

SWP Research Paper

Stiftung Wissenschaft und Politik
German Institute for International
and Security Affairs

Stephan Roll

Egypt's Business Elite after Mubarak

A Powerful Player
between Generals and Brotherhood

RP 8
September 2013
Berlin

All rights reserved.

© Stiftung Wissenschaft
und Politik, 2013

SWP Research Papers are
peer reviewed by senior
researchers and the execu-
tive board of the Institute.
They express exclusively
the personal views of the
author(s).

SWP

Stiftung Wissenschaft
und Politik
German Institute
for International
and Security Affairs

Ludwigkirchplatz 3-4
10719 Berlin
Germany
Phone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

ISSN 1863-1053

Translation by Meredith Dale

(English version of
SWP-Studie 14/2013)

Table of Contents

5	Problems and Recommendations
7	The Business Elite and the End of the Mubarak Regime
7	Background: Oligarchisation of the Economy under Mubarak
8	Cracks in the Edifice: The Business Elite, Gamal Mubarak and the Military
10	“Fat Cats” behind Bars?
13	The Muslim Brotherhood and the Established Business Elite
13	The Economic Policy Agenda and Its Implementation
15	Entry into the Formal Economy and Expansion of Networks with the Established Business Elite
17	Dealing with Mubarak-Era Fraud and Corruption
18	Limits of Rapprochement: Members of the Business Elite in Opposition to the Brotherhood
18	Party Finance and Election Campaigns
20	Funding Mass Media
23	Investment Boycott and Capital Flight: The Case of OCI
25	Outlook and Conclusions
	Appendix
27	Tables
28	Abbreviations

Dr. Stephan Roll is an Associate in the project “Elite change and new social mobilization in the Arab world” realized by the Stiftung Wissenschaft und Politik (SWP). The project is funded by the German Foreign Office in the framework of the transformation partnerships with the Arab World and the Robert Bosch Stiftung. It cooperates with the PhD grant program of the Heinrich-Böll-Stiftung and the Hanns-Seidel-Stiftung.

**Egypt's Business Elite after Mubarak
A Powerful Player
between Generals and Brotherhood**

During the last decade of the Mubarak era a handful of leading Egyptian entrepreneurs gained control over large sections of their country's economy. That also made them part of the politically relevant elite, whose members wield influence over fundamental strategic decisions. This begs the question of the role of the business elite in the Egyptian transformation process that began with the toppling of Hosni Mubarak in early 2011. Will it succeed in defending its leading position in Egypt's economy? And above all: Will it continue to play an important political role in the post-Mubarak era?

As the following analysis shows, Egyptian top-entrepreneurs to date has been extremely successful in preserving both economic power and political influence. Although the anger of many Egyptians who took to the streets to protest against the regime in early 2011 was also directed against a business elite they regarded as corrupt, most entrepreneurs managed to hang on to their business empires through the turmoil. Very few leading businessmen were taken to court in the months following the political transformation. Most profited from the lenient stance on fraud and corruption taken by the Supreme Council of the Armed Forces, which initially took charge, and the associated lack of transparency and legal rigour.

The Muslim Brotherhood continued the same course. Even before its candidate Mohammed Morsi won the 2012 presidential elections, it was working towards an alliance with the established business elite and did nothing to support demands from civil society for thorough investigation of wrongdoing by business figures. Instead, the Brotherhood prioritised out-of-court settlements and sought to integrate the established business elite into its own power networks. But above all it built its economic policies on principles inherited from the Mubarak era, such as a focus on growth and the private sector. This course, which the international donor community never tired of praising, especially benefited the country's wealthiest business owners.

But the Muslim Brotherhood's attempt to co-opt Egypt's business elite failed, along with the efforts of certain Brotherhood members to significantly expand

their own business activities. Only a handful of leading entrepreneurs came to terms with the Brotherhood and accepted its claim to political power. Most supported its adversaries by funding opposition parties and politicians and via private-sector media. Much of the mostly secular-minded business elite was fundamentally mistrustful of the proponents of political Islam, who do not belong to their social circles. Their wariness deepened during the course of Morsi's presidency, as his government exhibited a grave lack of professionalism in its economic policy and sent increasingly contradictory signals to the business camp.

Its conflict with sections of the business elite contributed to the Brotherhood's failure to consolidate the power acquired through elections. Morsi's removal by the armed forces at the beginning of July 2013 came about under pressure from the streets. However, behind the scenes entrenched interest groups including the business elite had been working for months to ensure the Brotherhood's political downfall. The Morsi government, whose political manoeuvring found ever-diminishing support in the population, lacked the strength to push back against the resistance of these groups, including the business elite.

The influence of big business on the political process is likely to remain considerable. The transitional government is composed largely of politicians and technocrats who are close to business interests. This in itself suggests that the interests of the business elite are likely to be protected as the transformation process progresses. Regardless of the current political turmoil, Germany and the European Union should therefore shape their long-term cooperation in such a way as to counteract the foreseeable negative consequences of such influence. Firstly, they should do more to promote reform of the regulatory framework of the Egyptian economy, particularly enhancing transparency in relation to state activity in the economy and reforming the competition laws. Professionalisation of the Egyptian media sector should also be advanced, to permit it to exercise an independent control function.

Secondly, Germany and Europe should help Egypt to establish a more equitable tax system and a more efficient revenue service. Egypt cannot achieve social peace if the one-sided growth policy of the late Mubarak era is simply continued. For without more active state-led redistribution policies, economic development is unlikely to achieve a broader impact.

The Business Elite and the End of the Mubarak Regime

The protests that led to the fall of Mubarak in 2011 were directed not only against political repression and despotism, but also against social injustice and rampant corruption. The lead-up was marked by growing popular anger against the Egyptian business elite, which had profited greatly from the privatisation policies of the previous decades. Its members, popularly known as “fat cats”, were accused of having acquired their wealth principally through networks with the political leadership. The large number of businessmen who occupied important political functions during Mubarak’s last decade was regarded as evidence of this. Putting an end to this system of “crony capitalism” and reining in the powerful business families became a central demand of the protest movement.¹ Cracks also appeared within the regime itself. Especially among the generals, there was disapproval of the growing political influence of certain business leaders. However, the business elite’s loss of influence during the months following Mubarak’s removal was only marginal.

Background: Oligarchisation of the Economy under Mubarak

During the Mubarak era many Egyptians felt excluded from the country’s economic development and saw the divide between rich and poor expanding. Indeed, the high economic growth rates since the millennium often stood in contradiction to the country’s social development. Between 2005 and 2008 GDP grew at an average annual rate of more than 6 percent while the general standard of living failed to improve. On the contrary – according to official figures poverty continued to increase, especially among the rural population.²

¹ On the concept of “crony capitalism” see, amongst others, Clement M. Henry and Robert Springborg, *Globalization and the Politics of Development in the Middle East* (Cambridge: Cambridge University Press, 2012), 156ff.

² By 2008 22 percent of the population were living below the national poverty line, up from 20 percent in 2005. World Bank, *World Development Indicators 2012*, <http://data.worldbank.org/sites/default/files/wdi-2012-ebook.pdf> (accessed 4 June 2013).

At the same time, the widely held belief that a small business elite had gained significant control over the country’s economy was certainly not far from reality. During Hosni Mubarak’s three decades in power the private sector transformed fundamentally in two respects.

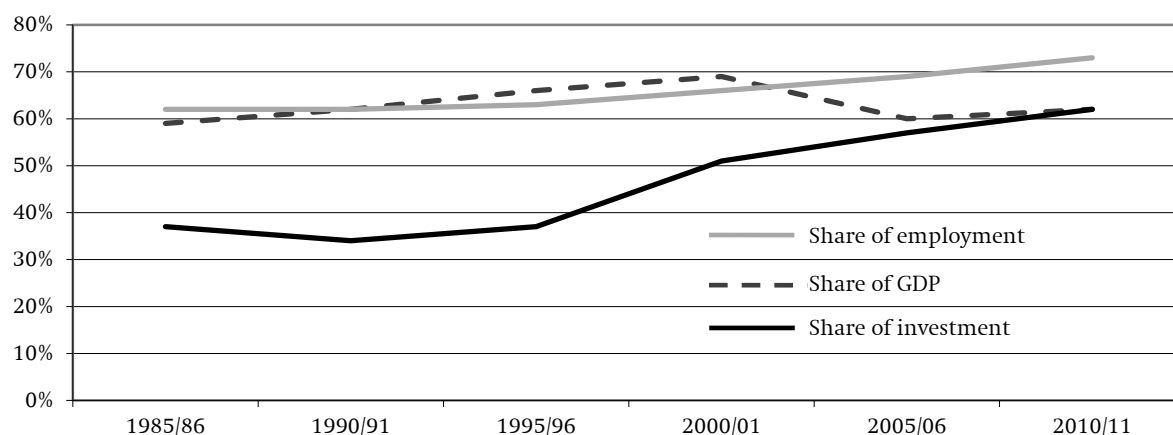
Firstly, private companies came to play an increasingly important role in the Egyptian economy. Through his policy of economic opening (infitah), Mubarak’s predecessor Anwar al-Sadat had already begun improving the general conditions for private entrepreneurship in the late 1970s. At first, Mubarak only cautiously continued this policy, launching a policy of economic structural adjustment in the early 1990s. However, from 2004 on, the privatisation process was intensified. Between 2004 and 2008 alone the Egyptian state more than doubled its privatisation revenues compared to the preceding decade.³ The growing importance of the private sector relative to the still weighty public sector was reflected above all in the development of employment and domestic investment. While the private sector’s share of employment rose by more than 10 percentage points to 73 percent, its share of investment almost doubled to 62 percent (see figure, page 8).⁴

Secondly, a noteworthy concentration of capital took place within the private sector. While at the beginning of the 1980s there were no major private businesses to speak of, by the end of the Mubarak era numerous sectors were dominated by individual privately-owned companies. This concentration of capital was a direct consequence of Mubarak’s privatisation policies. In an environment of widespread corruption affecting the sale of state-owned companies and the awarding of public contracts, a small

³ Stephan Roll, *Geld und Macht: Finanzsektorreformen und politische Bedeutungszunahme der Unternehmer- und Finanzelite in Ägypten* (Berlin, 2010), 120.

⁴ While the private sector’s share of GDP remained constant, the relevance of that figure is limited because a great deal of the state’s share originates from the Suez Canal and resource production, which are strongly influenced by international transport trends and world market prices for oil and gas.

The importance of the private sector in the Egyptian economy 1985–2011



Own depiction, source: Egyptian Planning Ministry.

number of entrepreneurs succeeded in establishing huge business empires. Although the private sector continued to be characterised by small and medium-sized companies (in 2006 just 0.1 percent of Egyptian companies employed more than 100 workers),⁵ the few major private enterprises generally held monopoly positions in their sectors: Ezz Industries in steel, Ghabbour Auto for cars and Juhayna Food Industries in the dairy industry.

Together the twin trends of a growing private sector and a concentration of capital enabled a small group of individuals and families to gain control over a large slice of the economy through ownership and management relationships. While there has been little empirical investigation of the precise composition of this group, it was estimated at the end of 2010 that at least twenty-one families owned net assets of more than \$100 million each (see Table 1, p. 27). Some of these families, first and foremost Sawiris and Mansour, were worth billions.⁶ The predominance of this core business elite was reflected very clearly on the Egyptian stock exchange. In 2008 eleven business families controlled more than 30 percent of the market capitalisation of the Egyptian Exchange (EGX)

via their holdings.⁷ Closely connected to these oligarchs were numerous subcontractors and managers of major companies, who themselves possessed considerable wealth. Consultants Wealth-X estimate that in 2011 there were 490 families with net assets amounting to at least \$30 million living in Egypt. Together their wealth exceeded \$65 billion.⁸ Measured in terms of personal wealth on the eve of the political transformation in early 2011, the Egyptian business elite thus comprised several hundred families and individuals.⁹

Cracks in the Edifice: The Business Elite, Gamal Mubarak and the Military

By virtue of their dominant position in the Egyptian economy, members of the business elite had also risen

⁵ African Development Bank, *Egypt Private Sector Country Profile 2009*, 115, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Brochure%20Egypt%20Anglais.pdf> (accessed 2 June 2013).

