

Egypt should say ‘yes’ to emergency assistance, but ‘no’ to the failed development model of the past

CESR Research Consultant Rick Rowden explains why Egypt should be wary of any IMF loan agreement that requires a return to the ineffective policies of the past

Introduction

As continuing political turmoil pushes the Egyptian economy deeper into financial crisis, there is no doubt the country is in need of short-term international assistance. Nevertheless, the policy advice and conditions likely to come as strings attached to such assistance will do little to set Egypt on a path towards sustainable and equitable development, and may well undermine efforts of citizens to realize economic and social rights. This is especially true regarding a new \$4.8 billion dollar loan currently being negotiated with the International Monetary Fund (IMF).

The need for IMF assistance comes as Egypt’s foreign currency reserves dwindle; they have declined from \$36 billion on the eve of the January 2011 uprising in Cairo’s Tahrir Square to just \$13.5 billion today. The financial crisis has been fuelled by a sharp drop in foreign investment and tourism due to the transition process and lingering political instability. The IMF loan, originally agreed last year, has been delayed amid constant feuding between the ruling Islamist parties which support President Mohamed Morsi and the coalition of opposition parties which are at odds over the future character of Egypt’s political system. This situation makes it difficult to achieve any political consensus on how best to reform the economy.

With political uncertainty spooking international investors, the Egyptian pound has fallen by 14 percent against the US dollar on international currency markets since the beginning of the revolution, leading the Egyptian Central Bank to spend more than [\\$20 billion](#) of its reserves in trying to prop up the value of the currency. The weakening value of the currency has made much-needed imports of oil and wheat even more expensive, and this has in turn placed a huge burden on the national budget as it tries to maintain the subsidy system that provides cheap energy, cooking gas and wheat to the majority of the impoverished population. Wheat and energy subsidies account for 5 and 20 percent of the budget, respectively, and the rising costs have increased the budget deficit to 12.3 percent of GDP.

However, it was widely predicted that a key condition required to access the IMF loan would be a promise by Egypt to reduce its budget deficit to near 8.5 percent of GDP by next year. As devised, the unpopular economic policy would set out blanket cuts to these subsidies as well as tax increases which could further inflame the unstable political situation. Yet, being awarded the IMF loan is seen as a necessary step in order to open the way for an estimated \$15 billion of dollars in further assistance from the World Bank, US, EU, Gulf Arab states and other donors. Whether this is true or not remains an open question, as Qatar and the US have already offered Egypt some aid even without it having first secured the IMF loan. And just last week, Qatar again [stepped forward](#) to offer Egypt an additional \$3 billion in immediate assistance in the form of bond purchases and said it would extend gas supplies to Egypt this summer as needed. This offer

came just as IMF negotiators arrived in Cairo to continue their efforts to finalize the loan. Furthermore, Egypt's difficulties are exacerbated by the fact its exports have traditionally gone to Southern European markets, which themselves are in crisis and not importing as much as they used to.

Despite the current political turmoil, the short-term financial crisis cannot be separated from the long-term failure of the national economic development model which has, over the last few decades, deepened the poverty, unemployment, inequality and social injustice which fuelled the 2011 uprising against Hosni Mubarak's regime. Today, over 40 percent of the population lives on less than \$2 a day, while a tiny group of super-rich has increased its fortunes. This failed development model, which was promoted by the IMF, World Bank, USAID and other western aid donors, included premature trade liberalization, financial liberalization and the privatization of public assets in the context of a cruel and unaccountable kleptocracy that benefited Egypt's tiny economic and political elite while worsening conditions for the majority of the population. Such conditions worked to block not only basic civil and political rights of citizens but also the realization of economic, social and cultural (ESC) rights as well.

Critics of negotiations with the IMF, including Egyptian civil society organizations (CSOs) such as the [Popular Campaign to Drop Egypt's Debt](#), the Egyptian Center for Economic and Social Rights, the Egyptian Initiative for Personal Rights, along with labour unions and opposition parties have drafted a [public letter](#) claiming the negotiation process has not been inclusive, transparent or participatory, and that the deal will only add to Egypt's foreign debt burden and the continuance of the same failed development model of the past few decades.

