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The American University in Cairo

**The Mirage: Dreams of Utopia in the Deserts of Egypt and
Greater Cairo's Chaotic Reality**

A Thesis Submitted by

Michael Bufano

To Department of Political Science

December, 2016

In partial fulfillment of the requirements for

The degree of Master of Arts

Has been approved by

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Introduction

In the *1974 October Working Papers*, Egyptian President Anwar Sadat (1970-1981) announced that the government would launch an ambitious developmental project to populate the desert outside the Nile River Valley, the country's only major source of water.¹ Sadat hoped that this new urban development policy would solve the country's problems with urban congestion and provide access to housing and jobs for a rapidly growing population. This declaration was initially overshadowed by another one of Sadat's bold initiatives found in these papers, which was his claim that he would open Egypt's economic and political system to capitalism and democracy. Academics and ordinary Egyptians alike would come to know this policy as *al-infithah* or "the opening."² To justify this ideological shift, Sadat blamed his predecessor Abdel Nasser's socialist and Arab Nationalist policies for many of the country's political and economic ills. While doing so, Sadat promoted neoliberal economic reforms and stronger ties with Western countries and the Arab Gulf. A cornerstone of this new public policy was that the government would use America's suburban model and foreign direct investment to aid planners in the cultivation and settlement of the desert. After Sadat's death in 1981, his successors Hosni Mubarak (1981-2011) and Abdel Fatah al-Sisi (2013-present) continued to promote desert projects with even more ambitious goals for urban development outside the Nile River Valley.³ However, following Sadat's proclamation and four decades of extensive public and private investment into over 30 desert towns as well as hundreds of new industrial districts, agricultural reclamation projects, and tourist resorts, only a very small percentage of Egypt's

¹ Sadat, Anwar. "Tasks of the Stage: Or a Comprehensive Civilization Strategy," *The October Working Papers*. http://sadat.umd.edu/archives/written_works.htm, April, 1974.

² Kienle, Eberhard. *A Grand Delusion: Democracy and Economic Reform in Egypt*. I.B. Tauris: London, 2001, 3.

³ "Vision of Cairo 2050," <https://cairofrombelow.files.wordpress.com/2011/08/cairo-2050-vision-v-2009-gopp-12-mb.pdf>, 2008.

population actually moved outside of the Nile River Valley.⁴ A disappointingly small number of full-time jobs were created in industry, agriculture, and tourism from these desert projects, and public and private capital was wasted on vacant housing. In light of this sobering reality, why exactly did the Egyptian state's scheme to transform the country's deserts and depopulate Greater Cairo fail to materialize as planned? More interestingly, why did so many officials in the Egyptian government and its allies in the business community—domestically and internationally—continue to promote these projects despite four decades of disappointing results? Finally, why have so many upper-class Egyptians invested their savings into these projects, particularly into speculative real estate in the desert towns and tourist resorts, despite the high vacancy rates? After conducting field work and analyzing a plethora of primary and secondary resources to answer these questions, I have concluded that poor governance derailed Sadat's plan to depopulate the Nile River Valley and Egypt's overcrowded capital. Consequently, a parasitic political elite in alliance with their loyal clients in the domestic and international business community have mainly benefited from these desert projects; the overwhelming majority of the population that continues to live on the Nile River Valley, to put it bluntly, have not. Most of Egypt's population had to solve their own housing and employment problems by constructing informal communities on the Nile River Valley with very little government assistance.⁵

Before providing empirical evidence that establishes the veracity of this conclusion, it is first necessary to define governance and urban-development policy and to explain how the two

⁴ Sims, David. *Egypt's Desert Dreams: Development or Disaster*. The American University in Cairo Press: Cairo, 2014.

⁵ Tarbush, Nada. "Cairo 2050: Urban Dreams or Modernist Delusions?" *Journal of International Affairs*, 65(2), Spring/Summer, 2012: 171-86

concepts are linked with one another. Without adequately defining the independent and dependent variables, it will be impossible to measure them. According to the World Bank, governance is the “process by which authority is conferred on rulers, by which they make the rules, and by which those rules are enforced and modified.”⁶ Over the last two decades, Egypt’s authoritarian regime has scored poorly on the following World Bank variables that are used to measure the quality of governance: voice and accountability, government effectiveness, regulatory quality, the rule of law, control of corruption, and political stability.⁷ These variables are interconnected with one another. When there are problems with voice and accountability, the average citizen has limited means to check the power of public officials or remove them from office when they perform poorly. Under these circumstances, politicians and bureaucrats are more apt to abuse the power of their office by doing special favors for loyal clients in exchange for kickbacks. This will create problems with the enforcement of laws, the maintenance of political stability, and the regulation of public projects.⁸ This is why problems with governance can have a deleterious effect on the outcome of public policies including those that deal with urban development.

How then do we define and measure the success or failure of an urban-development policy? According to the United Nations, an urban-development policy is a set of programs that “seek to address a range of issues—from managing urban expansion and congestion to fostering competitiveness, innovation, social inclusion, and environmental sustainability.”⁹ In other words,

⁶ “What is Governance,” *The World Bank*, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/EXTMNAREGTOPGOVERNANCE/0,,contentMDK:20513159~pagePK:34004173~piPK:34003707~theSitePK:497024,00.html>, March 28, 2002.

⁷ “Country Data Report for Egypt, Arab Rep., 1996-2014,” <http://info.worldbank.org/governance/wgi/pdf/c67.pdf>, 2014.

⁸ Ahmad, Eatjaz, Muhammad Aman Ullah, and Muhammad Irfanullah Arfeen. “Does Corruption Affect Economic Growth,” *Latin American Journal of Economics*, 49(2), November, 2012: 277-305.

⁹ “Urban Development,” <http://www.oecd.org/gov/regional-policy/urbandevelopment.htm>, 2016.

an urban-development policy is successful if it significantly improves the following for the targeted population: equitable access to affordable and durable housing, security of tenure, job opportunities, cost of transportation, quality and cost of utilities like running water, sewage systems, electricity, and telephone lines, and cleanliness of the environment. When an urban-development policy is poorly executed by the state, this can lead to a lack of improvement in the outputs listed above as well as wasted capital in the form of vacant housing, poorly designed infrastructure, and embezzlement of public resources for personal use by government officials and their cronies in the private sector.

There are specific ways poor governance is linked to the failures of Sadat's urban-development policy. Due to problems with voice and accountability, Egypt's political elite and their foreign business partners dominated the planning of desert projects while leaving those outside the ruling regime without any say in the process.¹⁰ As a result, government officials and their wealthy clients in the private sector designed new cities based on the Western model of suburban development. This made the new towns unaffordable for all but a tiny minority of citizens.¹¹ Furthermore, problems with the rule of law, political stability, and regulatory quality resulted in powerful politicians and their allies in the private sector both abusing the execution of the desert projects for personal gain. The privatization of state land, the influx of foreign capital, and the construction of new cities created many opportunities for the political elite to enrich themselves through graft, insider trading, embezzlement, and real estate speculation.¹²

¹⁰ "Cairo 2050 Revisited: A Planning Logic," <http://www.tadamun.info/2014/07/10/introduction-cairo-2050-planning-logic/?lang=en#.V9enY5h97IU>, July 10, 2014.

¹¹ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*. The American University in Cairo Press: Cairo, 2012.

¹² See the work cited page below where there is a list of links that contain information on corruption scandals in Egypt. Most of these scandals were uncovered following the 2011 revolution. Also, see Khawaja, Mustafa. "Fighting Corruption: From Missing Link to Development Priority," in *Arab Human Development in the Twenty-First Century: The Primacy of Empowerment*, edited by Bagot Korany. The American University in Cairo Press: Egypt, 2014, 105-130.

Public officials also used the distribution of state land, public contracts, and subsidies as a way to cement political alliances with clients in the growing private sector and increase their own personal fortunes at the expense of long term economic and urban development.¹³ Finally, due to the authoritarian nature of the state, the political opposition could not properly evaluate the outputs of these urban development projects and report their findings to the public. Powerful members of the regime have made great efforts to suppress the spread of information that is harmful to the image of the state.¹⁴ Meanwhile, the politicians and wealthy businessmen who have benefited from these projects have used their control of the media, the political parties, the educational system, the parliament, and the bureaucracies to continue promoting the same desert schemes despite decades of disappointing results.

In order to prove that poor governance is linked to the outcome of Sadat's desert projects, both the independent and dependent variables will be operationalized, and evidence will then be presented that links the variables together. Part one of this thesis will evaluate the dependent variable, which is the failure of the state to foster urban development in the desert and depopulate the Nile River. In three chapters, I will evaluate the motives behind the state's promotion of desert projects, compare and contrast the policy goals of Sadat and Mubarak with what was actually constructed in the desert, and analyze the outcomes of those projects in terms of urban development. Part two will then operationalize the independent variable, which is poor governance. This section will begin with an analysis of the authoritarian state that emerged in the aftermath of a *coup d'état* in 1952 as many of Egypt's problems with governance are rooted

¹³ El Tarouty, Safinaz. *Businessmen, Clientelism, and Authoritarianism in Egypt*. Palgrave MacMillan: New York, 2015.

¹⁴ Fandy, Mamoun. *(Un)civil War of Words: Media and Politics in the Arab World*. Praeger Security International: Connecticut, 2007.

in the formation of the country's military regime and its institutions. Afterwards, I will evaluate the faux political and economic reforms of the *infitah* that began in the 1970's in order to show why authoritarianism has survived in the country over the last 40 years and how a relatively small group of oligarchs connected to Hosni Mubarak's son Gamal came to dominate the economy and the political system by 2004. Finally, part three will explore the links between governance and urban development in Egypt. In this section, I will analyze the state's allocation of desert land as well as the design, management, and evaluation of desert projects by public officials and their cronies in the private sector. To operationalize these variables and provide empirical evidence that links both of them together, primary and second resources will be used.

On the one hand, there is a rich abundance of secondary resources on governance in Egypt. For example, May Kassem, in her book *In the Guise of Democracy: Governance in Contemporary Egypt*, analyzes the problems with governance in Egypt since the 1952 revolution that brought the military to power, and Abbas Kadhim's edited work *Governance in the Middle East and North Africa* presents the views of over two dozen academics on the reasons why states in the Middle East, including Egypt, have struggled with governance.¹⁵ In addition, Eberhard Kienle, in his book *A Grand Delusion: Democracy and Economic Reform in Egypt*, discusses why Sadat's *infitah* failed to lead to a political or economic opening, and Oliver Schlumberger's edited work *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes* presents the views of over a dozen academics on why authoritarianism has persisted in Egypt and the rest of the Middle East since the 1970's.¹⁶ This is only the tip of the iceberg. There are

¹⁵ Kassem, May. *In the Guise of Democracy: Governance in Contemporary Egypt*. Garnet Publishing Limited: United Kingdom, 1999; and Kadhim, Abbas, ed. *Governance in the Middle East and North Africa*. Routledge: New York, 2013.

¹⁶ Kienle, Eberhard. *A Grand Delusion: Democracy and Economic Reform in Egypt*. I.B. Tauris Publishers: London, 2001; and Schlumberger, Oliver, ed. *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes*. Stanford University Press: Stanford, 2007.

dozens of other scholarly articles, books, and reports, too numerous to discuss individually here, that analyze various aspects of governance in Egypt. Some of these works focus on very specific topics such as authoritarian elections, clientelism, the political economy, and the media. While there are disagreements within the literature on the precise nature of the Egyptian state and how it has changed over the last half century, there is a general consensus that the country has struggled with governance since 1952, Sadat's *infitah* did not lead to a true economic or political opening, and authoritarianism has survived in the country despite domestic and international pressure to institute democratic reforms.