⁶ In 2012 *Forbes* magazine put the fortune of the Sawiris family at about \$11 billion, that of the three Mansour brothers exceeding \$6 billion. *Forbes*, *The World's Billionaires 2012*, http://www.forbes.com/billionaires/list/#page:1_sort:0_direction:asc_search:_filter:All%20industries_filter:Egypt_filter:All%20states (accessed 4 June 2013).

⁷ Stephan Roll, "Finance Matters! The Influence of Financial Sector Reforms on the Development of the Entrepreneurial Elite in Egypt", *Mediterranean Politics* 15, no. 3 (2010): 360.

⁸ Wealth-X, *World Ultra Wealth Report 2012–2013* (Singapore, 2012), 91, <http://wealthx.com/wealthreport/Wealth-X-world-ultra-wealth-report.pdf> (accessed 4 June 2013).

⁹ In social science there is no single definition of the term "elite". In recent research the term is generally used to identify groups who have "access to important power resources that permit them to exert influence on significant decisions within a society". Translated from Ursula Hoffmann-Lange, *Eliten, Macht und Konflikt in der Bundesrepublik* (Opladen, 1992), 83. For entrepreneurs capital represents such a power resource. While the figure of \$30 million for individual wealth is arbitrary, it does offer a useful starting point for defining membership of this group in Egypt.

to join the circles of the “politically relevant elite”.¹⁰ Leading business figures who acquired important ministerial posts included Rachid Mohamed Rachid, local partner of the international food company Unilever, and Mohamed Mansour, whose family business is the world’s largest General Motors distributor. Others, first and foremost steel magnate Ahmed Ezz, occupied central positions in parliament and in the ruling National Democratic Party (NDP). Ezz, whose conglomerate possessed a virtual monopoly in the national steel sector, chaired the budget committee in the lower house of parliament and served on all the ruling party’s leading bodies.¹¹

That said, many business leaders avoided direct political involvement. Nevertheless, they too possessed multiple channels of influence to safeguard their interests in the political process. Such indirect influence was most obvious in the case of the Coptic Sawiris, probably the country’s richest family with interests in construction, tourism and telecommunications. Through business relationships with leading politicians, stakes in the Egyptian media sector and membership of business organisations and associations they were able to inject their interests into the political process. A particularly important role was played by the Egyptian Center for Economic Studies (ECES), founded in the mid-1990s by a group of influential business figures and granted more than \$10 million in 2001 by the U.S. Agency for International Development (USAID).¹² The institute’s studies apply the principles of neoliberalism to Egypt’s specific situation, concentrating on promoting the private sector and continuing Egypt’s opening to foreign trade.¹³

10 The politically relevant elite comprises “those people in a given country who wield political influence and power in that they make strategic decisions or participate in decision-making on a national level, contribute to defining political norms and values including (including the definition of ‘national interests’), and directly influence political discourse on strategic issues.” Volker Perthes, “Politics and Elite Change in the Arab World”, in *Arab Elites: Negotiating the Politics of Change*, ed. idem (Boulder, CO, 2004), 5.

11 Thomas Demmelhuber and Stephan Roll, *Herrschaftssicherung in Ägypten: Zur Rolle von Reformen und Wirtschaftsoligarchen*, SWP-Studie 20/2007 (Berlin: Stiftung Wissenschaft und Politik, July 2007), 24.

12 David B. Ottaway, *Egypt at the Tipping Point?* Middle East Program Occasional Paper Series (Washington, D.C.: Woodrow Wilson International Center for Scholars, summer 2010), 5.

13 On ECES’s role in economic policy-making during the later years of the Mubarak era, see Bruce K. Rutherford, *Egypt after Mubarak: Liberalism, Islam, and Democracy in the Arab World*

However, ECES papers also contain calls for certain interventionist measures.

Another reason why ECES acquired such great political influence was that the president’s son, Gamal Mubarak, was one of its founding members. From the late 1990s on, as he was groomed to succeed his father, his relationship with the business elite formed a partnership of convenience. Because Gamal Mubarak – unlike Hosni Mubarak and his predecessor Sadat – was a civilian he had no reliable power base within the armed forces and was forced to depend on the support of other actors. He chose the wealthy entrepreneurs, who were in turn able to advance their interests politically with his help. Thus it was Gamal Mubarak who pushed the ruling party’s political realignment under the slogan of “new thinking” and supported the revision of the NDP’s programme to remove residual socialist aspects. The line pushed by the ECES was the decisive impulse in this process: a liberal economic system with a strong state. Gamal Mubarak also recruited numerous well-known businessmen to the NDP’s committees that he chaired. His alliance with the business elite became particularly clear in the cabinet reshuffle of 2005, where six of the ministers in the new government of Prime Minister Ahmed Nazif (2004–2011) were well-known business figures with obvious connections to him.¹⁴ They put the ruling party’s liberal economic course into practice, with a selective approach ensuring that members of the business elite were the main beneficiaries of the new policy.

The closeness of important entrepreneurs to Gamal Mubarak also provoked resistance among other parts of the politically relevant elite. Members of the bureaucracy and above all the armed forces grew concerned that they could become increasingly marginalised in the Egyptian power system. Many officers watched with bitterness as the wealth of a small group of businessmen expanded while their own privileges and the military’s sprawling business activities drew growing public criticism. Since the late 1970s the armed forces had incrementally expanded its involvement in the civilian economy, although the exact extent of this activity remains unknown. It is estimated that businesses controlled by the armed

(Princeton: Princeton University Press, 2008), 211ff. On the Sawiris family’s investments in the media sector see pp. 211ff.

14 Demmelhuber and Roll, *Herrschaftssicherung in Ägypten* (see note 11), 22.

forces contribute 5 to 15 percent of Egypt's GDP.¹⁵ Of course military businesses also compete with privately-owned companies,¹⁶ but the private sector is heavily dependent on the military when it comes to buying land, for example to build new factories or tourist resorts. The armed forces possess the legal power to confiscate public land at any time for purposes of national security.¹⁷ This right of veto over the privatisation of building land has been sharply criticised by members of the business elite.¹⁸

But there was no break between the two groups. Over the decades close networks had grown between the generals and various leading entrepreneurs, with the latter functioning for example as advisers and service providers in connection with arms deals. One good example is Shafiq Gabr, a businessman with impeccable international contacts and his own business representation in Washington. His Artoc Group represented numerous international firms in Egypt and supplied the armed forces with a wide range of civilian and dual-use goods.¹⁹ Army-owned firms also maintained partnerships with major foreign companies in which members of the Egyptian business elite were also involved. After 2001 for example, the Kharafi Group, which is owned by the most important Kuwaiti business family and operates in Egypt through a plethora of subsidiaries, increasingly entered into joint ventures with the armed forces.²⁰ These activities were engineered by the Kharafi family's Egyptian "representative", Moataz al-Alfi,

one of the most politically influential business leaders of the Mubarak era.²¹

"Fat Cats" behind Bars?

The Egyptian authorities began taking action against members of the business elite at the end of January 2011, answering the call of the mass demonstrations against the Mubarak regime which had begun only a few days earlier. In response to the protesters' demands, the office of the public prosecutor launched investigations into corruption and abuse of office and imposed travel bans on numerous business figures.²² The power centre around Hosni Mubarak was plainly attempting to present the protesters with a scapegoat for the country's precarious socio-economic plight in order to move itself out of the line of fire. Mubarak's forced resignation on 11 February 2011 revealed the failure of this strategy.

The Supreme Council of the Armed Forces (SCAF) immediately took charge and ruled Egypt until President Mohammed Morsi took office on 30 June 2012. Initially SCAF stepped up the criminal investigations into members of the business elite. Three prominent businessmen were detained or sought on international arrest warrants: former housing minister Ahmed al-Maghrabi, former tourism minister Zuhair Garana and steel entrepreneur Ahmed Ezz. Additionally a "blacklist" was published of suspects who were prohibited from freely disposing of their wealth.²³ In view of the competition between military and various private-sector interests outlined above, SCAF was plainly seizing the moment to settle old scores. Nevertheless, no systematic action was taken against the Egyptian

15 Chérine Chams El-Dine, *The Military and Egypt's Transformation Process: Preservation of the Military's Reserve Domains*, SWP Comments 6/2013 (Berlin: Stiftung Wissenschaft und Politik, February 2013), 2.

16 For example in the market for bottled drinking water, where the military's Safi label competes with multinational corporations like Nestlé and PepsiCo as well as local private-sector suppliers, led by the Mansour group's Hayat brand.

17 Zeinab Abul-Magd, "The Army and the Economy in Egypt", *Jadalyya*, 23 December 2011.

18 "US Embassy Cables: Egyptian Military's Influence in Decline, US Told", *Guardian.co.uk*, 3 February 2011, <http://www.guardian.co.uk/world/us-embassy-cables-documents/171176> (accessed 4 June 2013).

19 Artoc Group supplied the military with all kinds of equipment, from ejector seats (ARTOC Suez) to equipment for the army's fitness studios (ARTOC Sports). Artoc Group for Investment and Development, <http://www.artoc.com/>.

20 Shana Marshall and Joshua Stacher, "Egypt's Generals and Transitional Capital", *MERIP Middle East Report* 42, no. 262 (2012).

21 Moataz al-Alfi was a member of Gamal Mubarak's business network. He served as vice-president of Gamal's Future Generation Foundation and was a member of the Egyptian Centre for Economic Studies. Al-Alfi's brother served on several high-ranking committees of the ruling NDP, which is reported to have received generous donations from the Kharafi Group. Marion Dixon, "The Corporate Standard and the Reproduction of the Dominant Class in Egypt" (paper presented at the International Conference on Global Land Grabbing II, Ithaca, NY, 17–19 October 2002, 10).

22 Although many prominent members of the business elite managed to leave the country at the last minute. "Families of Egypt's Business Elite Leave", *Saudi Gazette*, 31 January 2011.

23 The list was successively expanded over the following months; by 30 November 2011 it included the names of 262 suspects and family members. The list (in Arabic) can be viewed at <http://gate.ahram.org.eg/Media/News/2011/12/4/2011-634586222807697433-769.pdf> (accessed 4 June 2013).

business elite. Those who maintained good relations with the military had little to fear,²⁴ and even those who did not enjoy its protection were still able to leave the country. Numerous private jets transported wealthy families and their assets out of the country.²⁵ The Bank for International Settlements estimates that foreign banks’ liabilities to Egyptian citizens increased by more than \$6 billion during the first quarter of 2011 alone.²⁶

In the ensuing months the military leadership continued to avoid taking systematic action against corruption. Although various state agencies did initiate investigations, these were often stalled or dropped for lack of evidence. By September 2012 – more than eighteen months after the start of the political transformation – the Illicit Gains Authority based in the Justice Ministry had referred only 29 of 597 reported cases to the courts.²⁷ Ultimately only four members of the twenty-one families of the core business elite were given prison sentences (Rachid Mohamed Rachid, Ahmed al Maghrabi, Ahmed Ezz and Hussein Salem) and some of the verdicts were still under appeal in July 2013.