During government meetings with an IMF delegation in Cairo last November, protesters [took to the streets](#) to express their anger at the proposed loan and their concern over possible austerity measures that would come with it, leading President Morsi to [suspend the package](#) and delay loan negotiations. Critics cited the long and unpopular record of previous IMF support for the Mubarak regime. For example, the blog [Rebel Economy](#) produced a [timeline](#) of Egypt's history with the IMF. And the Egyptian Centre for Economic and Social Rights, which filed a lawsuit over the nontransparent nature of IMF negotiations, [called](#) on the government to disclose details of the national economic plan it offered to the IMF as a precondition for the loan, as well as records of all meetings, loan conditions and recommendations the IMF will impose on Egypt.

Ahmad Shokr, a founding member of the Popular Campaign to Drop Egypt's Debt, [said](#), "The fact is this economic reform program was never presented publicly and was never put up for a serious public debate." Last September, the Campaign organised a conference in Cairo at which activists rejected the new IMF loan and called for a full public audit of all Egypt's previous foreign debts.

Although the US has promised Egypt up to \$1 billion in debt cancellation once it accepts a new IMF loan, the Jubilee USA Network [warned](#) in a statement that, "We need to understand this relief in the context of the \$35 billion that Egypt still owes to several external lenders. We should be looking at ways to bring all of the lenders to the table and arbitrate more of the external debt in a way that recognises that some of this debt is not the responsibility of the people - but the responsibility of a former corrupt regime." Nevertheless, on February 10, the US ambassador to Egypt, Anne Patterson, was not shy in making [public demands](#) for Egypt to honour the financial obligations of the previous regime, essentially paying the debts incurred by the undemocratic Mubarak government.

The IMF loan is likely to call for ending the universal application of fuel and wheat subsidies and directing them more directly to the poorest citizens, along with increasing the Value Added Tax (VAT) on basic consumer goods, which tend to be regressive in nature, negatively affecting the poorest consumers. While the subsidies contribute to the deficit, Moustafa Bassiouny, an economist at the Signet Institute in Egypt, says the crisis is mostly driven by very low levels of economic growth. He [argues](#) that lifting subsidies on cooking gas is not the answer, as they represent a very small saving on a commodity that many poor people in Egypt need, while there are other types of subsidies benefitting the well-off which are not being addressed. “The government is directly channeling the full effect of the subsidy removal to the poorest segments of society,” he says. “This is not only fiscally ineffective but morally inconsistent.”

But as a tactical manoeuvre, the IMF “has become quite smart lately in the sense that they don't impose direct conditionality in order to give money,” says Amr Adly, the head of the Economic and Social Justice Unit at the Egyptian Initiative for Personal Rights. Instead, “they [ask the government to design](#) the program and they have to accept it so they can release the tranches. So it is indirect conditionality because they won't give you the money unless they approve of the plan.”

The wrong medicine at the wrong time

While Egypt clearly needs international financial assistance, such aid should be designed to help the country increase its current public spending in order to stimulate GDP growth, employment and investment, rather than imposing the classic IMF medicine of budget cuts and austerity. Critics of the IMF's conditions argue that in periods of recession and high unemployment, austerity policies are counterproductive and tend to have an adverse impact on the poorest segments of the population. They point to the disasters unfolding in Europe, in which many countries followed IMF austerity policies only to see GDP growth slow, unemployment worsen and deficits continue to rise amidst deepening social protests and political crises. In fact, on October 9, 2012, the IMF made an historic [concession](#) about how terribly wrong its models estimating the degree of social and economic harm caused by the deep budget austerity had been. New [IMF research](#) found that the economic damage from aggressive austerity measures may be as much as three times greater than they had previously assumed, conceding that deep budget cuts in the midst of an economic slowdown is counterproductive for restoring economic growth (and eventually getting deficits down). As critics of the IMF have long warned, deep public expenditure cuts in a time of recession actually make things worse; it's akin to digging oneself into a deeper hole, because the subsequent drop in employment, consumer demand and future growth rates all contribute to lower tax takes and, in turn, larger deficits.

While attention is focused on the immediate financial crisis facing Egypt, it should be noted that the policies likely to be included in a new IMF loan program will continue supporting the same free market development model endorsed by the Mubarak regime that included premature trade liberalization, financial liberalization and privatization while undermining civil society, social movements and independent labour unions. In the current rush to secure international aid, there is a danger this will be overlooked and the mistakes of the past repeated.

Even prior to the Arab Spring revolts, the official rate of unemployment in the Arab region was the highest in the world. As Ali Kadri, a Visiting Fellow at the London School of Economics, [explains](#), “The labour share was as low as a quarter of national income. Productivity was negative. If a more sensible method of assessing unemployment was carried out, more than half of the labour force could be considered unemployed. For a good part of two decades, real wages in

Egypt and the Arab region have either declined or stood still while labour supply has continued to outgrow labour demand.”

