



Eye On Egypt

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This Digest...

is a monthly publication of Egypt's International Economic Forum, offering a review of international analyses and opinions covering Egypt's economy, society and polity. The views expressed herein are those of the authors and do not necessarily reflect the views of the Forum.

“Global Competitiveness Report: 2010-2011”

World Economic Forum
 September 2010

The World Economic Forum released its annual Global Competitiveness Report this month. The report lays out the key factors determining economic growth and helps explain why some countries are more successful than others. It also offers decision-makers in politics and business an important tool for improving economic policies and institutional reforms.

The Report assigns ranks to countries according to twelve criteria, or “pillars.” The first four are “basic requirements”: institutions, infrastructure, macroeconomic environment, and health and primary education. The next six are “efficiency enhancers”: higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness and market size. The last two are business sophistication and innovation.

Egypt received an overall ranking of 81 out of 139 countries. On basic requirements and efficiency enhancers, Egypt was ranked 82nd out of a total of 139 countries. Its rank on sophistication and innovation was slightly better, at 68/139. The Report identified Egypt's competitive strengths as “the sheer size of

its market (26/139) that allows businesses to exploit economies of scale, the fairly well developed private institutions (60/139) that ensure good governance, and its satisfactory transport infrastructure (56/139 overall).”

Egypt's overall ranking of 81/139 is a drop from last year's ranking of 70/133.

Overall rankings of other Arab countries are:

	Rank out of 139
UAE	8
Qatar	23
Saudi Arabia	26
Tunisia	31
Bahrain	33
Oman	48
Jordan	65
Kuwait	68
Lebanon	70
Morocco	88
Syria	97
Algeria	107
Libya	127

The Report identified the five most problematic factors for doing business in Egypt as corruption, inflation, inadequately educated workforce, tax regulations and access to financing.

It ranked Egypt as 133/139 in terms of

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efficient use of workforce talent and 130/139 in terms of the participation of women in the labor force.

The Report categories economies into: Stage 1; Transition from 1 to 2; Stage 2; Transition from 2 to 3; and Stage 3. The higher stages include more developed economies, such as the United States and Western European countries. Egypt's economy was identified as in "Transition from 1 to 2." Other Arab countries listed in the same category include Kuwait, Libya, Morocco, Qatar, Saudi Arabia and Syria. Stage 2 countries included Jordan, Lebanon and Tunisia. Stage 3 included the United Arab Emirates.

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"Egypt Likely to Unseat Dubai as the Regional Real Estate King, Say Experts"

Zawya

September 26, 2010

Author: Christopher Le Coq is a business reporter at Daily News Egypt and the International Herald Tribune.

Le Coq's article examines the growing consensus among investors that Egypt will overtake Dubai as the strongest real estate market in the Middle East. Cited experts attribute Egypt's booming performance to a surge in real estate activity worldwide and rural migration into Cairo. They also point to Egypt's 600,000 marriages per year, which theoretically translate into a similar number of house purchases, as a cause for the real estate boom. Other factors include foreign direct investment, which surged after the G7 summit in 2008. Following the summit, which emphasized emerging markets, foreign investors flocked to Egypt given its rapidly growing population and political stability.

In addressing the remaining challenges to the Egyptian real estate market, experts cited a lack of buyers' trust, which has been damaged by frequent violations of contract terms; the unaffordability of housing for the majority of Egyptians;

and inconsistent and non-existent demographic and real estate data. The article addresses upcoming governmental and private sector efforts to gather such data that could transform investment strategies in the Egyptian real estate market.

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"Egypt and Thirsty Neighbors Are at Odds Over Nile"

The New York Times

September 25, 2010

Author: Thanassis Cambanis is a journalist and Adjunct Professor at Columbia University's School of International and Public Affairs

Cambanis' article explores the connections between water, economics and foreign relations in countries of the Nile Basin. Specifically, it addresses the recent Nile Accord, an agreement through which upstream countries have attempted to undermine Egypt and Sudan's near-complete control over the water. Not surprisingly, Egypt and Sudan have both strongly rejected the accord.

Cambanis explains the conflict's historical origins spring from British colonial rule, with particular emphasis on the 1929 Treaty which was reaffirmed in 1959. Seven upstream countries—Ethiopia, Uganda, Tanzania, Kenya, the Democratic Republic of Congo, Burundi and Rwanda—criticize the continuation of this colonial-era treaty. Egypt, meanwhile, supports the treaty because the Nile is its only water source. At current usage rates, the Nile's water will barely provide for Egypt's needs by 2017.