At the beginning of 2012 the Supreme Council of the Armed Forces amended the investment law, making it possible to escape a conviction for criminal activities such as embezzlement of public funds, corruption or tax evasion through out-of-court settle-

ments. Contracts that have come into being illicitly, for example through corruption, can thus be legalised post facto by means of financial compensation, while embezzled funds may simply be repaid. The first major business figure to make use of this opportunity was Yassin Mansour of the Mansour Group who was able to have several cases dropped by paying the equivalent of more than \$40 million.²⁸

Because of the difficulties involved in establishing conclusive proof for prosecutions, experts regularly called for out-of-court solutions. But the processes established by the generals fell short of any accepted legal standards. Firstly, their execution was placed in the hands not of an independent commission, but of the General Authority for Investment (GAFI), whose remit is to promote investment in Egypt. The GAFI had no interest in any kind of confrontation that would worsen the investment climate, especially concerning foreign investors. The intransparency of the procedure, where ultimately the director of GAFI merely had to sign an agreement with the respective businessperson, was an open invitation for manipulation. Secondly, the amnesty arrangement was not restricted to past transgressions and can also be applied to future misdeeds. Entrepreneurs have little incentive to obey the law in their investment activities if they can rely on violations being settled retroactively out of court.²⁹

Mubarak’s fall thus initially affected above all the direct political influence of the established business elite. In the governments appointed by SCAF between February 2011 and August 2012 Mounir Fakhry Abdel Nour was the only familiar face from this milieu. The economic consequences were, however, limited. Of course leading entrepreneurs were not immune from the immediate economic repercussions of the political transition, mainly in the form of strikes and production stoppages.³⁰ But in contrast to small and medium-

24 In some cases the military even protected the facilities of business partners, as in the case of the Kharafi Group. Marshall and Stacher, “Egypt’s Generals and Transitional Capital” (see note 20).

25 The best-known example is Hussein Salem, who controlled the gas trade between Egypt and Israel and is accused of massive corruption. According to unconfirmed press reports \$500 million were found in his luggage when he entered Dubai at the end of January 2011. Salem, who also possesses Spanish citizenship, was arrested in June 2011 in Spain, after Egypt issued an international arrest warrant, but has yet to be extradited to Egypt. “Spain Refuses Extradition of Mubarak’s Right-hand Man”, *Daily News Egypt*, 24 December 2012.

26 Bank for International Settlements, *BIS Quarterly Review*, September 2011, 18, http://www.bis.org/publ/qtrpdf/r_qt1109.pdf (accessed 4 June 2013). Illegal capital flight has long been a problem for the Egyptian economy. Global Financial Integrity estimates that on average \$3 billion were transferred abroad illegally from Egypt every year between 2001 and 2010.

27 “One Year On, Egyptian Corruption Cases Still in Limbo”: IGA Head”, *Ahram Online*, 24 September 2012, <http://english.ahram.org.eg/NewsContent/3/12/53669/Business/Economy/Majority-of-Egyptys-corruption-cases-filed-since-s.aspx> (accessed 3 July 2013).

28 “PHD’s Mansour Cleared in State-land Sale Cases”, *Mubasher.info*, 2 July 2012.

29 Shereen Zaki, “How SCAF Is Seeking to Resolve Corruption Cases behind Closed Doors”, *The Arabist*, 28 February 2012; Egyptian Initiative for Personal Rights, *Memorandum Concerning the Decree of the Supreme Council of the Armed Forces Permitting Reconciliation in Crimes against Public Property* (Arabic), February 2012, http://eipr.org/sites/default/files/pressreleases/pdf/eipr_memo_law4_2012.pdf (accessed 3 June 2013).

30 Even before 2011 there were frequent strikes and spontaneous stoppages. But in the course of the political transformation such activities multiplied. It is estimated that more than 1,100 labour protests took place between May 2011 and April 2012. Nadine Abdalla, *Egypt’s Workers – From Protest Move-*

sized companies, major private-sector companies were able to at least partly offset domestic losses through their foreign operations. They also possessed enough financial leeway to see them through hard times.³¹ The established business elite's leading role in Egypt's economy thus survived the storm.

ment to Organized Labor: A Major Challenge of the Transition Period, SWP Comments 32/2012 (Berlin: Stiftung Wissenschaft und Politik, October 2012), 2.

31 One good example is Ghabbour Auto, which dominates the Egyptian car market and is majority owned by the Ghabbour family. Despite the political turbulence Ghabbour Auto was able to steadily expand sales and recorded the best result in its history in the first quarter of 2013, principally because of outstanding foreign sales (above all in Iraq). "Egypt's GB Auto Enjoys Record Sales Revenues", *Ahram Online*, 16 May 2013, <http://english.ahram.org.eg/NewsContent/3/12/71643/Business/Economy/Egypt-GB-Auto-enjoys-record-sales-revenues.aspx> (accessed 3 July 2013).

The Muslim Brotherhood and the Established Business Elite

The collapse of the old regime gave the Muslim Brotherhood the opportunity to govern Egypt. As the largest and best-organised opposition force from the Mubarak era, the Brotherhood was in a position to expect an easy election victory, and therefore supported the gradual transformation process proposed by the generals: the drafting of a new constitution to follow rather than precede parliamentary elections. And indeed, the Brotherhood's Freedom and Justice Party (FJP) won a clear victory in the parliamentary elections held in December 2011 and January 2012, gaining more than 40 percent of the vote. But in post-Mubarak Egypt electoral success was by no means guaranteed, even for the Brotherhood. This was underlined by the first free presidential elections, held in May and June 2012, and the referendum held in December 2012 to approve the new constitution essentially forced through by the Brotherhood. The Brotherhood's candidate in the presidential elections, Mohammed Morsi, won only in the second round, and with just a small lead over his rival. And although more than 60 percent voted for the new constitution in the referendum, turn-out was below one third and especially in the urban centres the Brotherhood failed to secure a majority.

Not least in view of these experiences, the Brotherhood leadership appeared to be aware of the political importance of tangible social and economic progress. Developing Egypt's economy after the collapse of the Mubarak regime was therefore granted a high priority. The established business elite was certainly not regarded as an adversary in this process. On the contrary, the Brotherhood attempted to win over this section of the old elites as a partner in the transformation process. This is made clear, as we will see below, by the organisation's economic policy agenda, its efforts to establish and expand networks with business, and its approach to dealing with Mubarak-era fraud and corruption.

The Economic Policy Agenda and Its Implementation

In spring 2011 the Brotherhood leadership asked Khairat al-Shater, the Muslim Brotherhood's deputy leader, to thoroughly reappraise and revise the movement's political programme. SCAF had prematurely released Al-Shater from prison only in March of that year. Himself a successful businessman, he had administered the Brotherhood's finances since about 2000 and risen to become its most powerful player.³² But above all, he had decisively expanded the sway of the liberal business wing among the group's leadership, amongst them al-Shater's long-time business partner Hassan Malek and members of the influential Al-Haddad family from Alexandria.³³

Under al-Shater's leadership, in the scope of the "renaissance project" (*mashru'a al-nahda*), several working groups were formed to develop long-term strategies for the Brotherhood in various policy fields.³⁴ Furthermore, teams of experts were sent abroad to examine the applicability of other development models to Egypt.³⁵ The findings of the Nahda project fed into both the FJP programme and Morsi's presidential election programme.³⁶ It was conspic-

³² The Muslim Brotherhood also selected Kheirat al-Shater as its candidate for the presidential elections, but the electoral commission rejected his nomination on the basis of a Mubarak-era conviction. Only then did the much less well-known Mohammed Morsi take his place.

³³ On Hassan Malek see also pp. 15ff. Members of the Haddad family are back in leading positions: Gehad al-Haddad joined the five-member steering committee of the Nahda project, his father Essam al-Haddad became the top adviser to (later) President Morsi and belongs, alongside his brother Medhat al-Haddad, to the Muslim Brotherhood's Shura Council.

³⁴ "Khairat al-Shater on 'The Nahda Project': Complete Translation", *Current Trends in Islamist Ideology* 13 (2012), <http://www.currenttrends.org/research/detail/khairat-al-shater-on-the-nahda-project-complete-translation> (accessed 3 June 2013).

³⁵ Ivesa Lübben, "'Wir sind Teil des Volkes': Zur Rolle und Strategie der Muslimbrüder in der ägyptischen Revolution", in *Revolution und Regimewandel in Ägypten*, ed. Holger Albrecht and Thomas Demmelhuber (Baden-Baden, 2013), 253.

³⁶ "Dr. Morsi's Electoral Program – General Features of Nahda (Renaissance) Project", *FJPOnline*, 28 April 2012, <http://>

uous that the fundamental economic thrust of both documents exhibited no consequential differences to the policies of the old regime.³⁷ Of course individual points varied explicitly. For example changes were announced concerning the privatisation of publicly-owned companies, because previous policy had neglected to encourage new investment. But a turn away from the private-sector course set under Mubarak was not called for. Instead the private sector was allocated the central role in the national development process, while coexisting with a strong public sector; a terminology echoing that used under Mubarak.

The programmes, contrary to certain expectations, did not by any means propose establishing an Islamic economic system, for example by introducing an Islamic banking system conforming to the Koranic ban on interest. That would not only have contradicted the interests of foreign investors, but also those of the westernised domestic business elite. And even in terms of fighting poverty and strengthening underprivileged groups, no fundamentally new moves were made. A massive increase in state activity in these fields was announced, but at the same time the leading role of foundations and charities was emphasised. Redistribution by means of a thorough reform of the tax system, which would particularly affect the business elite, was not proposed.³⁸ Al-Shater at the same time did not tire of publicly underscoring the importance of public-private partnerships – initiated under Mubarak and highly controversial in Egypt – for infrastructure development.³⁹ And Hassan Malek even explicitly praised the efforts of former Industry Minis-

ter Rachid Mohamed Rachid, especially with respect to generating foreign direct investment.⁴⁰

This fundamental conceptual proximity to the economic policy of the old regime and the associated turn to the private sector were reflected in the decisions made by the Morsi government. In November 2012 the President acquired by decree direct influence on leadership appointments in the state-controlled Egyptian Trade Union Federation (ETUF), rather than working for comprehensive reform of the trade union system as had been demanded by Egyptian civil society.⁴¹ Changes in tax law passed in May 2013 by the Brotherhood-dominated Shura Council remained marginal and did nothing to rectify the social imbalance of Egypt's economic policy. Although Morsi slightly modified the progression in the income tax system, this did in no way represent a serious commitment to the ability-to-pay principle. The same applies to business taxation. Although Morsi implemented a five-percentage-point increase, the same rate (of 25 percent) applies to all businesses. There was also no comprehensive reform of capital gains taxes. The FJP's 2011 manifesto had declared its intention to introduce a tax on share profits, and at the end of 2012 Morsi implemented such a tax (which had already been announced by the SCAF-appointed government) in a watered-down form. However, protests from the financial sector forced the government to make a U-turn, abolishing the tax just two weeks after its introduction.⁴²

Egypt's policy towards international donor institutions, first and foremost the International Monetary Fund, also remained constant under Morsi. In 2011 the SCAF-appointed government had already begun negotiations with the IMF over a bridging loan to tackle Egypt's rising balance of payments deficit. At

fjponline.com/article.php?id=654 (accessed 4 June 2013); FJP, *Party Platform 2011*, <http://www.fjponline.com/articles.php?pid=80> (accessed 4 June 2013).

³⁷ Mohammed El Dahshan, "Where Will the Muslim Brotherhood Take Egypt's Economy?", *YaleGlobal*, 6 February 2012, <http://yaleglobal.yale.edu/content/muslim-brotherhood-take-egypts-economy> (accessed 3 June 2013).

³⁸ For an analysis of the economic components of the Nahda project see also Peter Volkmar and Rachel Scheier, "In Depth Q-A. The 'Renaissance' Plan, Explained", *Business Monthly*, August 2012.

³⁹ See for example Kheirat al-Shater's speech to the United States Chamber of Commerce in Egypt (AMCHAM) on 7 May 2012, http://www.amcham.org.eg/events_activities/events/details/?ID=510&P=1#transcript (accessed 4 June 2013) and his video interview with Reuters on 8 April 2012, http://www.youtube.com/watch?feature=player_embedded&v=L_xE0gBSaA0 (accessed 4 June 2013).