While large-scale public employment initiatives have long-served as a lifeline for many, the privatization and market-based land reforms promoted by the IMF and World Bank and other western aid donors took their toll. In Egypt, privatization programs – particularly in the [context](#) of the unaccountable and non-transparent Mubarak regime, [transferred](#) public assets into private hands, [rolled back](#) earlier more progressive land reforms, and [curtailed](#) the development of an autonomous civil society, in particular [labour unions](#). As with many developing countries which adopted this model, the privatization programs also facilitated the transfer of resources abroad through foreign investment deals at fire-sale prices. IMF-supported capital account liberalization likewise facilitated [capital flight](#). These were resources that could otherwise have been recirculated within the national economy, helping sustain decent living conditions for the working population.

While the western media focused on the role of Twitter and Facebook by activists in Tahrir Square, [more in-depth analyses](#) show that the social movements had deeper roots and were a long time in the making. According to Paul Amar, an associate professor in the Global & International Studies Program at the University of California, the revolt began gradually at the convergence of [two parallel social forces](#) that had gained strength in the last few years before the revolution: the movement for workers’ rights in the newly revived factory towns and micro-sweatshops of Egypt and the movement against police brutality and torture that had been mobilizing communities across the country. The leadership of these new and vibrant mass movements included women of all ages and youth of both genders.

The movement for workers’ rights came about in response to efforts by Mubarak’s son, Gamal, who had put together a team of “technocrats” in 2005 to step-up free market reforms and make the investment climate more attractive to foreign investors. According to Amar, many new factories were built in a series of free-trade zones and manufacturing developments led by investors from Russia, China, Brazil, Turkey, the Central Asian Republics and the Gulf Emirates, who were moving out of the oil sector and real estate and into manufacturing, piece-goods, informatics, and infrastructure. Many of the workers in Egypt’s revived textile industries and piece-work shops are women. They labour in innumerable small informal shops that make purses and shoes, and put together toys and computer circuitboards for sale in Europe, the Middle East and the Gulf. These shop workers joined with the Independent Trade Union Federation and other factory workers to establish the “6 April” labor rights movement in 2008, which was met with harsh state repression.

Microcredit loans were given, with the IMF and World Bank’s encouragement, to stimulate entrepreneurship and self-reliance. These loans were often targeted specifically towards women and youth. But since economically disadvantaged applicants have no collateral to guarantee these loans, payback was enforced by informal criminal law rather than civil law in a system through which the police extract pain and humiliation if you do not pay your bill. Thus, the microenterprise system became a massive set of [police rackets and “loan shark” operations](#) in which police using strong-arm tactics became “regulators” of the massive small-business economy. It was in this context that women and youth attempted to [organize into a social force](#) opposing the police-state and built a broad-based anti-police brutality movement. For example, this movement gained momentum in the wake of the brutal police murder of a youth, Khalid Saeed, who was in a small internet café that he partially owned when police demanded a bribe from him. When he refused, the police beat him to death, crushing his skull while the whole

community watched in horror, in an act which further galvanized the movement nearly a year before the Tahrir Square uprising.

Under this system, the corruption of the military and well-connected elites was not in itself the problem. Rather, the systemic nature of corruption became an unavoidable fact of doing business in an unregulated and nontransparent privatization process favoured by western aid agencies. To describe blatant exploitation of the political system for personal gain as simply petty corruption by individuals misses the forest for the trees. High-ranking members of the government and the economic elite were not thieves in an ordinary sense and did not necessarily steal directly from the treasury. Rather they were enriched through a conflation of politics and business under the guise of privatization. This was less a violation of the system than business as usual. The privatization programs reallocated public resources for the benefit of a small and already affluent elite. In his article, "A revolution against neoliberalism?", Dr. Walter Armbrust, a University Lecturer in Modern Middle East Studies at Oxford University, explains, "Privatization provided windfalls for politically well-connected individuals who could purchase state-owned assets for much less than their market value, or monopolize rents from such diverse sources as tourism and foreign aid." According to Armbrust, "Huge proportions of the profits made by companies that supplied basic construction materials like steel and cement came from government contracts, a proportion of which in turn were related to aid from foreign governments."

As to the results of IMF-driven budget restraint, public investment rates fell from highs of over thirty percent in the 1980s to around fifteen percent by the 2000s, severely undermining future prospects for economic growth and development. The net result was lower quality economic growth and fewer jobs than otherwise might have been created under more expansionary fiscal policies.