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"Egypt's Opposition: to Boycott Elections, or Not?"

Time Magazine

September 22, 2010

Author: Abigail Hauslohner is a freelance reporter and producer living in Cairo

Although Mohamed El Baradei's call to boycott November's parliamentary elections reflects widespread discontent with unfair and rigged elections, many opposition groups are hesitant to follow the call. Those in support of a boycott suggest a massive withdrawal from the election would put pressure on the regime to promote more democratic practices and demonstrate the often fractured opposition's unity in a strong way.

But the Muslim Brotherhood—which garnered 88 seats in the last parliamentary elections—is leaning toward rejecting the boycott, following suit with the Wafd and Tagammu parties, both which will field candidates in the upcoming elections.

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"Is Gamal Mubarak the Best Hope for Egyptian Democracy?"

Foreign Policy

September 20, 2010

Author: Tarek Masoud is an assistant professor of public policy at Harvard University

The opinion held by opposition parties and international advocates of democracy that Gamal Mubarak's rise to power would implicate a terrible plan to establish a "monarcho-republic" is valid according to an ideal sense of democracy. However, Masoud says the realistic options for Egypt's political future are so limited that Gamal's accession is actually the best available choice.

Masoud says alternatives to Gamal's rise to power include: another Mubarak term, a hand-over to Omar Suleiman or a military coup.

While Gamal's inauguration would not inherently signify democracy, Masoud suggests it would put forth the best available conditions for future transition toward a true democracy.

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It would symbolize a sense of change, as he would be the first modern leader of Egypt without a military background. Furthermore, his assured participation in subsequent elections would foster a greater likelihood of changes in leadership.

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“Egypt’s Youth Builds New Opposition Movement”

The Washington Post
September 16, 2010

Author: Sarah el Deeb, Associated Press reporter

El Deeb’s article chronicles the development of a volunteer youth organization approximately 15,000 strong which seeks Mohamed El Baradei’s rise to the presidency in the upcoming presidential election. The article argues that El Baradei’s return to Egypt has invigorated a disillusioned anti-Mubarak population, but simultaneously highlights that Egypt’s political system provides minimal opportunity for outsiders, even El Baradei, to garner much of a chance in time for elections, whether parliamentary or presidential.

Despite all the structural forces working against them, coordinators of this youth group hope to develop a large-scale “disobedience movement” with the ability to take on the Mubarak regime. Though its future is immensely uncertain, the group’s work has been notable so far and has overwhelmingly remained untouched by the government.

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“Egypt’s Building Progress”

The Financial Times
September 15, 2010

Author: Heba Saleh has been Cairo correspondent for The Financial Times since May 2008. She covers Egypt and North Africa

Saleh chronicles the growing popularity of compounds in the outskirts of Cairo which offer lavish amenities almost impossible to find in downtown Cairo. These communities tap into a high-demand and expensive real estate market among Egypt’s upper class that has become more apparent since the country’s economic growth beginning in 2005.

Despite the market’s vitality, analysts believe Egypt’s top-class market is close to saturation. Consequently, developers have begun to target the middle-class with apartments instead of houses for the elite. These shifts in building strategies do not, however, indicate the market as a whole is reaching its breaking point. The article points out property developers “still have an addressable market of up to 12m people or some 10-15 per cent of Egypt’s 80m population.” But even though a targeted audience remains and development companies have seen significant success in 2010, analysts readily point out the number of units sold this year is notably below what it was in 2008.

While Egypt’s residential market may be faltering, its commercial markets remain overwhelmingly untapped.

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“Succession Gives Army a Stiff Test in Egypt”

The New York Times
September 11, 2010

Author: Thanassis Cambanis is a journalist and Adjunct Professor at Columbia University’s School of International and Public Affairs

Cambanis delves into the heart of the most pressing issues confronting the Egyptian military now that the Mubarak presidency is possibly coming to a close. His interviews with retired military officers and other analysts reveal the military’s posture toward Gamal

Mubarak’s presidential candidacy lies somewhere between outright opposition and mistrust. Given its strong ties to the NDP’s “old guard,” the military is wary of Gamal and his ties to younger business-oriented leaders in the NDP. The military will not support Gamal’s candidacy without “ironclad guarantees” he will maintain the military’s dominance.