On the other hand, there are relatively fewer secondary resources that were written on Sadat's urban-development policy. The only academic that has conducted a thorough account of all of the desert projects is the economist David Sims with his books *Egypt's Desert Dreams: Development or Disaster?* and *Understanding Cairo: The Logic of a City out of Control*.¹⁷ His research relies on the information found in the Egyptian government's Central Agency for Public Mobilization and Statistics (CAPMAS) and several other Egyptian government websites, the reports of NGO's and international institutions such as USAID and the World Bank, Egyptian newspaper articles, and the website Google Earth, which provides a spatial layout of the desert projects. I also used these primary resources to operationalize the dependent variable. In addition, there are a small handful of other scholars that have evaluated individual projects outside the Nile River Valley. For example, Nada Tarbush's article "Cairo 2050: Urban Dreams or Modernist Delusions?" analyzes the desert towns around the capital, and Leila Vignal and Eric Denis' article "Cairo as a Regional/Global Economic Capital" compares industrial projects in the

¹⁷ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*. The American University in Cairo Press: Cairo, 2012.

desert with those on the Nile River Valley.¹⁸ Despite the fact that Egypt's state media continues to praise these projects, the few academics who have conducted work on the topic conclude that they did not deliver as Sadat envisioned.

While the operationalization of the independent and dependent variables will rely heavily on these secondary sources, the empirical evidence that links them together comes mainly from primary resources. To gather information on the planning and execution of desert projects, I scoured the websites of hundreds of Egyptian public institutions and private companies that were involved in the financing, planning, construction, and management of the new towns.¹⁹ These resources provided information on the allocation of desert land, who planned the projects, where the funding came from, what was constructed, and how the projects were marketed. Then, I created a list of prominent public officials and clients in the private sector that benefited the most from these projects and researched their personal histories. Some of the information on these individuals came from secondary resources; most notably, Safinaz El Tarouty's book *Businessmen, Clientelism, and Authoritarianism in Egypt*.²⁰ However, a majority of the info was gathered from Egyptian newspapers like *al Ahram*; interviews conducted by journalists; and the websites of their private companies. The research revealed that all of the major Egyptian businessmen involved in these projects had extensive political ties with the government. Most of them either served as members of parliament, were related to powerful members of the regime, or had high level positions in Egypt's bureaucracy or military. Not coincidentally, many of

¹⁸Tarbush, Nada. "Cairo 2050: Urban Dreams or Modernist Delusions?" *Journal of International Affairs*, 65(2), Spring/Summer, 2012: 171-86; and Vignal, Leila and Eric Denis. "Cairo as Regional/Global Economic Capital," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amare and Diane Singerman. The American University in Cairo Press: Cairo, 2006: 99-151.

¹⁹ These websites can be seen below in the work cited page below.

²⁰ El Tarouty, Safinaz. *Businessmen, Clientelism, and Authoritarianism in Egypt*. Palgrave MacMillan: New York, 2015.

these businessmen were also put on trial and found guilty of crimes such as graft following the 2011 revolution. During Egypt's brief political opening from 2011 to 2013, journalists wrote hundreds of newspaper articles that provided details on how powerful individuals in the public and private sector abused their political power to personally gain from desert projects.

Although there are no secondary resources of which I am aware that specifically deal with the effect of governance on the outcome of Sadat's urban development policy, there are several academic works that provided inspiration for the theoretical framework of this thesis. Amr Adly, in his book *State Reform and Development in the Middle East*, explains how problems with governance in Egypt since the 1970's negatively affected the state's plans to increase industrial exports.²¹ In addition, Timothy Mitchell's book *Rule of Experts: Egypt, Techno-Politics, Modernity* provides numerous examples of how problems with government planning derailed development projects in Egypt.²² Most of the case studies used by Mitchell are from before the 1970's, and he mainly focuses on agriculture, land management, and irrigation schemes on the Nile River valley. Only in the final chapter does Mitchell discuss the execution of a couple desert projects; specifically, the gated community Dream Land in the Sixth of October and the agricultural reclamation project at Toshka. Lastly, there are many academics who have analyzed the links between governance and urban development in other countries. For example, James C. Scott, in his book *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*, shows how top-down government schemes to foster urban development can lead to disastrous outcomes when planners lack accountability and have little interaction with the people over

²¹ Adly, Amr. *State Reform and Development in the Middle East: Turkey and Egypt in the Post-Liberalization Era*. Routledge: London, 2013.

²² Mitchell, Timothy. *Rule of Experts: Egypt, Techno-Politics, Modernity*. University of California Press: Los Angeles, 2002.

whom they rule.²³ One particular case study from Scott's work that is particularly relevant for the theoretical framework of this thesis was the failure of the Brazilian government to attract people to their new capital Brazzaville in the 1960's. What all of this literature has in common is that it shows how poor governance can have a detrimental effect on policies that are supposed to foster development.

Part One: Sadat's Urban Development Policy

Chapter One: The motives behind the state's desert projects

The utopian vision that President Anwar Sadat outlined in the *1974 October Working Papers* called for transforming the deserts outside the Nile River valley into spaces for new cities, reclaimed agricultural land, tourist resorts, industrial zones, and educational institutions.²⁴ The desert towns were supposed to become symbols of a modernized Egypt with wide streets, suburban housing, and other Western amenities.²⁵ Moreover, they were going to have industrial districts with factories that exported goods and a hinterland of desert reclamation projects consisting of farms and green belts. The main objectives of this urban development scheme were to decongest the Nile River valley and the capital Cairo, to build new cities that would provide a better standard of living for the majority of Egyptians, to increase food production, to create better job opportunities for a rapidly growing population, to attract foreign direct investment, and to develop the country's tourism sector. Why did the state promote these projects?

²³ Scott, James C. *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*. Yale University Press: New York, 1998.

²⁴ Sadat, Anwar. "Tasks of the Stage: Or a Comprehensive Civilization Strategy," *The October Working Papers*. http://sadat.umd.edu/archives/written_works.htm, April, 1974.

²⁵ Denis, Eric. "Cairo as Neoliberal Capital? From Walled City to Gated Communities," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Diane Singerman and Paul Amar. The American University in Cairo Press: Cairo, 2006, 47-71.

One important source of motivation for promoting these projects was that the Nile River Valley, Egypt's only significant source of water due to the country's arid climate, was becoming densely populated. Due to the importation of modern irrigation technology and medicine from Europe over the previous century and a half, populations in Egypt had grown from 4 million in 1800 to approximately 36 million by 1970, and the growth rate was accelerating.²⁶ About 96 percent of the population was living within the river valley. According to Sadat, the country's rapid population growth around a single river was creating extensive problems with housing, employment, and agricultural production.

In addition, labor had become oversaturated in the villages, which forced many farmers to migrate to Cairo in search of work. According to USAID, "Egypt's urban population was only 19% in 1907. It stood at 33% in 1947, and at the beginning of USAID's major financial obligations, 1975/76, the country's urban population was 44%."²⁷ Cairo and the two nearby Nile port towns of Fustat (Old Cairo) and Bulaq exploded in terms of population; consequently, the three medieval cities became congested and dilapidated.²⁸ Their thin, meandering streets, traditional bazaars, medieval architecture, and historically significant mosques and churches could not handle the rapid influx of people. Furthermore, Alexandria, which had grown to become Egypt's second largest city throughout the nineteenth century and the most important Mediterranean port, also experienced problems with population growth. Sadat's predecessors did build new residential districts in the capital and other cities to address the issue, but they failed to construct a sufficient amount of affordable housing for the poor and middle classes.

²⁶ Raymond, Andre. *Cairo: City of History*. The American University in Cairo Press: Cairo, 2000, 373-74.

²⁷ "Country Development Strategy Statement: Egypt," http://pdf.usaid.gov/pdf_docs/PNAAU940.pdf, 1986, 1.

²⁸ Raymond, *Ibid.* 333-38.

To make matters worse, Egypt's demographic crisis had been exasperated by the country's foreign entanglements with Israel, which stalled government investments into urban development.²⁹ Following the Six Day War of 1967, the Sinai Peninsula was occupied by Israeli forces and the Suez Canal was no longer operating. Egyptians living in the canal cities had to flee to the capital. Consequently, the state was forced to halt all investments in urban development to fight a war at a time when tens of thousands of civilians were flooding into Cairo and the country's population growth rate was accelerating.

By the late 1960's, Egyptians who were in desperate need of housing had begun taking matters into their own hands by constructing their own informal communities on the outskirts of the city through quiet encroachment.³⁰ This led to the rapid growth of unplanned and very densely populated neighborhoods. These new areas of the city included Dar al Salam, Basatin, Shubra al Khayma, Manshiyat Nasir, Matariyya, 'Ain Shams, and al Marj on the eastern side of the river, and Bulaq al Dakrur, Waraq, Embaba, and al 'Umraniyya on the western side. Preexisting villages and towns near the city like Dar as Salam, Embaba and Giza grew in size due to quiet encroachment and became absorbed into the Cairo metropolitan area. Most of these informal areas were built on farmland adjacent to the formal neighborhoods of the city, and some were constructed in the desert on the outskirts Cairo.

Between 1960 and 1976, the number of informal residents on both sides of the Nile River grew from approximately zero to two million. New residential buildings were also constructed in formal areas of the city wherever space was available, and floors were added onto many

²⁹ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid, 51.

³⁰ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*. Ibid, 59-70.

buildings. A similar phenomenon happened in Alexandria and other Egyptian cities. The state initially was unable to provide services like utilities, garbage pickup, road construction, and education to these unplanned neighborhoods as public resources were being drained by foreign conflicts. It was not until 1977 that the government began investing in urban development again.

By the 1980's, the capital had grown so large that the urban sprawl had spread across the governorates of Cairo, Giza, and Qalyubiyya on both sides of the Nile River, creating one large metropolitan area now known as Greater Cairo.³¹ The villages and towns of the delta that were directly north of the capital were also growing in size. This led to the expansion of what David Simms calls Greater Cairo's "peri-urban frontier". Today, over two thirds of Egypt's population lives within two hundred kilometers of the city, and many use the rail line and micro busses to commute to the capital for work.³² In the 1970's, Anwar Sadat's government was facing a housing crisis in the capital and the surrounding areas because of this rapid growth. Promoting desert development was one way to decentralize the capital's population and provide access to new housing.

Building in the desert was also seen as necessary because urban growth within the valley was locking valuable farmland under bricks, mortar, and concrete. Egypt couldn't afford to lose more agricultural lands to quiet encroachment since the country's rapid population growth was also creating problems with food scarcity. Past rulers did try to make reforms to improve agricultural productivity, but they encountered numerous obstacles to agricultural development. To make matters worse, state investment into agriculture froze during the conflicts with Israel

³¹ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*. Ibid, 70-73.

³² Vignal, Ibid, 99-151.

from 1967 to 1973, and informal urban settlements were being built on top of arable land by the late 1960's. According to a 1986 USAID report, "It is estimated that each year the country loses over 60,000 feddans of irreplaceable 'old agricultural lands' that cannot be adequately replaced by new lands."³³ Consequently, by 1974, Egypt had to import almost half of its food to feed the population, which was a first for a country that was known historically as the bread basket of the Mediterranean.³⁴ The situation turned into a crisis following the rise of oil prices throughout the globe in the aftermath of the 1973 War. This led to a rapid increase in the amount of money the Egyptian government spent on imports like wheat. The cost of food subsidies rose from 11 million Egyptian pounds in 1972 to 329 million by 1974.³⁵ A year later, the state was forced to spend over 25 percent of its budget on food subsidies to feed the population. According to Sadat and other government officials, moving Egyptians off valuable farmland and growing more food in the desert were solutions to Egypt's struggles with agricultural productivity.

In addition to problems with population growth, housing, and food scarcity, Sadat's government also had to deal with a growing number of new urbanites that were struggling to find good jobs in Cairo and Alexandria. Although the unemployment rate was only approximately three percent in 1974, most urbanites worked for very low wages in a bloated public sector since the government guaranteed jobs for the entire population.³⁶ In that year, Egypt's GDP *per capita* was only \$800 per person.³⁷ With the country facing an economic crisis in 1974, the government could no longer afford to expand the size of the public sector to meet the growing demand for

³³ "Country Development Strategy Statement: Egypt," http://pdf.usaid.gov/pdf_docs/PNAAU940.pdf, 1986, 2.

³⁴ Thompson, *Ibid*, 348-49.

³⁵ Dethier, Jean-Jacques. "The Language of Food," *The Middle East Research and Information Project*, 145, spring, 2016.

³⁶ "Labor market pressures in Egypt: why is the unemployment rate stubbornly high," http://adapt.it/adapt-indice-a-z/wp-content/uploads/2014/05/api_labour_market_pressures_2008.pdf, 2008.