⁴⁰ "Egypt Brotherhood Businessman: Manufacturing Is Key", *Reuters*, 28 October 2011, <http://www.reuters.com/article/2011/10/27/egypt-brotherhood-investment-idUSL5E7LR4CK20111027> (accessed 2 June 2013).

⁴¹ Decree No. 97/2012 lowered the maximum retirement age for trade union leaders to sixty. Dina Bishara, "Egyptian Labor between Morsi and Mubarak", *Foreign Policy* 28 November 2012, http://mideast.foreignpolicy.com/posts/2012/11/28/power_grab_on_egypts_unions (accessed 4 June 2013).

⁴² Although Morsi had already restricted the tax to profits from company takeovers (after initially proposing a general capital gains tax). Noha Mustafa, "Scrapped Capital Gains Tax Another Sign of Slapdash Economic Policies", *Egyptian Independent*, 8 April 2013, <http://www.egyptindependent.com/news/scrapped-capital-gains-tax-another-sign-slapdash-economic-policies> (accessed 4 June 2013).

that point, the Muslim Brotherhood made its agreement conditional on inclusion in the government, which SCAF rejected. The loan negotiations resumed after Morsi's election, but he evidently feared that a deal with the IMF could have a negative impact on the FJP's chances in the upcoming parliamentary elections. So the government first played for time by borrowing on a large scale from sympathetic Islamic countries, first and foremost Qatar.⁴³ Morsi's failure to reach a loan agreement with the IMF before he was toppled by the military thus resulted more from electoral politicking than deep-seated ideological concerns.

Realpolitik also characterised Morsi's stance towards the armed forces' business empire. Although government policy was fundamentally oriented towards the private sector, the economic role of the armed forces was not called into question. The new constitution forced through by the Brotherhood granted the military-dominated National Defence Council sole control over the military's business activities.⁴⁴ Even under Morsi military enterprises were still able to profit from their close contacts with civilian ministries and the ensuing public contracts.⁴⁵

Entry into the Formal Economy and Expansion of Networks with the Established Business Elite

Parallel to the drafting of its economic policy agenda, businessmen within the Brotherhood began expanding their own activities. Mubarak had worked to keep the Brotherhood's economic base as small as possible. Especially in the last major wave of arrests at the end

⁴³ For an overview of borrowing see Rebecca M. Nelson and Jeremy M. Sharp, *Egypt and the IMF: Overview and Issues for Congress*, Congressional Research Service, 29 April 2013, 8.

⁴⁴ Chams El-Dine, *The Military and Egypt's Transformation Process* (see note 15), 6.

⁴⁵ Examples include the development of a tablet computer by a military enterprise in collaboration with the Information Ministry and the transfer of the prominent state-run El Nasr Automotive Manufacturing Company to the Ministry of Military Production for restructuring to produce a car for the Egyptian market. "Minister of Military Production: Egypt Can Achieve Arms Self-sufficiency ... and Presentation of First Tablet on 25 June" (Arabic), *Al-Ahram*, 4 June 2013 <http://gate.ahram.org/News/355347.aspx> (accessed 5 June 2013); "Investment Minister: Imminent Transfer of El Nasr Automotive to Military Production to Produce First Egyptian Car" (Arabic), *Al-Ahram*, 27 June 2013, <http://gate.ahram.org/News/364725.aspx> (accessed 1 July 2013).

of 2006 the security forces specifically targeted active business leaders. Numerous smaller businesses and holdings were confiscated. But in order to protect themselves from state repression Brotherhood members had only been scarcely active in the formal economy anyway, at least not on a larger scale. For this reason there is also little in the way of reliable information about the overall economic activities of Brotherhood members. Accusations by political adversaries that they control business empires worth billions are likely to be highly exaggerated.

After being released from prison in the course of the political turmoil, Brotherhood entrepreneurs sought successfully to regain confiscated assets and expand their firms.⁴⁶ One good example was the founding of the supermarket chain Zad Markets by Khairat al-Shater's family. The idea is to offer cheap food through a large network of branches modelled on the German Aldi chain.⁴⁷ For the established business elite, however, such projects represent little in the way of threat. Firstly, the business activities of Brotherhood members were restricted largely to the retail sector.⁴⁸ Secondly, the traditional elite was too dominant in the Egyptian economy for newly-founded ventures to represent serious competition. And reported attempts by Brotherhood members to acquire existing major companies remained – to the extent that they occurred at all – unsuccessful.

These efforts to expand into the formal economy were accompanied by the establishment of a Brotherhood-linked business organisation, the Egyptian Business Development Association (EBDA). Modelled on the

⁴⁶ "Muslim Brotherhood Seeks to Re-open Members' Companies", *Egypt Independent*, 6 March 2011, <http://www.egyptindependent.com/news/muslim-brotherhood-seek-re-open-members-companies> (accessed 5 June 2013).

⁴⁷ The first fifteen branches opened in summer 2012, and by mid-2018 the company plans to open 2,500 across the country. While that would make it the country's largest retail group by a long chalk, market insiders told the author they strongly doubted the prospects of such an expansion.

⁴⁸ Brotherhood entrepreneurs plainly profited from good contacts to investors from the Gulf states and Turkey. Kheirat al-Shater and his business partner Hassan Malek, for example, ran a long-standing local distribution franchise for the Turkish furniture manufacturer Istikbal. Abdel Rahman Seoudi, another Brotherhood entrepreneur detained under Mubarak, opened a distribution partnership with the Turkish furniture chain Doğtaş. "First Doğtaş Store Opens in Egypt", *Daily News Egypt*, 21 December 2012, 8; "Al-Shater Inaugurates Zad Retail Chain", *Daily News Egypt*, 16 July 2012, <http://www.dailynewsegyp.com/2012/07/18/al-shater-inaugurates-zad-retail-chain/> (accessed 4 June 2013).

Turkish MÜSIAD, which is closely allied with the governing AKP, EBDA officially began work in March 2012 under the leadership of Hassan Malek, who was crucially responsible for the Brotherhood's relations with the private business sector. But belonging to the Muslim Brotherhood was in no way made a precondition of membership. By February 2013 it had six hundred members, including some Christians.⁴⁹ The objective was thus not only to help Brotherhood businessmen entering the formal economy, but also to create a business organisation friendly to the Brotherhood.⁵⁰ So it was not conceived as a rival to other employer's organisations. On the contrary, its leaders included board members from other similar groupings, such as the agricultural wholesaler Samir al-Naggar, who leads the Agriculture Business Association, and Mohamed Mo'men, who belongs to the board of the Chamber of Food Industries.⁵¹ Nonetheless, EBDA evidently enjoyed more exclusive access than others to the political centre around Morsi, especially when it came to his foreign trips. Overrepresentation of EBDA members in business delegations accompanying Morsi provoked criticism from other business groupings.⁵²

In founding EBDA the Brotherhood leadership was plainly also pursuing an objective of expanding relations with the established business elite. Although Brotherhood representatives repeatedly stress the importance of small and medium-sized companies for

Egypt's economy, names from the established business elite are also found among the members of EBDA.⁵³ Some of these had already been rumoured to have loose connections to the Muslim Brotherhood during the Mubarak era. That is not surprising, because the social milieu in which Brotherhood members and the business elite moved were by no means always separate. Individual members of the Brotherhood belonged to the Egyptian upper class and were integrated into its social networks.⁵⁴

One name repeatedly mentioned behind closed doors in connection to the Brotherhood before 2011 was Safwan Thabet. Despite his family ties to the Brotherhood's former spiritual leader, Ma'mun al-Hudaybi, Thabet succeeded in building a dairy empire under Mubarak. Founded in 1983, his company Juhayna had achieved market shares of more than 70 percent for particular products by 2011, and a market value of about \$770 million.⁵⁵ Thabet was successful in establishing political security by building networks. His company's stock market launch in 2010, for example, was organised by the investment bank EFG-Hermes, in which Gamal Mubarak owned a stake.⁵⁶ This closeness to the regime could also be a reason why Thabet appeared on the public prosecutor's blacklist in early 2011, only to be removed again within just a few weeks.⁵⁷ Since then he has been officially closely associated with the Brotherhood. Thabet was one of the founding members of EBDA.

Beyond that, members of the established business elite who had not previously been regarded as close to the Brotherhood also joined the new employers' orga-

⁴⁹ Sherine Abdel-Razek, "New Faces of Business", *Al-Ahram Weekly*, 20 February 2013.

⁵⁰ However, the Brotherhood denied any relationship to the EBDA. "Mahmoud Hussein: Muslim Brotherhood Will Not Stage Street Protests against President", *IkhwanWeb.com*, 9 October 2012, <http://www.ikhwanweb.com/article.php?id=30319> (accessed 5 June 2013).

⁵¹ Al-Naggar is one of the biggest players in the Egyptian agriculture sector. His company Daltex is by far the country's largest potato exporter. Johann Kirsten, Rashid Hassan and Khabbab Abdalla, *Creating a Competitive Strategy to Improve the Performance of an Agricultural Chain: A Case Study of Potatoes in Egypt* (Pretoria, South Africa: University of Pretoria, [2004]), 11, <https://ifama.org/events/conferences/2004/cmsdocs/Abdalla1139.pdf> (accessed 5 June 2013). Mohammed Mo'men owns the Mo'men Group, which runs fast-food restaurants in Egypt and other countries in the region and produces frozen food. Mo'men Group, *Brands and Services*, <http://www.momen-group.com/en/spage/page/10> (accessed 5 June 2013).

⁵² "Morsi's Trip to India Creates Conflict with Some in Business Community", *Daily News Egypt*, 13 March 2012, <http://www.dailynewsegyp.com/2013/03/13/morsis-trip-to-india-creates-conflict-with-some-in-business-community/> (accessed 5 June 2013).

⁵³ Including Safwan Thabet (Juhayna), Samir al-Naggar (Daltex), Ahmed el-Sewedy (Elsewedy Electric) and Mohamed Farid Khamis (Oriental Weavers).

⁵⁴ It is thus unsurprising to learn that in 2007 Kheirat al-Shater sent his eldest son to study at the elite American University in Cairo (AUC) or that in 2006 the son of Nabil al-Muqbil, businessman and local Brotherhood leader in Giza, married the daughter of Adel Imam, the best-known Egyptian comedian and friend of Mubarak.

⁵⁵ Namely milk and liquid yogurt. Arabeya Online, *Johayna Food Industries*, <https://www.aolbeg.com/aob/pdf/arabic7732.pdf> (accessed 5 June 2013).

⁵⁶ In the course of the IPO, EFG-Hermes CEO Yasser al-Mallawany was given a seat on the Juhayna supervisory board, which he retains to this day. Al-Mallawany was closely connected with Gamal Mubarak. Roll, *Geld und Macht* (see note 3), 291.

⁵⁷ "Egypt Prosecutor Unfreezes Assets of 13 Businessmen", *Reuters*, 23 May 2011, <http://www.reuters.com/article/2011/05/23/egypt-assets-idAFLDE74M24M20110523> (accessed 5 June 2013).

nisation. Examples include the textile manufacturer Mohamed Farid Khamis (Oriental Weavers) and the cable producer Ahmed el-Sewedy (El Sewedy Cables). Both belonged to the inner circle of the business elite under Mubarak. And although neither was politically prominent, both maintained close contacts to the political elite. Another example is the banker Abdel Salam al-Anwar, who was appointed chair of EBDA's financial affairs committee.⁵⁸ During the final decade of the Mubarak era Al-Anwar was one of the best-known managers in the Egyptian financial sector, and closely connected to Gamal Mubarak, as evidenced by his seat on the board of Gamal's charity, the Future Generation Foundation.⁵⁹

Dealing with Mubarak-Era Fraud and Corruption

EBDA was not the Brotherhood's only attempt to expand its ties with the established business elite. In July 2012 Morsi established the employers' committee Tawassul (intercession), to mediate between the President and the private sector,⁶⁰ discussing the problems and needs of private business in monthly sessions.⁶¹ Hassan Malek was elected the committee's spokesperson. As well as a series of businessmen from EBDA, the twenty-three members included representatives of major employers' organisations.⁶² But Tawassul did

more than articulate the interests of the business camp to the government in the economic development process. Above all it played an important role in mediating between the government and members of the business elite under suspicion of corruption or already facing prosecution.