Cambanis concludes the next president— whoever he is—will have to contend with this powerful institution.

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“The Case for Boycotting Egypt’s Elections”

Carnegie Endowment for International Peace
September 10, 2010

Author: Amr Hamzawy is the Research Director and Senior Associate of the Middle East Center at the Carnegie Endowment for International Peace

Amr Hamzawy argues opposition parties should contest the National Democratic Party’s (NDP) authoritarian grip on power by boycotting the upcoming parliamentary elections (November 2010). He supports the decision of parties such as Al-Ghad and the Democratic Front, as well as of popular movements such as Kefaya and the National Assembly for Change, to call for a general boycott. The Muslim Brotherhood, the New Wafd and ‘Tajammu’ parties should follow suit. [Note: Since the article’s publication, both the New Wafd and ‘Tajammu’ parties have announced they will run.]

Hamzawy explains his position on boycotting parliamentary elections has markedly shifted since the 2005 elections. At the time, he advocated for the opposition’s participation, arguing it could press the regime to introduce

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democratic reform, especially given American and European calls for democracy in the Arab world.

Five years later, international pressure has diminished and the NDP has only tightened its control over Egyptian politics, preventing “integrity, transparency, competition and fair play.”

Hamzawy argues as long as the NDP continues to enjoy a majority in Parliament and control over state finances, and as long as it remains in a position to manipulate the constitution in ways that fail to promote democratic change, the opposition has little to gain by participating in elections. In this context, boycotting the elections becomes “the least bad option,” according to Hamzawy.

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“Egypt Pushes Back Against Senate Resolution on Elections, Human Rights”

The Washington Post
September 8, 2010

Author: Dan Eggen is a Washington Post Staff Writer.

Eggen explores the political dimensions of a U.S. Senate resolution condemning Egypt's record on human rights and free elections. The resolution specifically criticizes the Egyptian security services' abuse of power and President Mubarak's extension of the emergency security law, which allows for “broad arrest powers and indefinite detention of suspects without charges.”

The author of the resolution, Democratic Senator Russell Feingold of Wisconsin, has stated Egypt's political period of transition provides a ripe moment for the United States to pressure for reform. He argues the United States must remain critical of human rights violations in

Egypt if it is to maintain its credibility, especially in the Muslim world.

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“Gamal Mubarak and the Discord in Egypt's Ruling Elite”

Arab Reform Bulletin, Carnegie Endowment for International Peace
September 1, 2010

Author: Stephen Roll is a researcher at the German Institute for International and Security Affairs in Berlin.

This article discusses the roles of differing ideological factions among Egypt's elite regarding Gamal Mubarak's potential bid for the presidency in 2011.

Understanding the complex dynamic between these groups is crucial to analyzing Egypt's upcoming election.

Roll notes the 2011 presidential election is the first in modern history for which the Egyptian business elite have a notable influence. Such a development is of great significance to both the political and business communities. The article also touches on the potential role of the military—which has traditionally remained neutral in such matters—but whose personal ties to members of the old guard could prove influential.

Roll uses the typologies “new guard” and “old guard” to categorize the different perspectives within Egypt's ruling elite. The new guard, generally made-up of neo-liberally minded businessmen, has been the traditional pillar of support for Gamal's prospective campaign. They represent a growing power within the NDP, especially during the last decade. Their agenda strongly benefits Egypt's business elite and has provoked significant backlash on the part of the old guard.

The old guard has traditionally had strong ties with the state and opposes privatization and government restrictions advocated by the new guard. In recent years, the old guard has utilized

uncertainty and fear generated by the financial crisis to reclaim political ground and stall privatization initiatives through public criticism of the new guard's economic agenda. While it is unclear whether or not Gamal will run, it is all but certain his campaign will become the stage upon which the rivalry within Egypt's elite acts out. Roll deftly illustrates the delicate line which Gamal must walk in order to keep both parties content, highlighting the electoral repercussions should he alienate either the business interests vested in the new guard or the bureaucratic tradition of the old guard. ■

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Egypt's International Economic Forum is a non-governmental, non-partisan business organization founded in 1998 by a group of prominent Egyptians committed to the comprehensiveness, sustainability and consistency of Egypt's reform efforts. The Forum aims to promote a favorable economic and business environment that allows Egyptian businesses to prosper while also contributing to the progress and well-being of Egyptian society at large.

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