³⁷ "Egypt's real GDP per capita by year," <http://www.multpl.com/egypt-real-gdp-per-capita/table/by-year>, 2015.

employment. Sadat planned on using empty desert lands and Egypt's coastlines to build industrial parks, free trade zones, schools, universities, and tourist resorts to create jobs, attract foreign direct investment, and move factories that contributed to problems with pollution away from the Nile River Valley.³⁸

By the 1970's, finding adequate space and capital for housing as well as agricultural and industrial development became one of the gravest challenges facing the country's future. According to Anwar Sadat, utilizing the untapped desert outside the valley was the only way to decentralize the population and solve these economic problems.³⁹ There were several other specific reasons why Sadat supported this urban development policy. For one, past Egyptian governments had already used mega projects to enhance their legitimacy.⁴⁰ Mohamed Ali's son Said Pasha and his grandson Ismail spent a considerable amount of state resources on the construction of the Suez Canal, and Abdel Nasser did the same with the high dam at Aswan. Furthermore, other states, such as the Soviet Union and Brazil, had already experimented with the building of brand new cities in remote locations to deal with growing populations.⁴¹ As for the inspiration behind development in the desert, Sadat was influenced by several other factors. For one, several cities had already been built outside the Nile River Valley. The Suez Canal cities of Port Said, Ismailia, and Suez were constructed in the 1860's, and two of Cairo's suburbs Heliopolis and Muqattam were built just outside the Nile River valley in the first half of the twentieth century. Sadat was also inspired by several policy papers that were written during the

³⁸ "Egypt State of Environment 2010," <http://www.eeaa.gov.eg/portals/0/eeaaReports/SoE2011en/completereport/SOE-2010-En.pdf>, 2010.

³⁹ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 117-22.

⁴⁰ Mitchell, Ibid.

⁴¹ Taubman, William. *Governing Soviet Cities: Bureaucratic Politics and Urban Development in the USSR*. Praeger Publishers: New York, 1973; and Scott, Ibid.

Nasser Era—most notably, a Master Plan for Cairo that was completed in 1956.⁴² These papers promoted the building of agricultural reclamation projects and model villages in the desert. While no new towns and only a couple of experimental villages emerged from these proposals, the government had already started reclamation projects in the desert before Sadat came into power. Finally, Sadat was influenced by his own experiences traveling to the United States where he had become enamored with America’s suburban model of urban development. Inspired by these past projects and proposals, Sadat sought to recreate America’s suburbs outside the Nile River Valley.

However, the Egyptian state would have had difficulty starting these projects without foreign direct investment and technical expertise. In the early 1970’s, the government was in debt and in desperate need of outside assistance. According to a 1985 USAID report, “Sadat reported that the country had reached the ‘zero stage’ economically in 1973 and could not have made debt repayments or purchase foreign wheat in 1974.”⁴³ With the Soviet Union falling behind the West economically and politically, making peace with the Israelis and establishing strong ties with the United States and the oil rich Arab Gulf countries became a major priority for the regime. To accomplish this, Sadat announced the launching of *al-infitah*, which opened up the country to outside investment and tourism. In 1974, the government passed Law Number 43, which loosened regulations on foreign direct investment.⁴⁴ Furthermore, after several years of negotiation, Sadat took an enormous political risk by signing a peace treaty with the Israelis in 1979 at the Camp David Accords.⁴⁵ In exchange for recognizing Israel, Egypt received two billion

⁴² Shakry, *Ibid*, 83

⁴³ Scobie, Grant. “Food Subsidies and the Government Budget in Egypt,” http://pdf.usaid.gov/pdf_docs/PNABD662.pdf, 1985, 6.

⁴⁴ “Egypt: foreign investment law as amended,” *International Legal Matters*, 16(6), November, 1977: 1476-88.

⁴⁵ Thompson, 324-30.

dollars a year in America aid; 1.3 billion dollars was reserved for the Egyptian military and the rest for economic-development projects. The Sinai Peninsula, which Egypt had previously lost to Israel in 1967 during the Six Day War, was also returned. In order to suppress the opposition of left-wing forces to these neoliberal economic reforms and simultaneously strengthen ties with the Arab Gulf, Sadat also freed most right-wing Islamists from prison following years of imprisonment under Nasser.⁴⁶ He simultaneously sidelined prominent leftist politicians in what Sadat called a “corrective revolution.” By the late 1970’s, companies from the West and the Gulf were allowed to invest in the new towns in cooperation with the government and Egyptian business partners. This started a long period of construction in Egypt’s desert.

Sadat’s vision for the desert lived on after his death. Following his assassination by an Islamist extremist in 1981, his Vice-President, Hosni Mubarak, supported the same urban development scheme. While the Mubarak regime was initially slow in promoting it, construction accelerated in the desert after 1991. In that year, Egypt’s government began to implement an economic restructuring agreement at the behest of the International Monetary Fund.⁴⁷ Subsequently, foreign aid and investment began to flow into the country at a much faster rate. This increased the pace of construction in the desert.⁴⁸ The economic restructuring process only continued to pick up speed after a cabinet reshuffle in 2004 when Mubarak’s son Gamal, a fervent supporter of neoliberal economic policy and desert projects, came into prominence.⁴⁹ There were other factors that led to the acceleration of desert development. Following 9/11 and the

⁴⁶ Pioppi, Daniela. "Privatization of Social Services as a Regime Strategy: The Revival of Islamic Endowments (Awqaf) in Egypt," in *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes*, edited by Oliver Schlumberger. Stanford University Press: Stanford, 2007: 129-42.

⁴⁷ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 128.

⁴⁸ Adly, Amr. *State Reform and Development in the Middle East: Turkey and Egypt in the Post-Liberalization Era*, Ibid.

⁴⁹ Henry, Clement Moore and Robert Springborg. *Globalization and the Politics of Development in the Middle East*. Cambridge University Press: Cambridge University Press, 2010, 191.

subsequent invasions of Afghanistan and Iraq, petrol prices rose again causing the Arab Gulf states, who had already built their own desert cities, to look for places to invest their oil revenue. Consequently, foreign direct investment increased substantially, and there was more money available for construction projects.

Egypt's Ministry of Planning subsequently issued several reports that had the same vision as Sadat's *October Working Papers* but on an even grander scale; most notably, there was a plan written in 2007 called *Cairo 2050*.⁵⁰ This urban-development scheme called for the relocating of millions of people who lived in informal communities on the Nile River Valley to the new towns and replacing the informal areas with green space. It also recommended that the government gentrify the historical areas of Greater Cairo and construct new office buildings and malls on the Nile River's corniche to attract tourists. With populations having grown to over 80 million by 2006 and the percentage of people living in cities having risen to approximately 70 percent, the regime continued to use demographics as a justification for desert development.

Chapter Two: The Construction Boom

As a result of these grand proclamations by the Sadat and Mubarak regimes, a construction boom took off in the desert. In 1979, President Sadat and his Minister of Housing created a new bureaucracy called the New Urban Communities Authority (NUCA) to manage the construction of desert cities.⁵¹ Over the course of the next forty years, the state established over

⁵⁰ "Vision of Cairo 2050," <https://cairofrombelow.files.wordpress.com/2011/08/cairo-2050-vision-v-2009-gopp-12-mb.pdf>, 2008.

⁵¹ "New Urban Communities Authority," <http://www.newcities.gov.eg/english/default.aspx>, 2016.

like the 6th of October and New Cairo became so large that each is approximately half the size of Greater Cairo in terms of land area. The eight new towns that encircle the Greater Cairo area are 1,170 km² in size, which is over twice as big as the capital.

The nature of these desert cities changed over time.⁵⁴ In the first-generation cities, which were built in the late 1970's and early 1980's, the government focused on constructing subsidized housing that usually consisted of bland four or five-story rectangular apartment complexes with cement walls and tiles as well as wooden doors and windows.⁵⁵ The apartment complexes were surrounded with a substantial amount of green space as well. The NUCA also contracted government-run companies like Arab Contractors and Nasr General Contracting to build public schools, religious schools, mosques, hospitals, police stations, and public retail outlets at the center of these communities. The initial plan for most of these cities was that they would contain approximately a half million people each. First-generation towns like the 10th of Ramadan (1977), Sadat City (1977), the 6th of October (1979), and Burg al Arab (1979) were also intended to be affordable for all social classes as the housing was sold at subsidized prices. Furthermore, the state was trying to create completely separate cities to decongest the capital. Up until the middle of the 1980's, all of the towns, except the 6th of October, were located over 100 kilometers away from Greater Cairo.

To create jobs in these new urban areas, first-generation new towns also had large industrial districts, and subsidies were put in place to incentivize businessmen to move their factories to the desert.⁵⁶ The Ministry of Industry created the General Authority for Industrial

⁵⁴ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 117-36.

⁵⁵ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid, 169-75.

⁵⁶ See Vignal, Ibid; and Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 213-14.

Development (GAID) to oversee the construction and management of these projects.⁵⁷ From the late 1970's until today, the government has spent almost all public investment for industrial development in the new towns, and they have actively discouraged factory owners and banks from investing in the Nile River Valley.⁵⁸ With the promise of tax holidays and tariff-free imports, the state hoped that these first generation new towns would attract multi-national companies to establish factories in the country, to create jobs, and to increase manufactured exports. Since the establishment of these cities in the late 1970's, GAID established over 40 free-trade zones on approximately 50,000 feddans of land to attract foreign direct investment. Roads and utilities were constructed for these industrial parks. The General Authority for Free Zones and Investments (GAFI) was also created specifically to attract foreign investors to these areas.⁵⁹ By 2010, public and private companies had constructed over 2,500 factories and hundreds of warehouses in the new towns. Multi-national companies such as General Motors, Pepsi, and Procter & Gamble eventually established factories in these first-generation cities in partnership with Egyptian entrepreneurs. In addition, the Ministry of Petroleum also built infrastructure for oil and mining towns on the Red Sea and the North Coast to increase fossil fuel exports and establish partnerships with foreign companies like Shell and British Petroleum. By the early 1980's, fossil fuels became the country's most important export.

However, the planning of the new towns changed in response to a 1982 report by USAID, which recommended that the Egyptian government invest in housing that was closer to the Greater Cairo area and other cities along the Nile River Valley.⁶⁰ The reason why USAID issued

⁵⁷ "General Authority for Industrial Development," www.ida.gov.eg, 2016.

⁵⁸ "Country Development Strategy Statement: Egypt," http://pdf.usaid.gov/pdf_docs/PNAAU940.pdf, 1986, 4.

⁵⁹ "GAFI," <http://www.gafi.gov.eg/English/Pages/default.aspx>, 2016.

⁶⁰ Nathan, Robert. "Housing and community upgrade for low income Egyptians," http://pdf.usaid.gov/pdf_docs/Pdaal809.pdf, February, 1982.

this report is that first- generation new towns were attracting very few people to move to the desert, and the government was neglecting urban development on the Nile River Valley. After this, the plan was no longer to create completely separate cities. In 1985, the Egyptian government constructed five subsidized housing settlements closer to the capital.⁶¹ Settlements one, three, and five were built 30 kilometers southeast of downtown Cairo. They would eventually become part of New Cairo in the late 1990's. Settlements two and four were constructed approximately 30 kilometers to the west of the city, and they would later become part of Sheikh Zayed. The government also started establishing new towns within 50 kilometers of the Greater-Cairo area. In the middle of the 1980's, al Obour, the 15th of May, and al Badr were built as satellites of the capital. By the end of the 1980's, the state began to construct a large ring road and several desert highways to interconnect these new towns with each other and with the Greater-Cairo area. The massive Ring Road was finished in 2001 after over a decade of construction.⁶² Throughout the Nile River Valley, other new desert towns like New Minya, New Beni Suef, and New Fayoum were built as satellites of older urban areas as can be seen on Map 3 as previously shown. Like in first-generation cities, the NUCA constructed subsidized housing in these settlements throughout the 1980's, and GAID also built large industrial districts in the towns of al Obour and al Badr.

After 1991, the nature of many of the new towns began to change once again as the private sector started to dominate the process and more foreign direct investment flowed into the country.⁶³ First of all, the amount of land under construction grew rapidly. The five

⁶¹ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 126.