In 2011 the Muslim Brotherhood was already internally floating the idea of out-of-court settlements for offences where no blood had been spilled.⁶³ So its representatives responded correspondingly cautiously to civil society criticism of the investment law amendment pushed through by SCAF in January 2012, which prepared the legal ground for out-of-court settlements. Indeed, after Morsi's election efforts were stepped up to bring accused businessmen back to Egypt through such arrangements. In his function as Tawassul spokesperson Hassan Malek used the opportunity of an investors' conference in London in January 2013 to invite all foreign-based entrepreneurs to return to Egypt.⁶⁴ Another amendment to the investment law approved by the Shura Council in February 2013 also allows investors to be legally represented in mediation hearings, rather than having to appear in person.⁶⁵

⁵⁸ Alaa Ahmad, "EBDA Finds Communication and Financial Sector Committees" (Arabic), *Al-Ahram*, 6 March 2013, <http://gate.ahram.org.eg/News/317531.aspx> (accessed 5 June 2013).

⁵⁹ Al-Anwar headed the Egyptian subsidiary of the multinational bank HSBC from 2003 to 2011. He served as treasurer of the Future Generation Foundation and was also a member of a Mubarak-friendly thinktank, the Egyptian Centre for Economic Studies (ECES). Roll, *Geld und Macht* (see note 3), 284.

⁶⁰ "Committee Formed to Liaise between Morsy, Private Sector", *Egypt Independent*, 31 July 2012, <http://www.egyptindependent.com/news/committee-formed-liaise-between-morsy-private-sector> (accessed 5 June 2013).

⁶¹ "Hassan Malek: Tawassul No Substitute for Political Committee" (Arabic), *Al-Ahram*, 28 August 2012, <http://digital.ahram.org.eg/articles.aspx?Serial=1007074&eid=1349> (accessed 5 June 2013).

⁶² Including Hussein Sabbour, President of the Egyptian Businessmen's Association, and Alaa Arafa, President of the Textile Exporters' Association and as majority owner of the Arafa Group himself one of the country's leading textile manufacturers. For a list of members see Nagi Abdel Aziz, "Election of Malek as Spokesperson Marks Official Launch of Steering Committee Between Morsi and Private Sector",

Al-Masry al-Youm, 31 July 2012, <http://www.almasryalyoum.com/node/1020911> (accessed 5 June 2013).

⁶³ Interview with a leading member of the Muslim Brotherhood, Cairo, July 2011.

⁶⁴ Carina Kamel, "Egypt Seeks to Regain Investor Confidence, Bring Capitals Back Home", *Al Arabiya News*, 25 January 2013, <http://www.alarabiya.net/articles/2013/01/25/262461.html> (accessed 5 June 2013).

⁶⁵ "Egypt Govt to Facilitate Return of 'Fleeing' Businessmen", *Ahram Online*, 13 February 2013, <http://english.ahram.org.eg/NewsContent/3/12/64694/Business/Economy/Egypt-govt-to-facilitate-return-of-fleeing-business.aspx> (accessed 5 June 2013). This would remove a decisive obstacle to out-of-court settlements, as fear of detention makes many entrepreneurs whose cases are still open wary of returning. It is, however, unclear whether the law came into force before Morsi's removal.

Limits of Rapprochement: Members of the Business Elite in Opposition to the Brotherhood

The Brotherhood's initiatives were met with scant approval among the established business elite. Most business leaders kept aloof or supported the growing civil and political opposition against the Brotherhood. Two motives were especially important. Firstly, some mistrusted the cooperation-seeking politics of the Brotherhood, and still feared being called to account for earlier transgressions by the new political leadership. It is indeed the case that the Brotherhood repeatedly undermined its own policy of the "extended hand" by its rhetoric. For example, in a speech reviewing his first hundred days in office Morsi pointed the finger at certain (unnamed) leading private companies and announced investigations against them.⁶⁶ At least in parts of the business elite this open threat was received with great nervousness. Secondly, many members of the business elite held more general reservations against the new political leadership. The Brotherhood representatives possessed no experience of government and were not trusted to lead Egypt in this difficult situation. And although the Brotherhood's economic programme called for a continuation of the status quo, much of the westernised top-entrepreneurs rejected the Islamists' social policy ideas. This was another reason for them to see themselves allied with the secularist opposition camp.

The Brotherhood itself initially saw no problem in its rejection by certain business leaders.⁶⁷ In the course of the summer 2012 presidential elections, in which Morsi only scraped a victory, this assessment appeared to shift. Three moves by the business side in particular created increasing difficulties for the government and consequently also for the Brotherhood: the funding of parties and election campaigns, the founding and/or operating of critical media, and the systematic withdrawal of investment capital from Egypt.

⁶⁶ "Morsi's Corruption Remarks Drive Egypt Bourse Down", *Ahram Online*, 8 October 2012, <http://english.ahram.org.eg/NewsContent/3/12/55091/Business/Economy/Morsis-corruption-remarks-drive-Egypt-Bourse-down.aspx> (accessed 10 July 2013).

⁶⁷ Interviews with Muslim Brotherhood representatives, Cairo, August 2011 and March 2012.

Party Finance and Election Campaigns

Hosni Mubarak's forced resignation opened the way for a boom in funding of new parties. Alongside the twenty-three existing parties that had been registered under the old regime (the NDP having been dissolved in April 2011), thirty-four parties entered the parliamentary elections held at the end of 2011 and beginning of 2012.⁶⁸ Because the new party law passed in March 2011 by the SCAF provided for no state funding,⁶⁹ all groups were forced to quickly generate donations. Members of the established business elite grasped the opportunity to achieve political influence by funding particular parties. The forerunner here was the media and pharmaceuticals tycoon al-Sayyid al-Badawi, who in 2010 had been elected leader of the conservative nationalist but economically liberal Wafd Party and was one of its main donors. At the time of the parliamentary elections al-Badawi was supplying about 20 percent of the party budget.⁷⁰ Members of the business elite had already been associated with the Wafd Party under Mubarak,⁷¹ which earned the party

⁶⁸ Stephan Roll, "Länderporträt Ägypten", in *Arabische Zeitenwende. Aufstand und Revolution in der arabischen Welt* (Berlin: Bundeszentrale für politische Bildung, 2012), 156–162 (158).

⁶⁹ Corresponding provisions from which the NDP in particular had profited in the Mubarak era were abolished under the new party law. Dina Guirguis, "Egypt Opposition Divided over New Political Parties Law", *Washington Institute Policy Alert*, 30 March 2011, <http://www.washingtoninstitute.org/policy-analysis/view/egypt-opposition-divided-over-new-political-parties-law> (accessed 5 June 2013).

⁷⁰ "Profiles of Egypt's Political Parties", *BBC News Middle East*, 25 November 2011, <http://www.bbc.co.uk/news/world-middle-east-15899546> (accessed 5 June 2013). Al-Badawi is the majority shareholder of the Egyptian pharmaceuticals company Sigma, which has a market share of more than 6 percent in the national generics sector and in 2010 recorded turnover of well over \$100 million. Germany Trade & Invest, "Ägyptens Pharmamarkt expandiert", 17 January 2013, <http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=743928.html> (accessed 5 June 2013). He also owns the satellite channel Hayat TV (see also pp. 21ff.). For more detail on al-Badawi see "Al-Sayed Al-Badawi", *Jadaliyya*, 18 November 2011, <http://www.jadaliyya.com/pages/index/3182/al-sayed-al-badawi> (accessed 5 June 2013).

⁷¹ Apart from al-Badawi, this was above all the Coptic business leader Mounir Fakhry Abdel Nour, who was Tourism

sharp criticism from opposition circles (even after the mass protests had begun, Wafd did not initially distance itself from the regime). For many members of the business elite this party therefore appeared an unattractive vehicle for their interests in the post-Mubarak era. They preferred instead to set up new parties.

The Coptic industrialist Naguib Sawiris, who never tired of warning against the Islamist influence on Egyptian politics, was especially active in this respect.⁷² At the beginning of April 2011 Sawiris initiated the founding of the secular liberal, pro-business Free Egyptians Party (*Hizb al-Masriyyin al-Ahrrar*), whose members include well-known names from the private sector and the secular-leaning upper class.⁷³ How much money Sawiris himself invested in the party cannot be verified, but there is reason to believe he was very forthcoming.⁷⁴ The party claims to have recruited about 150,000 members before the 2011/2012 parliamentary elections, in which it stood 150 candidates. This was made possible by an expensive and professionally run advertising campaign.⁷⁵ Nevertheless, the Free Egyptians won only fifteen seats in the elections (on about 3 percent of the vote).

Minister from the cabinet reshuffle of February 2011 until Morsi formed his first government in August 2012.

⁷² Sawiris summed up his fundamental rejection in an interview before the presidential elections. Asked why he would not be voting for the extremely moderate Islamist and former Brotherhood member Moneim Aboul Fotouh, who is regarded as liberal and pro-business, he replied: "I must say [he] is a very honest, nice man. [...] So, some of my fellow liberals believe that he's liberal. I don't believe that, because I always feel very worried. In my building in Egypt, no priest can come and go up to our offices, because we think this is a place to work. If I went to pray, I would go to the church. And I'm always very worried when someone is very religious and like that, and he takes this as the only scope to run a country from." Naguib Sawiris, "Remarks at the 2012 Weinberg Founders Conference", Washington Institute for Near East Policy, 4 May 2012, <http://www.washingtoninstitute.org/uploads/SawirisTranscript20120504.pdf> (accessed 5 June 2013).

⁷³ Including Hani Sarie al-Din, influential business attorney and Sawiris family lawyer; Khaled Kandil, former board chairman of ExxonMobil Egypt; and Khaled Bishara, top manager of the Sawiris empire.

⁷⁴ According to party circles Sawiris contributed 20 percent of the total budget up until the parliamentary elections. "Profiles of Egypt's Political Parties: Free Egyptians", *BBC News Middle East*, 25 November 2011, <http://www.bbc.co.uk/news/world-middle-east-15899997> (accessed 5 June 2013).

⁷⁵ The Party was assisted for five months by a well-known Egyptian advertising agency. Randa El Tahawy, "The Business of Campaigning", *Business Today Egypt*, 10 August 2011, 28ff.

The Free Egyptians saw themselves from the outset in fundamental opposition to the Muslim Brotherhood and its FJP. Sawiris even said he had considered calling the party "The Egyptian Brothers" (*al-Ikhwan al-Masriyyin*), as a clear provocation to its political rival.⁷⁶ Notably, this antagonism is hardly reflected in the economic policies of this "pro-business party". Although the party supports the free market more vocally than the FJP, it similarly emphasises the need for state-managed development and infrastructure projects. The fact that economic policy is not the reason behind its opposition to the Brotherhood is underscored by the Free Egyptians Party's electoral alliance with the socialist Tagammu' Party, which in the past had argued vehemently against liberal economic policies.⁷⁷ The crux of its opposition to the FJP lies in the question of the status of religion in Egypt's political system. Although the Free Egyptians, probably largely for tactical reasons, do not call for the abolition of the second article of the constitution that makes the principles of sharia the prime source of Egyptian law, nor explicitly call for a "secular state" (*dawla 'almaniyya*), they do stress more strongly than the FJP the "civil character" of the state and the associated separation of state and religion.⁷⁸

Especially in the party's first months Sawiris used the Free Egyptians as a stage to mobilise against what he saw as the imminent threat of "Islamisation" of Egyptian society. But his often agitational and sometimes insulting commentaries were met with criticism even from members of his own party, who saw their election prospects endangered. Other representatives of the business elite preferred a more discreet style and avoided publicising their financial involvement. Ahmed Ghabbour for example, head of the Coptic Ghabbour family whose Ghabbour Auto dominates the Egyptian car market, and according to party circles another major donor to the Free Egyptians,⁷⁹ remains absolutely silent on this score. And although Hisham al-Khazindar, co-founder of the largest Egypt-

⁷⁶ "Sawiris at Free Egyptians Conference: Our Party Not Coptic, Our Programme Up for Discussion" (Arabic), *Al-Masry al-Youm*, 3 April 2011, <http://www.almasryalyoum.com/node/385401> (accessed 5 June 2013).

