</i>	<i>ECES</i>	<i>Pres. C.</i>	<i>FGF</i>	<i>EIEF</i>	<i>FEI</i>	<i>EEA</i>	<i>IMC</i>	<i>ECs</i>	<i>QIZ Team</i>	<i>Mil.</i>	<i>NDP</i>
Gamal Mubarak	C CF	C	C CF	–	–	–	–	–	–	Father	Chair of PC
Taher Helmy	C CF	YES	CF	F	BM	–	–	–	–	Father	PC
Alfi	FBM	YES	VC	–	YES ^a	–	–	YES ^b	–	–	Brother
Ahmed Ezz	BM	YES	FBM	FBM	VC	–	–	–	–	–	PC
Rashid	BM	YES	FBM	FBM	YES	–	YES	C	YES	–	Minister
Khamis	FBM	YES	–	–	C	–	YES ^c	–	–	Brother	YES
Galal Zorba	FBM	C	FBM	FBM	C	C CF	–	Son	C	–	PC
Kassem	BM	–	–	–	C of TC	VC	–	C of TC	YES	–	–
Nadim	–	–	–	–	C of IA	T	C	C of FC	–	–	–
Abouleish	–	–	–	BM	C of ILC	–	C	AC MC	–	–	YES
Arafa	C	–	–	–	–	CF	–	C of TC	VC	Father	–
Mansour Maghraby	SG FBM	C –	SG BM	–	–	–	–	–	–	–	Minister Minister
Funding Source (1991–2011) ^d	USAID \$10mn ^e	USAID	–	–	USAID \$16.7mn & GOE	USAID \$32.7mn	EU €250mn GOE €103mn	EU ^f GOE	–	US \$26bn	USAID \$1.8bn ^g

Notes: Positions held at some point between 1991 and 2011. List not exhaustive. Dash means the individual had no official relationship to the respective organizations known to the author. C- Chairman; VC- Vice Chairman; CF- Co-Founder; BM- Board Member; FBM- Founding Board Member; SG- Secretary General; T- Treasurer; PC- NDP's Policies Committee.

a Managing director of Alfi's American Group-Egypt, Tarek Tawfik, was appointed Chairman of the FEI Food Chamber.

b Tawfik also represented Alfi's interests as Chairman of the Food Export Council.

c Khamis was represented on the IMC executive board by Alaa Hashim, Chief Operating Officer of Khamis' MAC Carpet subsidiary (Abouleish et al. 2005, 76) and on the EEPC board by Mr. Hashim's father, Raed Hashim, then MAC Chairman (FEC 2005).

d These amounts are based on publicly accessible records and not comprehensive. Actual amounts received by some of these entities are much higher than the numbers listed.

e In addition to undisclosed amounts from WB and UNDP.

f EU funds went to Export Councils via the IMC. GOE Funds came from the IMC and EDF.

g This money was part of USAID's "cash for policy" program that was transferred to the Egyptian government in exchange for certain economic liberalizing reforms (USAID 2005). While it did not go to the NDP directly, the government was dominated by the NDP and the two were inseparable at the time.

Affiliations

- ECES- Egyptian Center for Economic Studies (est. 1992)
- EEA- Egyptian Exporters Association/ExpoLink (est. 1997)
- ECs- Export Councils (reconfigured 2005)
 - FC- Furniture Chamber/Council
 - TC- Textile Chamber/Council
 - AC- Agricultural Council
 - MC- Medicaments Council
- FEI- Federation for Egyptian Industries (reconfigured 1994)
 - IA- International Affairs Committee
 - ILC- Industrial Law Committee
 - FC- Furniture Chamber/Council
 - TC- Textile Chamber/Council
- FGF- Future Generation Foundation (est. 1998)
- IMC- Industrial Modernization Center (est. 2000, reconfigured 2005)
- Mil- Military
- NDP- National Democratic Party
 - PC- Policies Committee of the NDP (est. 2002)
- Pres. C.- US-Egypt Presidents' Council (est. 1994)
 - renamed US-Egypt Business Council after 2001
- QIZ team- Qualifying Industrial Zone (est. 2004)

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