⁶² Sims, David. *Understanding Cairo: The Logic of a City out of Control*, Ibid, 56

⁶³ Farah, Nadia Ramsis. *Egypt's Political Economy*. The American University in Cairo Press: Cairo, 2009. 45-48.

settlements in the desert on both sides of the Nile were combined by the late 1990's to form New Cairo and Sheikh Zayed. By the late 2000's, the NUCA more than doubled the size of each city by adding desert lands on the outskirts. In 1995, the government also began construction of the new town of Shuruq, which is located to the northeast of New Cairo, and new lands were added to the 6th of October and Burg al Arab. The NUCA subsequently increased their population estimates for these new towns. After completion, they expected that the 6th of October and New Cairo would house over six million people each.⁶⁴

There were other changes throughout the 1990's and 2000's. In New Cairo, Shuruq, the 6th of October, Sheikh Zayed, and Burg al Arab, a majority of the new land was used to construct gated communities. These new residential areas generally consisted of a mix of standalone villas, duplexes, and lavish apartment complexes with wide streets and extensive green space. In some of these gated communities, there is a mix of neo-classical, baroque, and bell époque architecture that is heavily decorated—often times, too heavily—with columns and balconies.⁶⁵ Part of the inspiration for the design of these communities came from a nostalgia among the wealthy for the pre-1952 era.⁶⁶ Starting in the 1990's, the elite developed a fascination with the Belle Époque Era architecture found in the downtown area, Zamalek, Heliopolis, and Ma'adi. The nostalgia was partly inspired by an earth quake in 1992 that damaged many of the villas and palaces in these areas. Moreover, the fixing of rent prices in the down town area also discouraged private investment in urban development in the older formal neighborhoods and

⁶⁴ Sims, David. *Understanding Cairo: The Logic of a City out of Control*, ibid. In chapter three, David Simms discusses the evolution of population estimates by the NUCA for the new towns and how they changed over time.

⁶⁵ Denis, Eric. "Cairo as a neoliberal capital?: From walled city to gated communities," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amare and Diane Singerman. The American University in Cairo Press: Cairo, 2006: 47-71.

⁶⁶ Goldschmidt Jr., Ibid, 92.

led to the gradual deterioration of buildings in the center of the city. Pressure grew on the government to restore these decaying neighborhoods as well as other historical areas of the city like Islamic Cairo.⁶⁷ Some of the names of the gated communities in the new towns reflect this nostalgia. Such is the case with Mena Garden City, whose name is derived from Garden City. Furthermore, many of the architects and planners of these new communities were inspired by the chalets and sea side resorts found on Egypt's Red Sea Coast and in Mediterranean countries such as Greece, Spain, and Italy. The reason why this happened is that many of the developers designed tourist resorts and hotels before entering Egypt's real estate market. This explains the odd phenomenon of finding Mediterranean style chalets in the middle of Egypt's desert and gated communities with names such as Palm Hills, Bellagio, and Le Reve (French word for "Paradise").⁶⁸ In addition, models of suburban development found in the United States and the Arab golf served as inspiration for the design of many gated communities, golf courses, and shopping centers. Several of the larger gated communities have their own malls with Western brand name stores and famous fast food chains like Americana's Pizza Hut, KFC, and Subway.⁶⁹ A few of the gated communities even have tacky names like Beverly Hills. Finally, there are numerous examples of neo-Islamic architecture in the form of grand mosques that usually dot the landscape of these gated communities. They were built to resemble the architecture found in Islamic Cairo and other medieval Islamic cities. Many of these religious buildings were payed for by the charity of wealthy investors who came from the conservative Arab Gulf. Even the

⁶⁷ El Kadi, Galila and Dalila El Kearny. "Belle-époque Cairo: the politics of refurbishing the downtown business district," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amare and Diane Singerman. The American University in Cairo Press: Cairo, 2006: 345-371.

⁶⁸ To see examples of these villas, see the following resources: "Palm Hills Developments," <http://www.palmhillsdevelopments.com/>, 2016; "Al Rehab City," <http://www.alrehabcity.com/rehab2011/>, 2016; and "La Reve," http://www.alarabiarealestate.com/test_it/module/cprojects/id/8/page/about, 2016.

⁶⁹ See "Al Rehab Services," <http://www.alrehabcity.com/rehab2011/services.aspx?id=10>, 2016.

American University in Cairo's new campus, located in New Cairo, gives a nod to the capital's medieval Islamic history through the design of many of the buildings on campus.

Another big change that occurred after 1991 was that the private sector took over the construction and management of most of the real estate.⁷⁰ The NUCA sold large amounts of land to private companies to construct and manage gated communities throughout the 1990's and 2000's. For example, Talaat Mostafa Group, in partnership with the wealthy Saudi Bin Laden Family, controls over 10,000 feddans of real estate in the desert. The company's holdings include the enormous gated communities of Rehab and Madinaty in New Cairo, Mayfair in Shuruq, and al Rabwa in Sheikh Zayed. Other private companies, such as Palm Hills Development, Emaar Properties, and SODIC, were also given large tracts of land for their real estate projects.⁷¹ Residents of these gated communities often rely on the private sector to provide what are normally government services like garbage pickup, road maintenance, education, and security. Other lands in new towns were reserved for empty plots where individual investors could buy land and construct their own villas and apartment complexes under strict zoning conditions that are based on Western models of suburban development. The government labeled these plots as "investor housing." The state also continued to build subsidized housing in the new towns but in coordination with the private sector. Mubarak inaugurated the Future Housing Program and the Mubarak Project for Youth Housing in order to provide subsidized homes for young college graduates. Many contracts for the construction of these public housing projects were awarded to private companies like Orascom, Sabbour Group, Samcrete, and Dora Construction.

⁷⁰ Sims, David. *Understanding Cairo: The Logic of a City out of Control*, ibid. In chapter three, Sims discusses the evolution of the new towns after 1991.

⁷¹ See "Emaar," <http://www.emaarme.com.sa/english/index.php?>, 2016; "SODIC," <http://sodic.com/>, 2016; and "Palm Hills Developments," <http://www.palmhillsdevelopments.com/>, 2016.

Since entrepreneurs were forbidden from establishing businesses within these new residential districts, space was reserved for large business districts where we now find luxurious malls, office parks, five-star hotels, private hospitals, sports clubs, banks, international schools, golf courses, and private universities. In order to create jobs in these business districts, the government and the private sector invested in services like tourism, education, entertainment, retail, restaurants, and telecommunications. One of the largest of these business districts is found in New Cairo on Road 90, which is a 12 kilometer long road in the center of the city. An enormous set of malls and office parks called Cairo Festival City were constructed on the western end of the road by the UAE construction company Arab Tech in partnership with the UAE's Futtaim Family and the Egyptian corporation Amer Group.⁷² In the mega mall, one can find the major Swedish furniture chain IKEA, the French supermarket Carrefour, multi-national clothing and shoe stores such as Adidas, telecommunications companies like Samsung, cafes like Starbucks, restaurant chains such as Chili's, McDonalds, Burger King, and Ruby Tuesdays, and automobile companies like Hyundai and Toyota. There is also a large cinema that plays both Egyptian and Western films.

Private schools and universities—many of which are accredited by foreign institutions—were a particularly important tool for drawing wealthy residents to these cities as the country's public-school system was in a state of disarray. A large amount of money was invested in educational institutions as a result. For example, in cooperation with USAID and wealthy families from the Gulf, over 400 million dollars was spent on the construction of a new campus for the

⁷² "Cairo Festival City," <http://digitaleg.com/Cairo-Festival-City/cairo-festival-city-mall/shopping.html#ImCat17>, 2016.

American University in Cairo (AUC) in the center of New Cairo on Road 90.⁷³ Completed in 2008 in partnership with Samsung, Pepsi, USAID, Kharafi Group, Kingdom Holding Company, and the Egyptian construction company Samcrete, it turned into one of the largest projects built in Egypt over the last half century. Similar private college and school campuses were constructed for the British University in Egypt in the center of Shuruq and the British International School in Sheikh Zayed.⁷⁴ On the western end of New Cairo near Road 90, there are also large amounts of land that were allotted to private international schools like the American International School and Choueifat.⁷⁵

The government also used telecommunications and media as a means to draw people and companies to the new towns.⁷⁶ In the late 1990's, the Ministry of Information constructed a technology park on the Cairo-Alexandria Desert Road to attract investment from tech firms like Microsoft. In addition, the government began investing in an internet and cellphone infrastructure in the new towns and the formal areas of Greater Cairo and Alexandria. By the early 2000's, several telecommunications companies—most notably, Orascom's Mobinil and Sewedy Group's Vodaphone—were selling cell phones and internet access to the public with the help of companies like AT&T. Furthermore, a special park for satellite television networks called Media Production City was established in the 6th of October in 2000.⁷⁷ With the help of the European Union, several states in the Arab world began launching satellites into space beginning

⁷³ "The American University in Cairo," <http://www.aucegypt.edu/>, 2016.

⁷⁴ "The British International School, Cairo," <http://www.bisc.edu.eg/>, 2016; and "The British University in Egypt," <http://www.bue.edu.eg/>, 2016.

⁷⁵ "The American International School in Egypt," <http://www.aisegypt.com/>, 2016; and "The International School of Choueifat, Cairo," <http://isccairo.sabis.net/>, 2016.

⁷⁶ Elsheshtawy, Yasser. "From Dubai to Cairo: Competing Global Cities, Models, and Shifting Centers of Influence?," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amare and Diane Singerman. The American University in Cairo Press: Cairo, 2006, 235-250.

⁷⁷ "Media Public Free Zone,"

<http://www.gafi.gov.eg/English/StartaBusiness/InvestmentZones/Documents/Media%20Public%20Free%20Zone.pdf>, 2016.

in 1985. This subsequently made satellite television available to Egypt's population by the early 2000's.

The government also wanted to surround these new towns with green belts to grow food and to provide jobs in agriculture. To construct and manage the projects, the state created a new bureaucracy called the General Authority for Reclamation Projects and Agriculture Development (GARPAD) in 1975.⁷⁸ It was placed under the control of the Ministry of Agriculture. With the help of USAID's technical assistance, foreign capital, and green technology, a system of canals, electric pumps, and sprinkler systems were built to supply reclaimed lands with water from the Nile River. After 1991, the size of the reclamations schemes grew larger and more ambitious as the private sector invested more capital. The two largest schemes in the 1990's were the New Valley Project at Toshka and the Salam Canal Project in the Northern Sinai, which were managed by the Ministry of Irrigation. Private entrepreneurs such as Talaat Mostafa, the Saudi Royal Family member Walid Ibn Talal, and then CEO of Arab Contractors Osman Ahmed Osman were sold tens of thousands of feddans of land in the desert to develop these mega projects.⁷⁹ They established joint ventures with Western companies such as Pepsico, Gifford Hill, and Arizona Farmers. Several other major desert projects were established to the east and west of the delta. . On the outskirts of the Greater Cairo area, reclamation schemes were started on the Cairo-Ismailia and Cairo-Alexandria Desert Roads to the northeast and northwest of the city respectively. According to the Ministry of Agriculture, there were 2.78 million feddans that were supposedly under cultivation outside the Nile River Valley by 2012, although the Ministry of

⁷⁸ "General Authority for Agricultural Reclamation Projects and Development," www.garpad.gov.eg, 2016.

⁷⁹ "Egypt project gets another \$150m," <http://gulfnews.com/news/uae/general/egypt-project-gets-another-150m-1.351550>, 2016. Also, see the websites of these companies in the work cited page.

Planning's figure of 1.6 million feddans is much lower.⁸⁰ Through the Mubarak Project for Youth Graduates, the state attempted to entice young college graduates with subsidies to take part in these reclamation schemes.