⁷⁷ The Free Egyptians were the leading party in the Democratic Bloc, which the Tagammu' Party also joined.

⁷⁸ Free Egyptians Party, *Party Programme* (Arabic), <http://www.almasryeenalahrrar.org/PartyProgram.aspx> (accessed 5 June 2013).

⁷⁹ Interview with a leading member of the Free Egyptians, Cairo, October 2012.

tian private equity firm Citadel Capital, made no secret of his initial support for the Al-Adl Party (Justice Party),⁸⁰ he kept entirely out of the party work.

Money from the established business elite did not just flow towards opposition parties, but also into the campaigns of the non-Islamist presidential candidates. The presidential elections of May and June 2012 were preceded by an intense campaign, which observers estimated to have cost up to two billion Egyptian pounds (\$225 million).⁸¹ Where this money originated from was not transparent. Although there were formal restrictions on campaign spending, with each candidate limited to 12 million pounds for his campaign, foreign donations banned and a limit of 200,000 pounds on individual donations, the electoral commission was unable to ensure that these rules were obeyed.⁸² While Mohammed Morsi was supported by the affluent Muslim Brotherhood, the two secular nationalist candidates – Amr Moussa, former secretary-general of the Arab League, and Ahmed Shafiq, the last prime minister under Hosni Mubarak – apparently received generous donations from certain business circles.⁸³ According to observers, especially in the second round Shafiq had “a whole army of fearful

businessmen behind him”.⁸⁴ His success in almost matching Morsi, who won by only 3 percentage points in the second round, was due not least to support from private media mostly owned by members of the business elite.

Funding Mass Media

At least since the presidential elections, the Muslim Brotherhood regarded the “partiality” of most of the Egyptian media as a problem, claiming that members of the established business elite who used to have close ties to the Mubarak regime used their investments in the media sector to support non-Islamist candidates and after Morsi’s victory to incite sentiment against the leadership.

A series of well-known members of the business elite had indeed invested in Egyptian media. After the sector was opened up for private investment, which occurred incrementally from the late 1990s, new satellite broadcasters and print media had been able to establish themselves in the national market. Many of them belonged to wealthy businessmen like Naguib Sawiris, Ahmed Bahgat and al-Sayyid al-Badawi, and under Mubarak they were by no means resolutely critical of the regime. But the partial privatisation of the Egyptian media sector did permit a significantly more open discourse, as the private operators at least partially followed a “commercial logic”.⁸⁵ And although certain private stations actively supported Mubarak when the protests first broke out, interviews and talk shows in private Egyptian satellite television were probably more influential on public opinion than the more widely discussed Qatari transnational broadcaster al-Jazeera.

After the fall of the old regime the leeway for private media initially increased only slightly. Although the military leadership repeatedly attempted to restrict and influence reporting, simplification of the licensing procedure led to the founding of numerous new media outlets and the stakes held by Egyptian entrepreneurs grew further (see Table 2, p. 28). Certain television stations like al-Hayat and ONTV were used by their owners to broadcast advertising for political

⁸⁰ According to party members he supported the founding to the tune of one million Egyptian pounds (at that point about \$150,000).

⁸¹ “Egypt’s Presidential Campaigns to Cost Billions: Analysts”, *Al-Arabiya News*, 19 April 2012, <http://english.alarabiya.net/articles/2012/04/19/208866.html> (accessed 5 June 2013); Mariam Badr al-Din and Salim Ala, “Economists: Two Billion Pounds for First Round Presidential Campaigning [...]” (Arabic), *Al-Youm al-Saba’a*, 26 May 2012, <http://ww1.youm7.com/News.asp?NewsID=688889&SecID=12&IssueID=168> (accessed 5 June 2013).

⁸² Mara Revkin, “Lavish Campaign Spending by Egypt’s Presidential Candidates Prompts Official Inquiry”, *Atlantic Council*, 15 May 2012, <http://www.acus.org/egyptsource/lavish-campaign-spending-egypts-presidential-candidates-prompts-official-inquiry> (accessed 5 June 2013).

⁸³ This is backed up by public statements by individual business figures. Naguib Sawiris said he would be voting for Amr Moussa; textile producer Alaa Arafa spoke out for Ahmed Shafiq. Mariam Fam and Tarek El-Tablawy, “Egyptians Vote for First Post-Mubarak Leader in Election”, *Businessweek.com*, 23 May 2012, <http://www.businessweek.com/news/2012-05-22/egyptians-choose-first-president-since-mubarak-in-landmark-vote> (accessed 5 June 2013); Sarah A. Topol, “Hope For Stability Unites Egypt’s Rich and Poor”, *Businessweek.com*, 18 June 2012, <http://www.businessweek.com/articles/2012-06-17/hope-for-stability-unites-egypts-rich-and-poor> (accessed 5 June 2013).

⁸⁴ Economist Abdel Mudlib Abdel Hamid speaking to *Al-Youm al-Saba’a*. Badr al-Din and Ala, “Economists” (see note 81).

⁸⁵ Carola Richter, “Liberalisierung im ägyptischen Mediensystem und ihre Bedeutung für den politischen Umbruch 2011”, in *Revolution und Regimewandel*, ed. Albrecht and Demmelhuber, (see note 35), 150.

parties they supported. It was also conspicuous that media controlled by parts of the business elite reported very little about incidents that contradicted the economic interests of their owners. Strikes and workers' protests increased drastically in the course of events, but were largely excluded from news reporting.⁸⁶

When the political struggle increasingly shifted to the conflict between Islamists and "liberal" forces, above all in the course of the 2012 presidential elections, editorial influence by owners increased, according to reports by media insiders.⁸⁷ From the perspective of the Muslim Brotherhood the problem was less the smaller newspapers and satellite broadcasters that agitated aggressively against the government and the Brotherhood leadership,⁸⁸ than the large and very professionally run media holdings owned by Naguib Sawiris and Mohamed al-Amin, which appeared much more dangerous. Brotherhood representatives accused both of holding their satellite channels and newspapers to a strongly one-sided and exclusively critical line and stoking resentment against the government and the Brotherhood.

In 2004 Sawiris had already founded the daily newspaper *al-Masry al-Youm*, together with Salah Diab of Pico Group.⁸⁹ And in 2007 he set up ONTV as one of the first private satellite broadcasters in Egypt. Most of its assets were transferred in 2008 to ONTV, also founded by Sawiris. Both *al-Masry al-Youm* and ONTV were characterised by comparatively high journalistic standards and reported noticeably more independently than the state press. In the days of protest in early 2011 Sawiris – unlike other private media – permitted free reporting. Although it became apparent

in the following months that reporting was restricted even in media controlled by Sawiris, this was attributed exclusively to the influence of the military leadership. While ONTV also generally gave airtime to Brotherhood representatives, in the course of the second round of the presidential elections observers complained of an increasing one-sidedness in the choice of talk show and studio guests in favour of Ahmed Shafiq.⁹⁰ Journalists of *al-Masry al-Youm* also complained about the owner's intervention in editorial matters.⁹¹ After the presidential elections the paper became noticeably more critical of the Muslim Brotherhood, following the appointment as board chairman of Abdel Moneim Said, who had been in charge of the state-run Al Ahram Newspaper and Publishing House under Mubarak and was known as a sharp critic of the Muslim Brotherhood.⁹²

Unlike Sawiris, Mohamed al-Amin only began investing in the Egyptian media sector after the fall of Mubarak. Al-Amin made his fortune with a construction firm in Kuwait, and came to notice under Mubarak only as partner in one of the country's largest construction firms, the Amer Group. The group's majority partner, Mansour Amer, belonged to the business wing of the ruling party. In July 2011 al-Amin founded the Capital Broadcasting Center (CBC), a satellite broadcaster with three channels whose presenters included journalists that had been close to the Mubarak regime in the past.⁹³ However,

⁸⁶ "And You Thought Murdoch Was Evil: Media Ownership and Editorial Independence in Egypt", *Caravan*, 19 March 2012, <http://academic.aucegypt.edu/caravan/story/and-you-thought-murdoch-was-evil-media-ownership-and-editorial-independence-egypt> (accessed 5 June 2013).

⁸⁷ Heba Afify, "Media Moguls Struggle to Keep Their Biases in Check", *Egypt Independent*, 28 June 2012, <http://www.egyptindependent.com/news/media-moguls-struggle-keep-their-biases-check> (accessed 5 June 2013).

⁸⁸ Such as the daily *al-Sabah*, founded in 2012 by Ahmed Bahgat who was plainly motivated to turn public opinion against the Muslim Brotherhood. Heba Fahmy, "New Daily Newspaper Al-Sabah Struggles to Make an Impact", *Egypt Independent*, 26 October 2012, <http://www.egyptindependent.com/news/new-daily-newspaper-al-sabah-struggles-make-impact> (accessed 5 June 2013).

⁸⁹ Proprietorial influence on *al-Masry al-Youm* was exposed in 2008 when the prominent publisher Hisham Kassem left in protest at interference in editorial matters.

⁹⁰ Afify, "Media Moguls Struggle" (see note 87).

⁹¹ See amongst others Nora Younes, "Our 'Naive' Generation Will Bring Down Your Media System", *Egypt Independent*, 25 April 2013, <http://www.egyptindependent.com/opinion/our-%E2%80%98naive-generation-will-bring-down-your-media-system> (accessed 5 June 2013).

⁹² The appointment was also seen as problematic among journalists at *al-Masry al-Youm*, because Abdel Moneim Said had been closely associated with the Mubarak regime as Chairman of the Board of Al Ahram Newspaper and Publishing House and a leading member of the NDP. See Naomi Sakr, *Transformations in Egyptian Journalism* (London and New York, 2013), 58. Sawiris himself surprised Egyptian public opinion at the end of 2012 by selling ONTV to French-Tunisian media mogul Tarek Ben Ammar. But does not mean he is abandoning the Egyptian media sector. Sawiris retains a stake in *al-Masry al-Youm* and in May 2013 announced that he had taken a 30 percent stake in Ben Ammar's holding company. "Sawiris, Ben Ammar Unveil 100M Euro Film Partnership", *Daily News Egypt*, 17 May 2013, <http://www.dailynewsegypt.com/2013/05/17/sawiris-ben-ammam-unveil-100m-euro-film-partnership/> (accessed 5 June 2013).