Instead of realizing greater civil and political rights, tighter restrictions on civil liberties came about under Mubarak's regime, retarding the social and political development that might have otherwise been possible. This development model sanctified private property rights irrespective of the degree of mal-distribution and endorsed a repressive approach to independent labour unions and a liveable minimum wage. Instead of building a broad middle class and democratic institutions, Egypt experienced political exclusion, rapidly rising rates of child malnutrition and growing economic inequality, reflected today in estimates that two percent of the Egyptian population controls 98 percent of the Egyptian economy. The Egyptian Food Observatory, a quarterly government study prepared in cooperation with the World Food Programme (WFP), found that 86 percent of Egyptian households surveyed in September 2012 were unable to meet their basic monthly needs – a 12 percent increase over the June figure. It noted that among vulnerable households, over 60 percent of income goes toward food.

Over a year before the uprising against Mubarak began, the UK's Guardian reported on a remarkably critical report about the failure of the Egyptian development model which was published by Egypt's General Authority for Investment (GAFI). The 2009 report systematically destroyed the myths and distortions that have driven the country's economic policy for the previous two decades and shattered the illusion that Egypt's recent high GDP growth rates had anything to do with widespread, sustainable social prosperity. The report reviewed the series of wide-ranging free market economic reforms praised by the IMF and World Bank, including relaxed price controls, reduced subsidies, trade liberalization and a post-1996 privatization drive and noted that such policies had resulted in a rapid deterioration of working conditions and a wave of strikes so powerful that one analyst labeled it the largest social movement seen in the Middle East in half a century. It also noted that 2004 tax cuts, which cut the top rate of tax from 42 percent to 20 percent left multimillionaires paying exactly the same proportion of their income

into government coffers as those on an annual salary of less than £500. It further revealed that following the creation of new special economic zones (SEZs), foreign investment reached dizzying heights (\$13bn in 2008) and, in the previous three years, Egypt registered GDP growth at a consistently high 7 percent, although the minimum wage remained fixed at less than £4 a month throughout. These developments led the IMF and the global business community to applaud Mubarak's rule as “bold”, “impressive” and “prudent”.

However, the GAFI report startled champions of free market policies by pointing out that 90 percent of the population had yet to see any of the fruits of such success. Most of the foreign investment had been channeled into sectors like finance and gas which create few new jobs. While national resources like natural gas have been sold at subsidized rates to the tycoon owners of iron and fertilizer factories, the cost of ordinary commodities like bread and cooking oil spiraled. When IMF-sponsored reforms began, 20 percent of the population was living on less than (inflation-adjusted) \$2 a day; today, that figure stands at 44 percent.

Less than a year before the uprising began, the IMF was still praising the policies adopted by the Mubarak regime. In an April 2010 annual review of Egypt's economy, the IMF found that, “Sustained and wide-ranging reforms since 2004 had reduced fiscal, monetary and external vulnerabilities, and improved the investment climate. These bolstered the economy's durability, and provided breathing space for appropriate policy responses”. In the previous year of 2009, the report had found, “economic performance was better than expected, although headline inflation remains elevated . . . as the recovery gains strength, the focus of policies can shift back toward fiscal consolidation and other growth-oriented reforms”. None of the imminent, overwhelming problems at the root of the social and political uprising which were underway at the time were acknowledged by the IMF. Instead, these were either avoided or it chose not to report on them.

The IMF went on to offer its standard set of policy prescriptions, underscoring that it would be important for Egypt to continue its momentum towards free market policies. Although it neglected the GAFI report that found most people were not benefiting from high GDP growth, it suggested, “Rapid growth is crucial to tackling poverty and the high level of unemployment. In this context, reinvigorating the structural reform agenda should help raise productivity and reinforce Egypt's competitiveness.” Further, it affirmed that “Prioritizing reforms that promote macroeconomic stability and improve the investment climate will support the resumption of foreign direct investment. As noted, the planned fiscal adjustment and tax reforms are an important element of generating confidence, improving the business environment, and ensuring space for the private sector. Resumption of privatization and development of public-private partnerships (PPPs) will help mobilize private sector financing and know-how. Contingent liabilities associated with PPPs, however, should be monitored closely.”

The 2010 IMF report also encouraged Egypt to continue with reforms linked to the Egyptian Central Bank's low-inflation policy agenda, which promised to keep interest rates high as a way of lowering inflation. But this made commercial credit too expensive for many small and medium sized enterprises (SMEs), thereby hampering production and employment. It also called on Egypt's banks to maintain reserve levels in accordance with the Basel II global standards.