Finally, on the Mediterranean and Red Sea coasts, public and private companies have constructed hundreds of new tourist resorts over the last three decades by utilizing much of the 2,300 kilometers of coastline and the coral reef on the Red Sea.⁸¹ The government invested billions of dollars to expand the size of coastal towns like Sharm al Sheikh, Ain Sukhna, Dahab, Hurghada, Marsa Matrouh, and Marsa Allam. Desalinization plants were also built along the coast due to the lack of fresh water. To develop the projects, the Tourism Development Authority (TDA), which was created in 1991 to oversee these projects, distributed land to private companies to develop mega resorts. For example, Onsi Sawiris' company Orascom was given large amounts of territory north of Hurghada to design, build, and manage a new resort town called Gouna, and Hussein Salam's HKS Group was given extensive lands in Sharm al Sheikh to develop infrastructure, hotels, and golf courses.⁸² Egyptian tourism companies also formed joint ventures with famous resort chains like Accor, Kempinski, Movenpick, Sheraton, and the Hilton to improve the quality of resorts. The government hoped that the country's untapped beach fronts and the Red Sea's coral reefs would attract tourists from abroad. The Ministry of Defense, the Ministry of Transport, and the Ministry of Aviation also spent an extensive amount of money on constructing new airports, water ports, and desert highways to ensure safe and quick transport for travelers. One of the largest projects was the expansion of Cairo International

⁸⁰ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 35-63.

⁸¹ Simms, David. *Egypt's Desert Dreams: Development or Disaster?*, Ibid, 177-210.

⁸² See "El Gouna," <http://www.elgouna.com/>, 2016; and "HKS Group," <http://www.hks-group.com/index2.html> , 2016.

Airport, which is located in the desert to the east of the capital. Tourist resorts, luxury malls, and hotels near this airport were eventually constructed on the desert roads that lead to Heliopolis, Nasr City, and New Cairo. The most notable of these projects was City Stars, a mega mall and tourist resort in Nasr City that was built by the wealthy Saudi Families Sharbatly and Shobokshi.⁸³ Hotels, office buildings, and malls were also constructed on the cornice of Cairo on the Nile River Valley, and money was invested into historical reclamation projects and museums in areas that could potentially attract tourists. Moreover, the government established desert eco-tourism by creating over two dozen national parks throughout the country and placing it under the watch of a new Ministry for Environmental Affairs. Investing in this economic sector was meant to attract foreign currency, to create jobs, to encourage Egyptians to move to the coast, and to bring development to neglected areas of the country like the Sinai Peninsula.

Spending on desert projects encompassed an enormous percentage of the public budget. From 1981 to 2001, the government spent approximately 120 billion dollars on desert towns according to various opposition journalists and politicians, although the government has not published official statistics on the total amount of money spent on these projects in this time period.⁸⁴ According to Diane Singerman, "Between 1998 and 2002, 22 percent of the Ministry of Housing and Urban Development's national investment budget went to the New Urban Communities Authority although it includes less than two percent of the population."⁸⁵ Since this time period, yearly spending on desert projects has increased substantially. For example, in

⁸³ Abaza, Mona. "Egyptianizing the American Dream: Nasr City's Shopping Malls, Public Order, and the Privatized Military," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amare and Diane Singerman. The American University in Cairo Press: Cairo, 2006, 193-220. Also see "City Stars," <http://www.citystars.com.eg/>, 2016.

⁸⁴ Sims, David. *Understanding Cairo: the Logic of a City out of Control*, Ibid.

⁸⁵ Singerman, Diane. "Introduction: Contested City," *Cairo Contested: Governance, Urban Space, and Global Modernity*, edited by Diane Singerman. Oxford University Press: Oxford, 2011, 13.

the 2015/2016 fiscal year alone, the NUCA's budget was 64.6 billion pounds or well over 6 billion dollars.⁸⁶ Given the vast size of the new towns in comparison to their counterparts on the Nile River Valley, well over half of the funds for urban development in the last three decades and the great majority of foreign direct investment were spent in the desert. In 2011 right before the revolution, Ahmed al Maghraby, who was the Minister of Housing at that time, announced that the government would spend an incredible 25 percent of all public expenditures per year on constructing new towns.⁸⁷ The construction boom became so extensive in the desert that approximately 8.3 percent of Egypt's population now works in the construction industry.⁸⁸ For a point of reference, the number of people working in construction before 1991 was less than one percent. Some of these jobs are in the formal sector as these projects require urban planners, engineers, architects, landscape designers, interior decorators, bankers, marketers, and real estate agents as well as manufacturers of construction materials, electronics, and home goods. A much larger percentage of workers in the industry consist of poorly paid construction workers and sweat shop labor who have inconsistent hours and no formal contracts. Formal businesses will often contract out to informal labor to complete projects cheaply. The Egyptian government and their allies in the private sector often tout the extensive amount of construction and the jobs created in the tourist and real estate industry as a great success for national development.⁸⁹

⁸⁶ "Egypt's cities: neither just nor efficient," http://www.tadamun.info/2015/12/31/egypts-new-cities-neither-just-efficient/?lang=en#.WBMHb_I97IU, 2015.

⁸⁷ Sims, David. *Egypt's Desert Dreams: Development or Disaster?*, Ibid, 147.

⁸⁸ "The construction sector in Egypt: development and competitiveness," <http://www.amcham-egypt.org/BSAC/StudiesSeries/PDF%20Files/constructionsummarycontents.pdf>, 2003.

⁸⁹ "Egypt's new capital: construction of first phase to provide 1.5 million jobs," <http://egyptianstreets.com/2016/02/14/egypts-new-capital-city-construction-of-first-phase-to-provide-1-5-million-jobs/>, February 14, 2016.

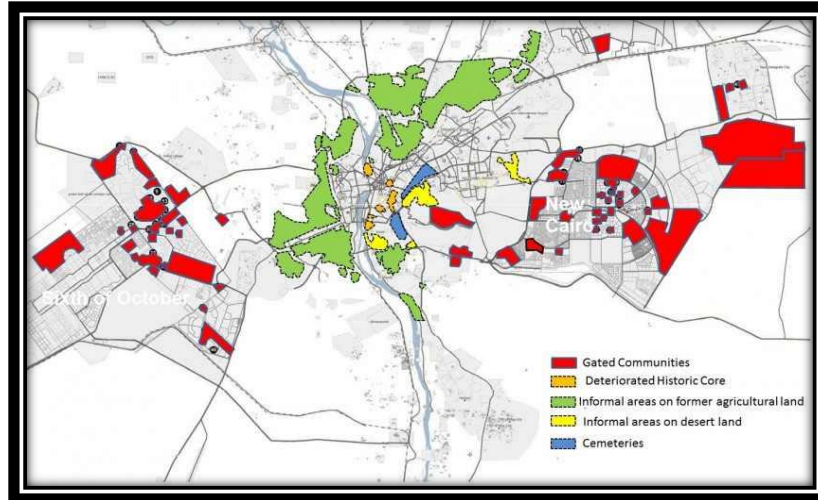
Chapter Three: The Outcome of Desert Development Projects

Nevertheless, after 40 years of spending hundreds of billions of dollars on the construction of infrastructure in the desert, the results were disappointing. According to the Egyptian government's CAPMAS statistics and the research conducted by the economists David Simms and Nada Tarbush, over 95 percent of the population continues to live on the Nile River Valley.⁹⁰ Only four percent of Greater Cairo's population and one percent of the total population have actually moved out to the desert over the last 40 years. The NUCA's numbers are a little higher. They estimate that approximately four percent of the total population have moved into the desert over the last four decades, although David Simms claims these statistics are inflated. Either way, the numbers are very low in comparison with the amount of public investments that went into urban development in the desert and the NUCA's expectations for these new towns. Furthermore, vacancy rates in all of the new desert towns are over 60 percent and most of the satellite cities outside of the Greater Cairo area are barely populated at all. Even the government's subsidized housing projects in the desert have average vacancy rates of over 50 percent.

While the vast majority of urban investment since the late 1970's has gone into these satellite cities, most of the country's poor and middle class chose to build their own informal communities on agricultural land along the Nile.⁹¹

⁹⁰ Sims, David. *Egypt's Desert Dreams: Development or Disaster*. Ibid, 2014, 140; and "Central Agency for Public Mobilization and Statistics," www.capmas.gov.eg/?lang=2, 2016.

⁹¹ Richards, Alan, John Waterbury, Melani Cammett, and Ishac Diwan. *A Political Economy of the Middle East, Third Edition*. West View Press: United States, 2014, 272-73.



Map 2 Greater Cairo⁹²

Approximately two thirds of the people in Cairo, or 11 out of 17 million people, now live in densely populated informal communities that were not planned by the government.⁹³ There are now seven major informal areas in Greater Cairo that house over 700,000 residents each.

Instead of moving to the desert, most people in Greater Cairo and other Egyptian cities decided to buy from farmers small strips of land adjacent to the city, and they quietly built their own apartment complexes for their extended families with red bricks made from the top soil along the Nile.⁹⁴ The buyer and seller will often sign what is often called an *'urfi* contract, which is used when both parties formally recognize the exchange, but they don't register it with the government.⁹⁵ Over 80 percent of informal areas were built in this quasi legal manner. The other informal settlements were built illegally on desert land adjacent to the city. Most of this land

⁹² Mohamed, Abdelbaseer. "Cairo's Metropolitan Landscape: Segregation Extreme," <http://www.failedarchitecture.com/cairos-metropolitan-landscape-segregation-extreme/>, 2015.

⁹³ "Cairo's Informal Areas: Between Urban Challenges and Hidden Potentials," http://www.citiesalliance.org/sites/citiesalliance.org/files/CA_Docs/resources/Cairo's%20Informal%20Areas%20Between%20Urban%20Challenges%20and%20Hidden%20Potentials/CairosInformalAreas_fulltext.pdf, 2009. This study, published in the Egyptian-German Participatory Development Programme in Urban Areas, shows that there are large differences in population statistics for informal areas as the government has a considerably lower number in comparison with the international community. Never the less, all statistics show that a majority of Greater Cairo's population now lives in informal communities.

⁹⁴ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid, 122-26.

⁹⁵ Johannsen, Asger, Marianne Mahrous, and Maria Graversen. "Land ownership disputes in Egypt," <http://www.arabwestreport.info/sites/default/files/pdfs/AWRpapers/paper15.pdf>, 2008, 7.

was technically owned by the state. In 1978, the government began to pass laws to stop informal construction, but this did not stop it from happening. With a small bribe and the help of a middle man with political connections, the buyer could have had his land sale notarized by a local government official, which made the transaction semi-legal. Once the land was purchased, the buyer needed to quickly construct the first couple of floors of his apartment building. They often did this at night and on the weekends to avoid the attention of the authorities. The building owners usually left the top floor unfinished and would wait to complete extensions until the money was available. Despite the proclamations made in *Cairo 2050*, evictions are incredibly rare as they are often met with fierce popular opposition. Once apartments were built, authorities would also have a far more difficult time legally evicting the owner. Residents of informal areas also had to construct, at least initially, their own utilities. Wells were dug to tap into the water table below the Nile River Valley, and cesspools were built adjacent to the apartment to manage waste. Many residents also illegally tapped into the electrical grid. To create access roads, irrigation canals were filled in with dirt and paved over, and residents eventually established their own public transport networks with mini-busses and tuktuks.⁹⁶ These informal areas were only given some basic government services by the Ministry of Housing with the help of USAID, Western European countries, and multi-national companies starting in the middle of the 1980's after several decades of explosive growth.⁹⁷ On both sides of the Nile in Greater Cairo, a system of telephone lines, sewage systems, water pipelines, electrical grids, and a subsidized metro line were eventually constructed.⁹⁸ However, public investment into

⁹⁶ Tuktuks are very small three wheeled vehicles with gasoline engines.

⁹⁷ Thompson, 348.

⁹⁸ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 126.

informal areas is still meager and sporadic, and the government claims that many of these neighborhoods will one day be torn down. Some services are also provided by non-governmental organizations, but they are inconsistent and meager as well.

The informal areas of Cairo and other Egyptian cities have their fair share of problems.⁹⁹ Due to the lack of planning, they are densely packed. The average street width is only 5.7 meters, and the average building heights are three times larger than the width of the streets, which is twice as large as recommended by United Nations.¹⁰⁰ This creates problems with air quality and light. Informal neighborhoods in Greater Cairo like Imbaba and Dar as Salam are some of the most densely populated in the world. For reference, Imbaba is three times more densely populated than Manhattan. Furthermore, the quality of utilities is relatively poor as cesspools are known to overflow frequently, electrical blackouts are common, trash is picked up sporadically, and most roads are not properly maintained. Only approximately one third of roads in Greater Cairo are well paved, and most of the well-paved streets are found in the new towns and the formal areas of the city. Furthermore, due to the absence of zoning laws in the informal areas, there is a lack of available space where the government can construct buildings to provide services like schools, hospitals, police stations, and fire departments. Some parts of the older formal areas of the city, particularly in the medieval neighborhoods, are also deteriorating and are in need of more government services.