⁹³ Emad Mekay, "TV Stations Multiply as Egyptian Censorship Falls", *New York Times*, 13 July 2011.

al-Amin increasingly also recruited media stars recognised in the opposition spectrum, such as the satirist Bassem Youssef, and successively bought up other satellite broadcasters including al-Nahar and invested in the print sector. He founded the daily newspaper *al-Watan* and took a stake in *al-Youm al-Saba'a*, a daily newspaper originally run by Ashraf al-Sherif, whose father, Safwat al-Sherif, was NDP Secretary-General and long-serving information minister under Hosni Mubarak.⁹⁴ Because of al-Amin's obvious connections to the old regime and his aggressive and sometimes extremely costly expansion strategy, the Brotherhood saw him as a straw man for other members of the established business elite.⁹⁵

The Brotherhood attempted to address the influence of private media on public opinion by three different means. Firstly, they stepped up their own activities in the private media sector. In 2011 the FJP founded the daily newspaper *al-Hurriya wa al-Adala* (named after the party). Businessmen close to the Brotherhood also launched the satellite broadcaster *Misr25*.⁹⁶ Secondly, the organisation attempted to secure influence over state-run media through appointments. In summer 2012 the upper house of parliament decided that the top management positions in fifty-five state-run newspapers would be readvertised. Although the move was in line with the law, it still triggered strong public criticism, focusing especially on the change of the editor-in-chief of the three major state-run newspapers *al-Ahram*, *al-Akhbar* and *al-Gumhuriya*.⁹⁷ Thirdly, the Morsi government initiated legal steps against the reporting of pro-opposition television stations and print media, with a rising volume of charges against presenters and journalists. In spring 2013 the satirist Bassem Youssef, whose show was broadcast on CBC, was arrested. This represented a watershed to the extent that now even

the international media began reporting on the Brotherhood's actions.⁹⁸ The General Investment Authority, as the body responsible for licensing satellite broadcasters, also threatened to withdraw CBC's licence, in a move criticised by legal experts as a problematic intervention in media freedoms by the executive.⁹⁹

The Brotherhood's efforts remained unsuccessful. Their engagement in the media sector failed to create any serious competition to the satellite channels and newspapers run by the private sector. In particular, they were unable to offer any credible alternative to the popular evening talk shows presented by well-known established journalists. In the state-run media strong resistance formed against Brotherhood interference. Here it was also relevant that Egypt's journalists tend to be overwhelmingly critical of the Brotherhood.¹⁰⁰ Simply changing top management could therefore hardly influence reporting. The legal actions of the executive also met their limits: the popularity of individual formats such as Bassem Youssef's satire programme actually increased as a result of the prosecution. These measures also provoked massive criticism abroad, amid fears that Egyptian press freedom was being curtailed.¹⁰¹ Not least for that reason, Morsi apparently felt compelled to drop charges raised by the presidential office against individual journalists.¹⁰²

⁹⁴ "He Owns 14 Satellite Channels and Three Newspapers to Attack the Revolution [...]" (Arabic), *Bawaba al-Ahram al-Arabi*, 12 December 2012, <http://arabi.ahram.org.eg/NewsQ/17973.aspx> (accessed 5 June 2013).

⁹⁵ Interview with a leading member of the Muslim Brotherhood, Berlin, 12 March 2013.

⁹⁶ Noha El-Hennawy, "Looking to Consolidate Its Influence, Brotherhood Takes to the Media", *Egypt Independent*, 27 December 2011, <http://www.egyptindependent.com/news/looking-consolidate-its-influence-brotherhood-takes-media> (accessed 5 June 2013).

⁹⁷ Altogether 243 applied for the 55 posts. Representatives of the Journalists' Syndicate in particular complained that the selection process had been unprofessional. Sakr, *Transformations in Egyptian Journalism* (see note 92), 59ff.

⁹⁸ *Ibid.*, 70ff.

⁹⁹ Rana Mohammed Taha, "The Legality of Closing Down CBC", *Daily News Egypt*, 3 April 2013, <http://www.dailynewsegypt.com/2013/04/03/the-legality-of-closing-down-cbc/> (accessed 5 June 2013).

¹⁰⁰ This conclusion was reached not only by media insiders close to the Muslim Brotherhood, like prominent journalist Fahmi Huweidi, but also dogged opponents such as the sociologist Saad al-Din Ibrahim. Abdallah Schleifer, "Egypt's Media Quagmire Worsens", *Al-Arabiya*, 3 April 2013, <http://english.alarabiya.net/en/views/2013/04/03/Are-Egypt-s-journalists-all-activists.html> (accessed 5 June 2013); Iman al-Gamal, "President Morsi Is Bad But the Others Are Worse" (interview with Fahmi Huweidi, Arabic), *Al-Qabas*, 12 February 2013, <http://www.alqabas.com.kw/node/739545> (accessed 5 June 2013).

¹⁰¹ For example the report "Predators of Freedom of Information in 2013", published by the international NGO Reporters Without Borders, which brands the Muslim Brotherhood an enemy of press freedom, http://fr.rsf.org/IMG/pdf/predators_2013_en.pdf (accessed 12 July 2013).

¹⁰² "Egypt's Mursi Drops Complaints against Journalists", *Reuters*, 10 April 2013, <http://www.reuters.com/article/2013/04/10/us-egypt-mursi-idUSBRE93912E20130410> (accessed 5 June 2013).

Investment Boycott and Capital Flight: The Case of OCI

It was not only indirect political influence by members of the business elite through funding of parties, campaigns and media that created problems for the Muslim Brotherhood. Above all the unwillingness of the established business elite to invest in the Egyptian economy increasingly became a problem. In view of dramatically falling foreign direct investment, reduced by more than 80 percent between financial years 2009/2010 and 2011/2012,¹⁰³ the refusal of certain major Egyptian companies to invest hit the domestic economy particularly hard. The attempt to persuade exiled members of the business elite to return failed. Worse yet, Egypt's biggest private company Orascom Construction Industries (OCI) announced its intention to leave, shortly after Hassan Malek's January 2013 invitation (at Morsi's behest) to the biggest business families to return. The main shareholders in OCI, first and foremost the Sawiris family who hold more than 55 percent, had for this purpose set up a Dutch public limited company. In a takeover offer to shareholders the share capital of OCI was to pass completely to the new firm Orascom Construction Industries NL.¹⁰⁴

The move was a double blow. Firstly, the long-term consequences for Egypt's state revenues were not foreseeable. Although the company stressed that it intended to continue its activities in the Egyptian market, after the planned take-over the parent company would be taxed in the Netherlands. Secondly, the company's departure would represent a massive loss of status for the Egyptian stock exchange. At the end of 2012 OCI, as the biggest company, represented almost 15 percent of the market capitalisation of the Egyptian Exchange (EGX) and a considerable proportion of its trading. Especially for international investors, who had already withdrawn funds on a large scale since early 2011, investment in this market would become even less attractive if the internationally known firm were to move abroad.¹⁰⁵

103 Ministry of Finance, *Financial Data and Statistics*, <http://www.mof.gov.eg/English/Pages/External-Sectors.aspx> (accessed 5 June 2013).

104 OCI, *Offering Circular*, 18 January 2013, http://www.ocinv.nl/media/cms_page_media/45/OCI_Offering_Circular.pdf (accessed 5 June 2013).

105 Delisting OCI would reduce the weight of the Egyptian exchange in the Morgan Stanley Capital International (MSCI) Index, on which many international investors base the spread

of their investments. Apart from the direct consequences for the national economy, the departure of OCI was dangerous from Morsi's perspective mainly because of the message it sent to other Egyptian companies. OCI had claimed that the decision to list the company in Amsterdam was based largely on an internationalisation strategy. Since the 1990s other well-known Egyptian companies had also successfully pursued such a strategy of expansion into foreign markets.¹⁰⁶ Their owners could, in view of the political uncertainty in Egypt, also be tempted to change the nationality of their companies – with dramatic consequences for the Egyptian economy. For this reason in March 2013 the financial regulator tightened the rules for trading Egyptian share companies on international exchanges.¹⁰⁷

The Egyptian Financial Supervisory Authority (EFSA), which was responsible for approving the share swap, initially played for time, requesting OCI to reveal further information on the planned transaction.¹⁰⁸ At the same time the Egyptian tax authorities swung into action. At the beginning of 2013, apparently days before OCI announced its plans, they had delivered to the company a demand for 4.7 billion Egyptian pounds (\$799 million) in back taxes.¹⁰⁹ After

of their investments. Nadia Saleem, "Orascom Deal May Dampen Egypt's Stock Market", *Reuters*, 13 February 2013, <http://www.reuters.com/article/2013/02/13/egypt-orascom-delisting-idUSL5N0BD0C320130213> (accessed 5 June 2013).

106 Including the Mansour family's conglomerate, which is the world's biggest independent General Motors distributor; the al-Chiaty family's tourism empire, which also owns the German Steigenberger hotel group; and the el-Sewedy family's cable and power engineering business, which has subsidiaries across the Middle East as well as in Africa and Europe.

107 Specifically, the rules for issuing global depository receipts (GDRs), which certify ownership of shares and can be traded globally in their place. Especially for international investors, GDRs represent an attractive instrument for investing in emerging markets. At the point of the share swap offer GDRs had been issued for 75 percent of OCI's shares, which could be exchanged for shares in the new Dutch company without the approval of the financial regulator EFSA. In March 2013 the EFSA restricted GDR issuance to one third of a company's share capital. "Update 1 – Egypt Sets Limits On Share Transfers of Local Stocks", *Reuters*, 4 March 2014, <http://www.reuters.com/article/2013/03/04/egypt-bourse-idUSL6N0BWDPN20130304> (accessed 5 June 2013).

108 OCI, *Press Release*, 20 February 2013, http://www.ocinv.nl/media/cms_page_media/2013/2/20/OCI%20N%20V%20Comments%20on%20Statement%20by%20the%20EFSA.pdf (accessed 5 June 2013).

109 The demand, which OCI categorically rejected and to

the announcement of the planned share swap they increased their pressure on the company, and especially on the Sawiris family. In March the state prosecutor imposed a travel ban on the two main shareholders, Nassif and Onsi Sawiris. On top of that, the authorities now put the tax debt at about 14 billion pounds (\$2.1 billion).¹¹⁰

The escalation between the Sawiris family and the Morsi government was extremely disadvantageous for both sides. Although the travel ban was only a symbolic act, because the family had long since left the country, the move greatly worried other members of the Egyptian business elite and deterred the exiles among them from returning. Quiet public criticism even came from the business milieu of the EBDA, suggesting that Morsi's move was not agreed in advance with the Brotherhood's own business organisation.¹¹¹

The Sawiris also did not have the slightest interest in such an escalation. Although the family had been able to move considerable wealth abroad, Egypt remained a central market for them, as it was for the other leading business families that had left the country. Hence, both sides were ultimately forced to talk. Following intense mediation by Hassan Malek an agreement was reached at the end of April 2013.¹¹² OCI agreed to pay back taxes of 7.1 billion pounds (\$1 billion). In return the authorities dropped further investigations and OCI was able to continue the share swap and transfer ownership to the new Dutch company. Most importantly, the travel bans were lifted. When Onsi Sawiris returned from exile in early May accompanied by his eldest son Naguib, this was inter-

preted by the Egyptian public as a sign of reconciliation between Morsi and the opposition business elite.¹¹³ But Naguib Sawiris certainly did not give up his support for the opposition. Only a few days after returning he demonstratively took part in the party conference of the Free Egyptians, again underlining his rejection of the Morsi government.¹¹⁴

many observers appeared constructed, related to the sale of the company's cement operations in 2007. OCI, *Press Release*, 8 March 2013, <http://www.orascomci.com/filestore/OCICommentsonStatementsfromEgyptianTaxAuthorityandReiteratesStrongPositiononTaxCaseOCISAEfinal.pdf> (accessed 5 June 2013).

110 Sherine Abdel-Razek, "Travel Ban on 'Egypt's Rockefellers'", *Al-Ahram Weekly*, 30 April 2013.

111 As stated for example by EBDA board member Mohamed El Demerdash. Ahmed A. Namatalla and Nadine Marroushi, "OCI Tax Debacle in Egypt Stokes Concern over Who Might Be Next", *Bloomberg.com*, 21 March 2013, <http://www.bloomberg.com/news/2013-03-21/oci-tax-debacle-in-egypt-stokes-concern-over-who-might-be-next.html> (accessed 5 June 2013).