Thus, in a country with massive unemployment, low wages and a child malnutrition crisis, the IMF was simply promoting “public private partnerships” which, in the context of an unaccountable and nontransparent kleptocracy, amounts to prescribing further looting and redistribution of wealth to the top. Additionally, it should be remembered that the Basel II standards did little to prevent US and European banks from imploding because of their unregulated and reckless over-leveraging pre-2008. That these constituted the best advice of the

IMF to Egypt in the final months before the social crisis exploded in Tahrir Square illustrates how out of touch with reality the institution was.

A new development model for a new Egypt

Any short-term financial assistance for Egypt must enable a significant policy break with the failed development model of the past. By now, Egyptians should understand that the IMF is neither a development-friendly institution, nor an objective rescuer ready to help put out financial fires. Instead, it acts on behalf of its executive board whose members are directed by the US Treasury and the finance ministries of other leading creditor economies, who in turn are under immense pressure from the lobbying of their respective finance industries. The IMF's job is to ensure borrowing countries stay creditworthy and repay their foreign creditors on time. In the last 30 years, a massive global shift of financial resources has occurred from the real sector of national economies (where real jobs and goods and services are created) to the financial sector (or casino sector) under the rubric of “financial liberalization”. The IMF's priorities are to enforce reforms in borrowing countries that prioritize the short-term needs of creditors, while subordinating the needs of those living in the real economy. Egyptians who might instead prefer to prioritize job-creation and maintain a lifeline to its malnourished population should make no mistake about this being the core function of the institution.

The IMF's macroeconomic framework and financial programming model flows from a staunchly conservative logic ushered into ascendancy by US President Ronald Reagan and UK Prime Minister Margaret Thatcher over 30 years ago. In reality, it is little more than a value judgment insisting that where there is a trade-off it is better to have lower GDP, lower employment, lower tax revenues and lower spending than to have even moderate inflation or fiscal deficits. When this logic was first introduced it was widely understood as one very conservative option among an array of other viable policy choices. In the years since, it has come to be understood as the one and only “prudent” and “sound” option, and has been taught as such by the best economics departments at the best universities for several generations, including to Gamal Mubarak's “technocrats”. However, as Nobel laureate Joseph Stiglitz has [noted](#), “The idea that low and stable inflation would lead to a stable real economy and to fast economic growth was never supported by economic theory or evidence and yet became a central tenet of central bank policy.”

Today Egypt should reject this orthodoxy and instead maintain its freedom to consider a wider range of fiscal, monetary, financial and trade policies, many of which could proactively generate higher GDP growth, more employment, greater tax revenues, and increased public investment. All of these will be essential for creating the millions of jobs that are needed and, over the longer-term, closing the income gap.

Although the team of “technocrats” Gamal Mubarak put together in 2005 to step-up reforms claimed that the IMF macroeconomic policy would increase growth and create employment, the policies in fact failed to deliver equitable and inclusive economic growth or employment generation. Instead, the IMF program obliged the Egyptian Central Bank to pursue a rigid “inflation targeting” policy, which took low single digit inflation as the exclusive objective of monetary policy and subordinated fiscal policy goals to this objective. Under this monetary policy, other important aims —such as financial stability, faster economic growth and employment creation —have been seen as inappropriate targets for central bank policy. Rather, the orthodox approach views stability, growth and employment as the hoped for —even presumed — by-products of an inflation focused approach to monetary policy. Accordingly, the

goal of Egypt's monetary policy under a new IMF program is likely to be "stabilization", rather than achieving higher growth, employment or public investment for development. This approach erroneously presumes that once "stabilization" is achieved, higher economic growth, employment, and poverty reduction will spontaneously follow.

Despite such claims by the IMF and its advocates over the last 30 years, the record has shown that higher growth and employment are not automatic by-products of the IMF's "stabilization-focused" central bank policy. Although the IMF has successfully driven down inflation to low levels and "stabilized" many countries, growth and employment rates have been markedly lower these last 30 years than they were under different approaches more popular in the previous 30-year period, and income inequality has meanwhile worsened. Egyptians know this all too well. Such was the conclusion of Montek Singh Ahluwalia, a member of the high-level 2008 Spence Commission on Growth and Development, as he explained: "The international financial institutions, the IMF in particular, have tended to see public investment as a short-term stabilization issue, and failed to grasp its long-term growth consequences. If low-income countries are stuck in a low-level equilibrium, then putting constraints on their infrastructure spending [public investment] may ensure they never take off."