However, the situation could be a lot worse. Despite popular opinion, the majority of people who live in Egypt's informal communities do not live in slums, at least as defined by the

⁹⁹ "Egypt-Urban Issues," <http://unhabitat.org/egypt/urban-issues/>, 2016.

¹⁰⁰ Simms, David. *Understanding Cairo: the Logic of a City out of Control*, Ibid, 144.

United Nations.¹⁰¹ Approximately 95 percent of families in Greater Cairo, most of whom have had little help from the government, have access to sturdy housing, security of tenure, electricity, sewage systems, running water, and telephones. The dense population concentration along the Nile also makes utilities, public transportation and the provision of other basic services very cheap. One third of residents in Greater Cairo walk to work, and approximately 85 percent of people that do use a form of transport rely on public options. The subsidized metro line and the informal micro-bus system insure that people can cheaply move about the city. It is true that Greater Cairo's roads are terrible in terms of traffic and parking. Poor road designs have created a lot of bottle necks, and poor government oversight of car inspections, license exams, road paving, parking regulation, and traffic control make the city's roads some of the most dangerous and congested in the world.¹⁰² However, the majority of the city's citizens don't drive on the roads to get to work, but instead walk or use the metro. It is wealthy commuters, taxi drivers, and truckers that are doing most of the driving and polluting. Moreover, many extended families living in informal communities have been able to afford the construction of their own apartment buildings by either pooling their own resources together or sending family members who send money back home in the form of remittances abroad to the Gulf and the West.¹⁰³ These extended families also tend to live together in the same apartment buildings and blocks, which keeps crime rates surprisingly low in these neighborhoods and creates social networks that help individuals

¹⁰¹ "UN Habitat for a Better Urban Future," <http://unhabitat.org/urban-themes/housing-slum-upgrading/>, 2016. This resource gives a definition of a slum. See also Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. In chapter four, Sims discusses the topic of slums in Greater Cairo.

¹⁰² Sims, David. *Understanding Cairo: The Logic of a City Out of Control*. Ibid. Sims discusses transportation in Greater Cairo in chapter seven.

¹⁰³ Ghannam, Ibid, 18.

when they fall on hard times.¹⁰⁴ Furthermore, since the same families financing and overseeing the construction of these buildings are the same people that will usually live in them, building collapses are also incredibly rare. It is mainly apartment buildings constructed for middle-class renters by real estate speculators that have a history of problems with structural integrity in these informal neighborhoods. Despite being in serious need of better infrastructure and government services, the great majority of Cairo's inhabitants are at least able to afford to house themselves safely in these informal communities.¹⁰⁵

On the other hand, only a small minority of people have moved to the satellite cities. Approximately four percent of the people living in Greater Cairo, or 610,000 out of 17 million people, were living in them as of 2006.¹⁰⁶ These proportions have not changed much over the last decade. The New Urban Communities Authority, which is responsible for managing most of Egypt's satellite cities, expected that these desert towns on the outskirts of Cairo would house over 13.9 million people by now. They did not come even close to hitting their mark:

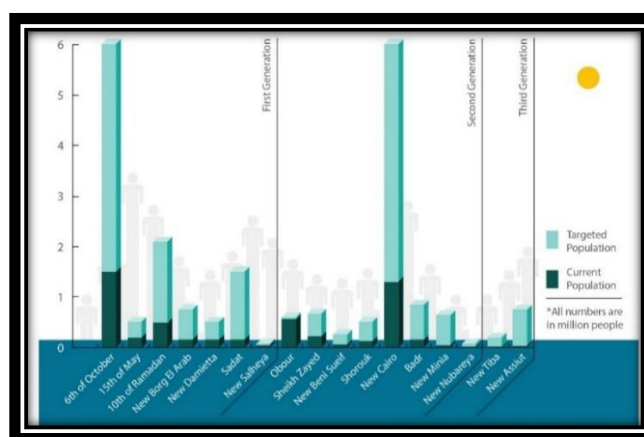


Chart 1: NUCA population growth estimates versus reality¹⁰⁷

¹⁰⁴ Miller, Catherine. "Upper Egyptian Regionally Based Communities in Cairo: Traditional Or Modern Forms of Urbanization," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amare and Diane Singerman. The American University in Cairo Press: Cairo, 2006: 375-397.

¹⁰⁵ "Egypt's New Cities: Neither Just nor Efficient," http://www.tadamun.info/2015/12/31/egypts-new-cities-neither-just-efficient/?lang=en#_VznAgZF9600, 2015.

¹⁰⁶ Sims, David. *Egypt's Desert Dreams: Development or Disaster*. The American University in Cairo Press: Cairo, 2014, 143.

¹⁰⁷ "Egypt's new cities: neither just nor efficient," Ibid, Tadamun gathered their info from the NUCA's website: <http://www.newcities.gov.eg/english/default.aspx>, 2015.

The situation is even worse than these statistics indicate. According to David Simms, the numbers are severely inflated as the NUCA uses some questionable methods to count the amount of residents in neighborhoods. Vacant buildings are often counted as being inhabited.

Even in the new towns that have attracted a significant number of people, there is a severe lack of equity. The only two desert cities to attract significant populations were the 6th of October and New Cairo; other than the problems these towns still have with very high vacancy rates and scattered populations, the great majority of people that have moved into them are in the top ten percentile in terms of yearly earnings. Only approximately 28 percent of the housing (Future and Affordable Housing) in New Cairo was built for people in the bottom 90 percentile in terms of yearly earnings.¹⁰⁸ A majority of the housing built after 1991 consists of luxury villas and apartment complexes (Investor Housing and Moderate Housing) that are only affordable for those that are in the top ten percentile. Furthermore, many Egyptians in the bottom ninety percentile who can afford the cost of subsidized housing in these desert cities are not able to pay for the high cost of living in terms of transport, food, and private education.¹⁰⁹ For example, living in most parts of the new towns requires a personal vehicle, but only 14.8 percent of families in Cairo and 9 percent of families in Egypt own a car. Private education is also too expensive. AUC spent nearly 400 million dollars—100 million of which came from USAID—on a new campus in New Cairo that only accepts around 7,000 students.¹¹⁰ The average cost of tuition at the school is over 150 thousand Egyptian pounds annually, and it is even more expensive for foreigners. Only Egypt's elite can afford the high costs of tuition. Meanwhile, Cairo University, a free public

¹⁰⁸ "New Urban Communities Authority," <http://www.newcities.gov.eg/english/default.aspx>, 2016.

¹⁰⁹ Simms, David. *Egypt's Desert Dreams: Development or Disaster?*, Ibid, 152-57.

¹¹⁰ "A Professor's Prospective," <http://weekly.ahram.org.eg/News/15584/24/A-professor%E2%80%99s-perspective.aspx>, February, 2016.

institution located in Giza within the Nile River Valley, did not get a similar investment in foreign aid for its university despite having over 150 thousand students. According to the *1974 Working Papers* and *Cairo 2050*, the main intent for these projects was not to create gated communities and speculative real estate for an elite minority, but to depopulate the entire Nile River Valley and improve the standard of living for all Egyptians.¹¹¹

To make matters worse, new industrial parks are performing poorly on average and have not provided jobs as expected. While both domestic and foreign businessmen have built over 2,500 factories in the new towns, the production process is capital intensive, which means relatively few jobs have been created. Since very few people decided to move outside the Nile River Valley, factory owners relied more on machines to produce goods rather than engaging in the costly process of bussing workers in from cities like Cairo and Alexandria. While large public factories on the Nile River Valley in Cairo and the Delta tend to employ thousands of people each, the average factory in the 6th of October has only approximately 75 workers.¹¹² A worker for a private factory in the desert gets paid approximately twice the amount as his counterpart in a public one, but there are far fewer employment opportunities. According to the NUCA, only approximately 450,000 jobs in manufacturing were created in the new towns between 1980 and 2013 or 13,600 jobs a year on average.¹¹³ With over 500,000 young people entering the workforce a year during that time period and over a million a year entering the workforce by the 2000's, formal jobs in the private industrial sector barely made a dent in terms of providing employment for the population.

¹¹¹ Sadat, *Ibid.*

¹¹² Vignal, Leila and Eric Denis. "Cairo as Regional/Global Economic Capital," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amare and Diane Singerman. The American University in Cairo Press: Cairo, 2006: 99-151.

¹¹³ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, *Ibid.*, 145.

Furthermore, most of the production in the new town factories is not efficient enough for export, so factory owners have focused on producing construction materials for local real estate projects and the domestic consumption of processed food and drinks.¹¹⁴ According to Amr Adly, the percentage of exports that consist of mass produced goods only increased from 25 to 38 percent from 1980 to 2010.¹¹⁵ Over 50 percent of the country's exports still come from fossil fuels and their bi-products. Factories that do produce high value industrial goods tend to be far down the industrial production chain as they usually import parts from abroad and assemble them within Egypt. These goods are then sold to wealthy customers within the country. This is the case with the automobile industry, which partly explains why the costs of owning a car is so high in the country. According to Eric Denis, the average manufacturing added value of Egypt's industrial sector remains very low in comparison with China, Turkey, Brazil, and Mexico. On a positive note, many factories that produce noxious materials, such as those that produce cement, have been relocated to the desert.¹¹⁶ This improved some environmental problems in Greater Cairo such as the amount of lead poisoning. Furthermore, these new factories have produced various goods that were previously unavailable in Egypt. This led to the spread of internet access, cell phones, and satellite television throughout the country. However, industrial parks and free-trade zones have not produced the amount of jobs or industrial exports as was initially planned by the government, and the quality of air and water is still a pressing problem in the capital.¹¹⁷

¹¹⁴ Vignal, Leila and Eric Denis, *Ibid*.

¹¹⁵ Adly, *Ibid*, 14-27.

¹¹⁶ Vignal, *Ibid*, 99-151.

¹¹⁷ "Air Pollution Indoors and Outdoors High, Threaten Health and Environment," <http://www.egyptindependent.com/news/air-pollution-indoors-and-outdoors-high-threaten-health-and-environment>, April 21, 2013.

The service sector in the desert towns also failed to provide a significant amount of good paying jobs as well. However, the problem here is not the lack of demand for highly qualified engineers, architects, or accountants; Egypt's construction boom and the growing consumption of electronics has created a need for more skilled labor. The problem is that there is not enough qualified workers to meet the demand. The reason why is that the great majority of people in Egypt still lack access to a quality public education. According to the 2013 World Competiveness Report, Egypt ranked 141 out of 141 countries in terms of the quality of primary-school education. Most public schools in Egypt suffer from overcrowding and are in serious need of more funding.¹¹⁸ The great majority of resources are funneled to the salaries of administrators, who make up over half the employees in the country's educational system. Teachers are poorly paid and trained, and they will often not teach in the classroom and force students to pay for private lessons after school. In general, curricula emphasize memorization over critical thinking, and students obtain very little knowledge that could help them gain jobs in the private sector after graduation. For this reason, the wealthy have abandoned the public schools and now send their children to private institutions that often have foreign accreditation. Unfortunately, 92 percent of the student population can't afford to attend these private schools.¹¹⁹ Due to the poor quality of public education, over 17 percent of people with a college education from public schools like Cairo University were unemployed on the eve of the revolution in 2010. Most Egyptians who do find work in the formal service sector have low paying and unsteady work in tourism, food service, transportation, private security, and construction.

¹¹⁸ "The Global Competiveness Report: 2013-2014," http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf, 2014.

¹¹⁹ El Meshad, Sarah. "Egypt's School System: Taking a Look at Schools, Their Curricular, and Their Accreditation," <http://www.egyptindependent.com/news/egypt-s-school-system-taking-look-schools-their-curricula-and-accreditation>, October 5, 2012.