112 "Nassif Sawiris to Al-Youm al-Saba'a: Engineer Hassan Malek Played Positive Role in Agreement Between Orascom Construction and Tax Authorities" (Arabic), *Al-Youm al-Saba'a*, 30 April 2013, <http://www.youm7.com/News.asp?NewsID=1043509&> (accessed 5 June 2013).

113 Wafaa Basiouny, "Will Sawiris's Homecoming Revive the Egyptian Economy?" (Arabic), *Moheet.com*, 4 May 2013, available via <http://www.moheet.com> (accessed 5 June 2013).

114 "Free Egyptians Hold the First Conference Attended by Sawiris" (Arabic), *Moheet.com*, 10 May 2013, available via <http://www.moheet.com> (accessed 5 June 2013).

Outlook and Conclusions

On 3 July 2013 the armed forces again took power in Egypt. Mohammed Morsi was stripped of office and detained, the constitution suspended, and leading Brotherhood members jailed. The Brotherhood's attempt to consolidate the power they had attained through elections was brought to an abrupt end. The movement had failed to provide convincing answers to the country's social and economic problems. Instead it had questionably forced through a new constitution against the opposition's resistance and used its dominance of the upper house of parliament to pass restrictive laws controlling civil society and the media. In the process, the Brotherhood exhibited a continuity with the Mubarak era not only in its economic policies but also in a style of politics that adhered to old patterns: intransparency and exclusion of actors outside the Brotherhood were both indications that the organisation lacked the capacity to open itself up to wider sections of civil society.

The mass protests at the end of June 2013, on the first anniversary of Morsi's presidency, were the result of this political failure. Nevertheless, the narrative disseminated in Egypt and abroad that the generals had merely implemented the will of the people by removing Morsi is too superficial. The generals were following massive self-interest, concerned above all that political paralysis threatened to bankrupt the state and sink the bloated military apparatus along with its business empire.¹¹⁵ The violent crackdown by security forces with hundreds of "anti-coup" demonstrators killed,¹¹⁶ mass arrests of Islamist and ban of several media outlets indicates that the military leadership is not interested in restarting democratic transition but

in total exclusion of the Muslim Brotherhood and other Islamist opposition from the political process.

Other established interest groups had also apparently been working for the fall of Morsi's government, including much of Egypt's business elite. To what extent business interests were directly involved in the coup or its preparation will, if ever, only be clarified in hindsight. But there are already some indications. Naguib Sawiris has openly admitted supporting the Tamarrod (Rebellion) campaign with money and organisation. Tamarrod activists began by collecting signatures against Morsi and then organised mass protests at the end of June. Furthermore, members of the business elite or their representatives had apparently been in discussions with the generals in advance of the coup.¹¹⁷ In this connection it seems quite possible that networks connecting important Egyptian entrepreneurs and business families to political leaders in the Gulf region were helpful in securing Egypt badly needed financial assistance.¹¹⁸ For the military leadership this was probably a decisive factor for their intervention.

But above all, as this analysis demonstrates, members of the established business elite had already been working for months against the Brotherhood. The means and instruments were abundantly at hand. After the fall of Mubarak these actors had in no sense relinquished their predominance in Egypt's economy. They were not willing to work with the Brotherhood, too great was their mistrust of the new administration. Moreover, many of the secular-leaning business leaders also held fundamental misgivings about political Islam.

And so they celebrated Morsi's removal, as did the Egyptian stock exchange. Despite continuing

115 On the interests of the military see Stephan Roll and Max Gallien, "Putsch mit Plan: Ägyptens Militär sichert mit der Machtübernahme eigene Interessen ab", *Süddeutsche Zeitung*, 15 July 2013.

116 The violent dispersals of sit-ins of so-called anti-coup demonstrators in mid-August with more than six hundred protesters killed were described by Human Rights Watch as "the most serious incident of mass unlawful killings in modern Egyptian history". See "Egypt: Security Forces Used Excessive Lethal Force", *Human Rights Watch*, 19 August 2013, <http://www.hrw.org/news/2013/08/19/egypt-security-forces-used-excessive-lethal-force> (accessed 1 September 2013).

117 Ben Hubbard and David D. Kirkpatrick, "Sudden Improvements in Egypt Suggest a Campaign to Undermine Morsi", *New York Times*, 10 July 2013; Matt Bradley, "In Egypt, the 'Deep State' Rises Again", *Wall Street Journal*, 12 July 2013.

118 Immediately after Mursi's ouster the three Gulf countries promised Egypt aid packages worth \$12 billion. See Patrick Werr, "Analysis: With Gulf Aid, Egypt Economy Can Limp through Crisis", *Reuters*, 20 August 2013, <http://www.reuters.com/article/2013/08/20/us-egypt-protests-economy-analysis-idUSBRE97J08M20130820> (accessed 30 August 2013).

uncertainty over the country's future, the key EGX index recorded a rise of more than 12 percent in the week after the coup. The composition of the transitional government under Prime Minister Hazem al-Beblawi must also have turned out quite to their liking. The well-known economist al-Beblawi is regarded as a market liberal, as is his deputy Ziad Bahaa el-Din, who under Mubarak headed first the Egyptian Investment Authority, later the Financial Supervisory Authority, and is now Minister of International Cooperation. In the person of Mounir Fakhry Abdel Nour, who was SCAF's tourism minister in 2011/12, a prominent businessman received the job of industry minister. Abdel Nour previously briefly headed the ECES, the research institute that designed and supported the economic reforms pushed through by the business elite in Mubarak's last decade. The new Finance Minister Ahmed Galal was even more closely associated with ECES. As a World Bank economist who served with interruptions as ECES director from 1996 to 2006, he had had decisive influence on the formulation of the economic policy agenda during that period.

The transitional government is due to serve only until the next parliamentary and presidential elections, which are scheduled to take place as soon as a new constitution has been passed. Altogether this transformation process is not supposed to take more than nine months. Whether it will be possible to make far-reaching economic policy decisions at all in that short time is doubtful. In the face of continuing protests, the government could be too preoccupied with securing its own power. Anyway, the new government's free-market positions represent no contradiction to Morsi's equally free-market agenda. And the Egyptian armed forces will, as under Morsi, retain a veto over fundamental reforms. Nonetheless, the choices for central economic posts in the new cabinet suggest that the influence of the Egyptian business elite could be set to increase.

Germany and its European partners should take much greater account of this in their long-term cooperation with Egypt. In the past it has been seen that such influence can have negative effects on the shaping of economic reforms. Irrespective of short-term measures against the military leadership in Cairo, two especially important mechanisms need to be counteracted in future.

Firstly, the intermingling of business interests and overall political responsibility prevented the emergence of the free and above all fair competition

repeatedly announced in Egyptian political position papers. Corruption and self-enrichment were the consequence of selective implementation of institutional reforms, from which only a small group of businessmen profited. The inadequate expansion of competition and market oversight, for example, enabled individual entrepreneurs to establish oligopoly or even monopoly structures almost unhindered in various sectors of the Egyptian economy. Germany and the European Union should increase pressure towards a reform of the economic regulatory framework and support corresponding measures through financial incentives and knowledge transfer. It is of central importance here to create greater transparency in the area of state activity, for example in the awarding of public contracts, privatisation processes and land sales. In this context the professionalisation of the country's media sector, should also be promoted. State-owned outlets and large parts of the private media are far from being independent.

At the same time the consequences of past policies must be dealt with. It is certainly not the task of external actors to rectify the predominance of individual companies in the Egyptian economy. But Germany and the European Union should examine whether their own measures and instruments encourage such developments, for example by supporting public-private partnerships between the Egyptian state and local businesses.

Secondly, the political influence wielded by business interests harms the social balance of Egypt's economic policy. The economic course under Mubarak, dominated by business and focussed exclusively on growth, cemented inequality in the country. The regime attempted at least to dampen social tensions by operating a costly and inefficient subsidy system that ultimately took Egypt to the brink of bankruptcy. The one-sided course was exacerbated by national and international development partners that welcomed the emphasis of reform policies on higher growth rates and global competitiveness. Future cooperation should much more strongly foreground a broad impact of economic growth, which cannot be achieved without a more active redistribution policy by the Egyptian state. Germany and the European Union should therefore support the overdue reform of the tax system and tax administration to boost the state's ability to fund itself. But above all, deep tax reform would also permit a more equitable income distribution to be instituted.

Appendix

Table 1
Members of the Egyptian business elite with net assets exceeding \$100 million, early 2011

<i>Name</i>	<i>Business</i>	<i>Sector</i>
Mohamed Abu el-Enein	Ceramic Cleopatra Group	Ceramics
Alaa Arafa	Arafa Holding	Textiles
Salah Diab	Pico Engineering Holding	Engineering
Hamed al-Chiaty	Travco Group Holding	Tourism
Ahmed Ezz	El-Ezz Steel Rebars	Steel, ceramics
Shafiq Gabr	Artoc Group for Investment and Development	Construction, consumer goods, services
Raouf Ghabbour	Ghabbour Auto	Cars
Mohamed Khamis	Oriental Weavers	Textiles
Ahmed al-Maghrabi	MMID	Health, agriculture
Mahmoud family	Mohammed Mahmoud and Sons Group	Luxury goods
Mohamed Mansour	Mansour Group	Consumer goods, commercial vehicles
Khaled Nosseir	Alkan Holding	Telecommunications, textiles, construction
Mohamed Rachid	Rachid Group	Consumer goods
Hussein Salem	HKS Group	Energy, tourism
Sallam family	Olympic Group	Electronics, domestic appliances
Naguib Sawiris	Orascom Telecom	Telecommunications
Nassif Sawiris	Orascom Construction Industries	Construction, land development, construction materials, fertilisers
Samih Sawiris	Orascom Development Holding	Land development, tourism
Ahmed el-Sewedy	El Sewedy Cables	Construction materials
Sheta family	International Group for Investment	Construction, land development, energy
Safwan Thabet	Juhayna Group	Food
Talaat Moustafa family	Talaat Moustafa Group	Construction, land development

Sources: Interviews and analysis of company data. The list is not necessarily complete; in many cases information on wealth is almost impossible to verify.

Table 2
Leading Egyptian media magnates

<i>Name</i>	<i>Core business</i>	<i>Satellite station(s) (founded)</i>	<i>Print media (founded)</i>
Naguib Sawiris	Telecommunications	ONTV (2008)	al-Masry al-Youm (2004)/ Egypt Independent (English-language version)
Mohamed al-Amin	Construction	CBC (2011); al-Nahar (2011)	al-Watan (2011); al-Youm al-Saba'a (2008)
Salah Diab	Energy, construction, agriculture		al-Masry al-Youm (2004)
al-Sayyid al-Badawi	Pharmaceuticals	al-Hayat (2008)	
Ahmed Bahgat	Construction, tourism, services	Dream TV (2001)	al-Sabah (2012)
Hassan Kamel Rateb	Construction materials	al-Mehwar (2002)	
Mohamed Abu el-Enein	Ceramics	Sada al-Balad	

Sources: Sakr, *Transformations in Egyptian Journalism* (see note 92); Doha Centre for Media Freedom, <http://www.dc4mf.org/en/content/media-tycoons-egypt> (accessed 16 July 2013); Roll, "Finance Matters" (see note 7)

Abbreviations

AUC	American University in Cairo
BIS	Bank for International Settlements
CBC	Capital Broadcasting Center
EBDA	Egyptian Business Development Association
ECES	Egyptian Center for Economic Studies
EFSA	Egyptian Financial Supervisory Authority
EGX	Egyptian Exchange
ETUF	Egyptian Trade Union Federation
FJP	Freedom and Justice Party
GAFI	General Authority for Investment
GDP	Gross Domestic Product
GDR	Global depository receipt
IGA	Illicit Gains Authority
IMF	International Monetary Fund
MSCI	Morgan Stanley Capital International
NDP	National Democratic Party
OCI	Orascom Construction Industries
SCAF	Supreme Council of the Armed Forces