The United Nations Department of Economic and Social Affairs has recently made the same point regarding the IMF's approach: "Focusing on inflation and fiscal deficits alone reflects too narrow a view of stabilization. Therefore, stabilization needs to be defined more broadly to include stability of the real economy, with smoothed business cycles and reduced fluctuations of output, investment, employment and incomes. Achieving such stability of the real economy may require larger fiscal deficits and higher rates of inflation than prescribed by the conventional macroeconomic policy mix, especially in the face of economic shocks or natural calamities." Despite such concerns, IMF policy is unlikely to allow anything of the kind in Egypt should the country adopt a new IMF program.

Today, Egypt should move beyond the IMF's narrow "inflation targeting approach" to monetary policy and broaden its list of policy goals to include higher employment levels and higher growth rates, while being mindful of inflation. If the US Federal Reserve can be instructed by the Humphrey-Hawkins law to maintain both low inflation and high levels of employment as goals, then certainly Egypt should also be able to adopt similar changes to the Egyptian Central Bank's monetary policy.

Regarding fiscal policy, Egypt should reject the restrictive IMF approach to "fiscal restraint" and instead be free to use international aid in a more expansionary stimulus program to immediately create jobs and kick-start GDP growth. It should likewise resist the IMF's regressive prioritization of value-added tax (VAT) which disproportionately harms poor consumers and instead adopt a more progressive tax structure in which wealthier individuals and companies pay a higher share of taxes. Such an approach would be more equitable and raise more tax revenues.

Egypt should be afforded the policy space to prioritize scaling-up of public investment and increasing employment to whatever degree it deems necessary, in accordance with a broader and more transparent and accountable public debate, rather than being limited by IMF policies that reflect the priorities of external creditors.

Egypt should work with other countries to renegotiate the General Agreement on Trade in Services (GATS) and Non-Agricultural Market Access (NAMA) arrangements at the World Trade Organization, as well as the many free trade agreements (FTAs) and bilateral investment treaties (BITs) that call for expedited and premature trade and investment liberalization. Under

many such agreements, rules stipulate that governments may not be free to adequately reregulate their financial sectors so as to ensure stability, may not be allowed to implement capital controls and may be prevented from using adequate levels of trade protection for their nascent manufacturing industries. These limitations inhibit their capacity for economic development. Egypt should reject such constraints in its trade and investment agreements and instead maintain its freedom to use various industrial policy tools in the same way they were used by all of the industrialized countries.

Egypt should pursue a wider array of essential industrial policies as part of a long-term development strategy to build the technological skills and capacities of its workforce and domestic companies. It should adopt institutions and policies to support the emergence of new industries, and their acquisition of new technologies, with publicly-financed research and development (R&D), subsidies, temporary trade protection, subsidized credit and other mechanisms that were part of the mainstream development economics toolkit when wealthy countries were industrializing. It should also design its trade and foreign direct investment policies in ways that will ensure its workforce and domestic companies acquire the skills, technology and financing they need to advance onto the next rung of the development ladder in terms of technological sophistication and international competitiveness.

In the context of its current unemployment crisis, the state must be able to act as employer of last resort until domestic private companies can create more jobs. Meaningfully engaging in such a developmental approach would be forbidden under an IMF program as devised. Indeed, if Egypt adopts this new IMF program, it could face yet more years of job-destroying privatization, premature trade liberalization and restrictive fiscal and monetary policies that will serve only to exacerbate the current social and political tensions.

There is no doubt that Egypt needs emergency external financing to see it through the temporary economic side effects of the recent political transformation. If the IMF and its key member states refuse to provide financing free of damaging conditions, Egypt should instead look to its regional neighbors and other emerging markets —such as Brazil, China, the Gulf Arab states and East Asia —to source the financing it needs and thereby remain free to pursue serious development strategies that can prioritize human development and better fulfil both civil and political as well as economic, social and cultural (ESC) rights for its people.

Egypt needs short-term international financial assistance, but it does not need the same failed development model which spawned the revolution in the first place.

About This Paper

This paper was written by CESR Research Consultant Rick Rowden. The views expressed in this article are those of the author and do not necessarily reflect the position of CESR.

About Us

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162 Montague Street, 3rd Floor, Brooklyn, NY 11201, USA

Tel: +1 718 237-9145, Fax: +1 718 237-9147

E-mail: info@cesr.org

www.cesr.org