The failure of the formal sector to provide a sufficient number of good jobs has left the public sector to continue providing a substantial amount of employment. Approximately 25 percent of the population and 50 percent of people in Greater Cairo continue to work for over bloated government bureaucracies and public industries for low pay despite the fact that the government promised to make significant cuts to the public sector.¹²⁰ There is still an incredible amount of inefficiency in Egypt's bureaucracies. Many employees rarely or never even show up to work while still collecting a paycheck. Most have one or more side jobs in the informal private sector, and many bureaucrats supplement their incomes by collecting bribes in exchange for favors. Since the public bureaucracies are already over bloated, they cannot absorb over a million new laborers entering the work force every year. Since 1974, the government has tried to gradually make cuts to this sector to encourage people to move to the private sector although they have faced popular resistance to these reforms.

As a result, the informal sector has had to pick up much of the slack in terms of providing employment and supplementing the incomes of poorly paid public-sector workers. In many of Egypt's unplanned communities and older formal neighborhoods, there is an informal industrial sector that consists of tens of thousands of small workshops found on the bottom floors of apartment buildings. Most of these workshops employ fewer than ten people and are mainly engaged in the recycling of materials to produce cheap goods for local consumption. This informal industrial sector employs approximately 200,000 people in over 45,000 small workshops in Greater Cairo alone.¹²¹ Unfortunately, the owners of these workshops lack access to loans,

¹²⁰ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. In chapter seven, Sadat discusses the labor force in Greater Cairo.

¹²¹ Sims, David. *Understanding Cairo: the Logic of a City out of Control*, Ibid. In chapter seven, Sims discusses Cairo's informal labor sector.

technology, and technical information, and their existence is not usually recognized by the government. This has prevented capital accumulation and the expansion of small and medium sized businesses. Furthermore, cheap Chinese and South Asian goods, which started to flood into the country in the 1990's from free-trade zones in cities like Port Said, further limited the potential of small workshops to expand their businesses. The situation became worse for this sector when taxes were lowered on foreign businesses after 2004, and more goods flowed into the country from abroad.

Since the public sector, the formal private sector, and the informal industrial sector cannot absorb a sufficient amount of labor, many people in Cairo have turned to the informal service sector for temporary and unsteady work as microbus drivers, parking attendants, street peddlers, beggars, construction workers, and the managers of very small retail shops and traditional cafés. In 2006, there were approximately 350,000 informal service-sector businesses employing approximately half a million people in Greater Cairo.¹²² This means that each business employed fewer than two people on average. Wages for these jobs are meager, but there are no taxes and startup costs are low. They stay small enough so that Egypt's predatory bureaucracy and oppressive political system do not notice them. Many workers will also use the metro to travel to wealthy formal neighborhoods like Ma'adi, Zamalek, and Heliopolis to work as taxi drivers, doormen, cooks, house cleaners, and personal drivers. According to Leila Vignal and Eric Denis, as much as 40 percent of the Egyptian economy may consist of black-market activity.¹²³ The exact number, for obvious reasons, is impossible to determine.

¹²² Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. In chapters two and six, Sims discusses employment in the informal service sector.

¹²³ Vignal, Ibid, 99-151.

Although many residents of informal neighborhoods struggle with daily expenses, very few are destitute. It is true that 40 percent of Egyptians were earning less than the international poverty line of two dollars a day as of 2010, and approximately 5 percent were living on one dollar a day. However, these numbers do not take into account black-market activity, private-sector charity, or the cheap cost of living along the Nile.¹²⁴ Egyptians today may have an annual income of \$3,314 dollars on average according to the World Bank, but when adjusted for purchasing power parity, it is over \$10,102.¹²⁵ Why is this? Part of the reason is that dense-population concentration around the Nile River Valley makes the production and consumption of goods relatively cheap for those who live in informal communities. Furthermore, Egyptians living abroad in the Gulf and the West send home a considerable amount of money every year.¹²⁶ In 2008 alone, the total was 16 billion dollars in remittances. The state also has used revenue from Suez Canal rents, oil exports, and international aid to subsidize food, transport, and energy, and the government collects relatively little in taxes to pay for the budget. Although these subsidy programs suffer from severe problems with corruption and inefficiency, they have brought down the cost of living for millions of Egyptians. For these reasons, the great majority of Egyptians can afford the basics to survive and even to pay for a couple of luxuries. Ninety-five percent of households in Egypt own a television, and approximately two thirds own a cell phone. The average life expectancy, which is around 71 years, is not that bad for a developing country. However, Sadat's dream of creating a middle class with the standard of living found in the developed world has yet to come to fruition as very few can afford to move to Egypt's new

¹²⁴ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*. The American University in Cairo Press: Cairo, 2012. In chapter two, Simms discusses living standards in Egypt.

¹²⁵ "World Bank: GDP per Capita," <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>, 2015.

¹²⁶ Thomson, *Ibid*, 326.

suburbs. Furthermore, the country remains too dependent on the Middle East's fossil fuel driven economy. As a result, it is a country that consumes goods far more than it produces them.

Agricultural reclamation projects did not fare well either as they failed to make Egypt self-sufficient in terms of food production or to create a significant amount of new jobs in the desert.¹²⁷ The country continues to import approximately half of its food and spends over 20 percent of the budget on food subsidies. Like with industry in the desert, reclamation projects are capital intensive and have not created many jobs. Over three quarters of all formal reclamation projects are controlled by large businesses that rely heavily on machinery. Furthermore, many of these farms don't grow staple crops; on over 40 percent of the land, farmers have chosen to plant cash crops that are grown in orchards, which fare better in desert conditions and don't need to be replanted. These crops are then exported to Europe during seasons when they cannot be grown in Western countries. While some large companies have benefited from these orchards, they do not help make Egypt more sufficient in terms of food production or provide a significant amount of jobs. Orchards require little maintenance and only need seasonal labor. According to David Simms, only approximately 350,000 jobs were created from desert reclamation projects throughout the 1980's and 1990's. Furthermore, desert reclamation projects are far less productive than farms in the Nile River Valley. For example, the government's plans for Toshka were to reclaim over 500,000 feddans of land.¹²⁸ While infrastructure was constructed on over 200,000 feddans of land in the late 1990's and early 2000's, only 4,000 feddans were being used to actually grow food as of 2006 due to the poor

¹²⁷ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid. In chapter three, Sims discusses the results of desert projects including what was grown and how many jobs were created by these projects.

¹²⁸ "Parliament to scrutinize Toshka," <http://weekly.ahram.org.eg/Archive/2006/789/eg2.htm>, April, 2006.

quality of most of the soil. By that year, only 750 jobs were created from this reclamation scheme. While the GARPAD asserts that it has reclaimed a total of over two million feddans in the desert, the information from google maps shows that very little food is being grown in relation to the infrastructure that has been built. Billions of dollars were wasted as a result.

This is not to say that there were no improvements in agriculture over the last three decades. With the help of USAID, green technology, and the ingenuity of millions of Egyptian farmers, agricultural production along the Nile River improved steadily throughout the 1980's and 1990's. Furthermore, informal reclamation projects have fared much better than their formal counterparts. Many farmers have established new farm lands adjacent to Nile River Valley by digging into the valley itself, leveling the land, and extending the irrigation canals to these new areas. There were over 1.3 million feddans of land reclaimed in this manner by 2006, and these projects were far more productive than their formal counterparts. However, the government has not shown support for these informal reclamation schemes. Overall, agricultural production in the Nile River Valley has improved in the last three decades although not enough to keep up with continued population growth. Failed reclamation schemes in the desert and problems with enforcement of food subsidization policies have hurt agricultural productivity and wasted precious resources on unused infrastructure. Moreover, very few people moved to the desert as a result of agricultural-reclamation schemes. Approximately 28 percent of Egypt's population works in the agriculture sector, and almost all of these farmers are still living in the Nile River Valley.¹²⁹

¹²⁹ "Employment in Agriculture," <http://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>, 2016.

Even the relatively successful tourist resorts on the Red Sea and North Coast, which were attracting 12.8 million tourists by 2008 and bringing in approximately ten billion dollars a year by 2010, have underperformed.¹³⁰ Part of the problem is that developers have over constructed hotels on the coastline, and the quality of most of the resorts is relatively poor. Many hotels lack access to good beach fronts or a nearby coastal town. The low quality of the resorts and the excessive construction of hotels mean profit margins are low and vacancy rates for rooms hover around 50 percent throughout the year. Due to the poor quality of these resorts, Egypt tends to attract tourists from countries like Russia, whose travelers are usually looking for a cheap vacation during the winter months. In comparison with Western European tourists, Russian tourists spend less money on average. Furthermore, while tourism employed approximately 12 percent of the working population in 2010, most of these jobs were seasonal. Over 95 percent of the people who work in the industry are single males who temporarily live on tourist resorts during peak seasons, but will move back to the Nile River Valley during off seasons.¹³¹ Very few of them have actually moved out to the desert on a permanent basis. This is why the populations of coastal tourist towns are far lower than was originally expected by the government. To make matters worse, from 2011 to 2013, problems with political instability have negatively impacted revenue earned from the industry as profits dropped by over two thirds.¹³²

While a lot of capital was wasted on vacant hotels and housing on the coast, other areas of the country suffered. Egypt's two major southern cities of Aswan and Luxor, which should be

¹³⁰ Vignal, Leila. "The New Territories of Tourism in Egypt: a Local-Global Frontier?" <https://cybergeo.revues.org/23324>, 2010; and Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid. In chapter five, Sims discusses the development of Egypt's tourist resorts in the desert.

¹³¹ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. Sims discusses this issue in chapter two, which focuses on the dynamics of internal migration in Egypt.

¹³² "Travel and Tourism: Economic Impact, 2015, Egypt," *World Travel and Tourism Council*, <https://www.wttc.org/-/media/files/reports/economic%20impact%20research/countries%202015/egypt2015.pdf>, 2015.

natural draws for tourists due to their impressive ancient monuments, have been seriously neglected by the state.¹³³ The same is true of the urban area near the pyramids at Giza. Over 80 percent of tourists now travel exclusively to the coasts and ignore the Nile River Valley.¹³⁴ Furthermore, the great majority of inhabitants in the Sinai Peninsula did not benefit extensively from the profits of the tourism boom, which were monopolized by well-connected businessmen like Hasan Rateb and Hussein Salem.¹³⁵ Some inhabitants of the region have turned towards the profitable drug trade, human trafficking, and the smuggling of goods into the blockaded Gaza Strip to earn a living.¹³⁶ The Northern Sinai has become a center for radical Islamist activity and illegal smuggling activity partly as a consequence of uneven economic development as well. In the neglected canal cities, many residents now depend economically on the smuggling of cheap, imported textiles from free-trade zones in Port Said to the capital.¹³⁷ Government attempts to crack down on the drug trade and textile smuggling in the last two decades have created a lot of animosity towards the state in these areas of the country.

Overall, the government's utopian scheme for the desert did not come to fruition. Sadat's urban-development policy failed to do the following: decongest the Nile River Valley, provide equitable access to housing, create a significant number of good job opportunities for the targeted population, and lower the cost of transportation and utilities. Worst still, capital was wasted on vacant housing and poorly utilized infrastructure. In many ways though, things could

¹³³ Vignal, *Ibid*, 99-151.

¹³⁴ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, *Ibid*. In chapter five, Sims discusses problems with the development of tourist resorts.

¹³⁵ Youssef, Abdel Rahman and Mohamed al-Arabi. "The State of Sinai: Backyard for Business Bandits," <http://english.al-akhbar.com/node/11355>, August 10, 2012.

¹³⁶ Laub, Zachary. "Egypt's Sinai Peninsula and Security," <http://www.cfr.org/egypt/egypts-sinai-peninsula-security/p32055>, December 12, 2013; and Awad, Mokhtar. "The troubles of Port Said," <http://foreignpolicy.com/2013/03/12/the-troubles-of-port-said/>, March 12, 2013.

¹³⁷ Awad, Mokhtar, *Ibid*.

be worse for the average Egyptian. As David Simms points out, it was serendipitous that the Egyptian government decided to build their real estate projects in the middle of the desert as it allowed the poor to construct their informal housing close to the center of the city.¹³⁸ In most developing countries, the rich tend to monopolize control over the most valuable real estate, but the opposite happened in Egypt due to the country’s unique geography. Also, Egyptians have access to resources that citizens of many other developing countries do not have such as an extensive amount of remittances and government subsidies for food stuffs. However, this does not negate the fact that many opportunities were wasted in terms of economic and urban development. According to the Ministry of Finance’s statistics, a disproportionate amount of money in the 2015/2016 fiscal year was spent on housing—specifically, in the desert towns—despite the vacancies. A far smaller amount was spent on education and health care.

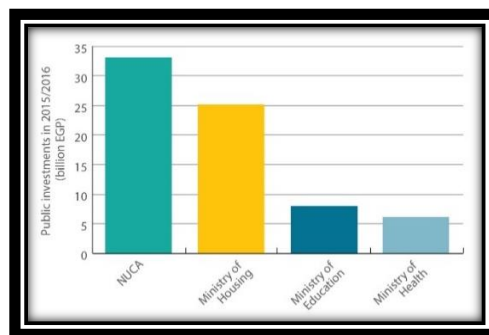


Chart 2: Public Investments¹³⁹

Although Egypt’s average life expectancy of 71 years is not that bad for a developing country, it is still a decade below the average life expectancy found in Europe and North America. More money needs to be invested in the training of doctors, the maintenance of hospitals, the development of pharmaceuticals, and the protection of the environment in terms of air and

¹³⁸ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. See chapter ten.

¹³⁹ “Egypt’s new cities: neither just nor efficient,” Ibid. Tadamon gathered their information from the Ministry of Finance’s 2015/2016 public budget.

water quality. Improving human development in terms of education and healthcare will be necessary in the future as oil reserves in the country continue to dwindle.¹⁴⁰ Money spent on vacant housing and empty hotel rooms could have been spent elsewhere.

In spite of these past failures, the current government, led by former General Abdel Fatah al Sisi (2013-present), is doubling down on these same desert projects. Unfortunately, the government has put forth little effort to consolidate what has been built already or to learn from the past mistakes of the Sadat and Mubarak regimes. In 2014, Housing Minister Moustafa Madbouly merely rebranded *Cairo 2050* with the title “The GCR Strategic Development Vision.”¹⁴¹ Furthermore, Sisi’s government wasted public money and foreign direct investment on the widening of the Suez Canal, and plans for a new capital in the middle of the desert half way between the Red Sea and Cairo are now underway.¹⁴² The vision for this new city is even more extravagant and ambitious than previous projects. The government is also in the process of constructing a third generation of satellite cities throughout the country and expanding the size of preexisting desert towns. There are plans for more gated communities, agricultural-reclamation projects, tourist resorts, free-trade zones, and industrial parks. The decision to construct a new capital and another set of cities is a poor one since the older desert towns still have extraordinarily high vacancy rates. Meanwhile, the informal areas in the Nile River Valley continue to grow. The reason why this is happening is poor governance.

¹⁴⁰ Al-Thawr, Sabria. "Ending Persistent Poverty: Pathways to Reform and Empowerment," *Arab Human Development in the Twenty-First Century: The Primacy of Empowerment*, edited by Bahgat Korany. The American University in Cairo Press: Egypt, 2014, 139-164.

¹⁴¹ "Cairo 2050 Revisited: A Planning Logic," <http://www.tadamun.info/2014/07/10/introduction-cairo-2050-planning-logic/?lang=en#.V9enY5h97IU>, July 10, 2014.

¹⁴² "Egypt unveils plan to build new capital east of Cairo," <http://www.bbc.com/news/business-31874886>, March 13, 2015.

Part Two: Problems with Governance in Egypt

Chapter Four: The Formation of an Authoritarian State

How can we measure the quality of governance in Egypt? There are international organizations that have attempted to define and quantify the concept. For example, the World Bank has six well-known governance indicators that “are based on several hundred variables obtained from 31 different data sources, capturing governance perceptions as reported by survey respondents, non-governmental organizations, commercial business information providers, and public sector organizations world-wide.”¹⁴³ Below are Egypt’s scores and rankings, with scores ranging from -2.5 to 2.5, on each of the World Bank’s governance indicators prior to the revolution in 2010:

Governance Indicators (Egypt-2010)	Score	Percentile Rank
Control of Corruption	-5	34.3%
Government Effectiveness	-4	43.1%
Political Stability	-9	19.3%
Regulatory Quality	-2	46.9%
Rule of Law	-1	51.2%
Voice and Accountability	-1.1	13.7%

Table 1: Governance in Egypt¹⁴⁴

Similar surveys distributed by the World Bank, Freedom house, Transparency International and other international institutions over the last two decades have produced the same conclusion: Egypt struggles with governance.¹⁴⁵ These statistics though cannot tell us why this is the case nor can it help us understand what went wrong with Sadat’s *infitah* and why a small group of oligarchs connected with Gamal Mubarak came to dominate the political system and the desert

¹⁴³ Kaufmann, Daniel, Aart Kray and Massimo Mastruzzi. “The World Wide Governance Indicators: Methodology and Analytical Issues,” *The World Bank, Policy Research Working Paper 5430*, September, 2010: 2.

¹⁴⁴ “World Data Bank: World Bank Governance Indicators, Egypt,” <http://databank.worldbank.org/data/reports.aspx?source=Worldwide-Governance-Indicators>, 2010.

¹⁴⁵ “Egypt,” <https://freedomhouse.org/report/freedom-world/2016/egypt>, 2016; and “Egypt,” <https://www.transparency.org/country/#EGY>, 2016.

development projects by the early 2000's. A more in depth analysis of Egypt's authoritarian state is necessary in order to understand the raw data.

The state that currently dominates the country has its beginnings in the aftermath of a *coup d'état* that took place in 1952. It led to the end of British colonial influence and the constitutional monarchy, and it brought a group of young military officers to power. The *coup d'état* was the final product of several decades of internal political strife between the royal family, liberal political reformers in parliament, conservative Islamists, and the British military.¹⁴⁶ While these factions struggled for control of the Egyptian state, the country's economic problems grew worse. Landless peasants, who had been displaced by a rapacious land owning aristocracy, were streaming into Cairo and Alexandria. Many of them were desperately searching for jobs and affordable housing, but the government was not providing enough economic assistance. Some of these migrants turned towards charitable organizations like the Muslim Brotherhood for help instead. This led to the rise of political Islamism in Egyptian society and the emergence of a conflict between the Brotherhood and liberal parliamentary leaders. Furthermore, the monarchy had handled a number of critical foreign policy issues poorly.¹⁴⁷ Their failure to pressure the British to leave the Suez Canal Zone and their embarrassing loss at the hands of the Israel military in the 1947 War of Independence had turned many Egyptian officers against their own king. A group of young colonels, who called themselves the Free Officers, began to meet in secret to plan the overthrow of the government. Their opportunity to step into power came when massive protests broke out in the heart of Cairo in the summer of 1952 against the monarchy and

¹⁴⁶ Hinnebush, Raymond. "Toward a Historical Sociology of State Formation in the Middle East," *Middle East Critique*, 19(3), Fall, 2010: 201-16.

¹⁴⁷ Goldschmidt Jr., *Ibid*, 95-97.

parliament.¹⁴⁸ Led by an ambitious colonel named Gamal Abdel Nasser, the free officers sent tanks into the streets and took control of the government. After two years of internal strife, Nasser consolidated his control of the state and became president of the republic. Since the military stepped into power, Egypt has been ruled by what political scientist May Kasseem calls a “personalized authoritarian regime.”¹⁴⁹ At the center of this regime is the office of the president, which has been controlled by military officers since 1952. The only brief exception was when the Brotherhood’s Mohamed Morsi held the position from 2012 to 2013.

To obtain popular legitimacy, the military officers that led the *coup d’état* in 1952 created a new social contract with the Egyptian people: in exchange for obedience, the state would create political stability, promote economic development, and provide a minimum standard of living for the average citizen.¹⁵⁰ It was the only way the Free Officers could justify their hold on political power.¹⁵¹ To transform Egypt’s agrarian society into a developed country, President Gamal Abdel Nasser (1954-1970) expanded the size of the bureaucracies to create a national welfare system and extend the reach of the government into the economy and people’s personal lives. Although this process started gradually, it accelerated following the Suez Canal Crisis of 1956. After successfully seizing the Canal Zone from the British, Nasser had obtained the political victory he needed to write a new constitution and further consolidate his control of the state. According to the 1956 constitution, he no longer needed to run for reelection, but instead would only require a majority of popular support in a plebiscite that would be held every six years.¹⁵² As his power

¹⁴⁸ Brooks, Risa. *Political-Military Relations and the Stability of Arab Regimes*. Oxford University Press: Oxford, 1998.

¹⁴⁹ Kasseem, Ibid, 32.

¹⁵⁰ Owen, Roger. *State, Power, and Politics in the Making of the Modern Middle East*. Routledge: London, 2004, 19-29.

¹⁵¹ Albrecht, Holger and Oliver Schlumberger. "Waiting for Godot: Regime Change without Democratization in the Middle East," *International Political Science Review*, 24(4): 371-92.

¹⁵² Kasseem, Ibid, 32.

increased, Nasser confiscated more land from the aristocracy and redistributed it to small and medium sized land owners. He also nationalized most of the country's businesses, placed restrictions on the foreign ownership of property, and funneled government revenue into public industries. The great majority of foreigners in Alexandria and Cairo subsequently fled the country. The state also guaranteed food, employment, education, and housing for the population. The massive redistribution of land and wealth initially made Nasser very popular with the masses. Political scientist Steven Heydemann referred to this relationship between the state and the people as the "Nationalist Populist" social pact.¹⁵³ To this day, the military regime continues to see itself as the harbinger of economic development and social welfare, and many Egyptians still view the military as the savior of the nation and the only true source of political stability.¹⁵⁴

Nasser also became popular for his foreign policy stances. Having come to power at the end of British colonial rule, he used anti-colonialist rhetoric as a way to whip up support among the masses.¹⁵⁵ Nasser repeatedly called for all Arab countries to unite against Western and Israeli military aggression in the region. These were not just empty words. The Arab Nationalist movement led to an ill-fated and brief political union between Egypt and Syria from 1958 to 1961. It also resulted in Egypt's involvement in Northern Yemen's civil war from 1962 to 1967 in support of the Arab Nationalist government against Saudi-backed rebels. To this day, the state continues to use xenophobic, anti-Israeli, and anti-Western rhetoric as a way to foster national unity, even

¹⁵³ Heydemann, Steven. "Social Pacts and the Persistence of Authoritarianism in the Middle East," in *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes*, by Oliver Schlumberger. Stanford University Press: Stanford, 2007: 21-38.

¹⁵⁴ "Egyptians embrace revolt leaders, religious parties, and military as well," <http://www.pewglobal.org/files/2011/04/Pew-Global-Attitudes-Egypt-Report-FINAL-April-25-2011.pdf>, 2011.

¹⁵⁵ Goldschmidt Jr., *Ibid*, 126-30.

after Anwar Sadat reoriented the country's foreign policy towards the United States in the 1970's.¹⁵⁶ Economic, political, and social problems are often blamed on foreign enemies of the state.¹⁵⁷

Nasser also used his growing popularity to suppress all forms of political opposition. Following an assassination attempt on his life in 1954, Nasser began to crack down on opposition groups such as the Muslim Brotherhood.¹⁵⁸ Thousands of their members were given military trials and put in prison, and some were tortured and executed. Many dissenting communists and liberals met the same fate. To discourage political dissent, civil society was heavily suppressed by a coercive security apparatus that directly controlled the media and outlawed the formation of organizations outside the control of the state.¹⁵⁹ Egypt's unique geography also made it relatively easy for the Nasser regime to crack down on the opposition. The population is heavily concentrated around a single river, and the culture is relatively homogeneous with 99 percent of the population speaking Arabic and approximately 90 percent following the religion of Islam. It did not take long for Nasser to eliminate his political opponents. Due to the state's political oppression, interest groups during the Nasser Era lacked autonomy. Labor unions were placed directly under the control of a new bureaucracy called the Ministry of Man Power, and professional syndicates were put under the management of the Ministry of Social Affairs. Only the president's political party, which eventually became known as the Arab Socialist Union, was allowed to run for seats in parliament. Consequently, the legislative branch became little more

¹⁵⁶ Schwedler, Jillian, and Deborah Gerner. *Understanding the Contemporary Middle East*. Lynne Rienner Publishers: Boulder, 2008. See chapter five, written by Marry Ann Tetreault, for a discussion on international relations between the Arab World and the West.

¹⁵⁷ "Strange bedfellows," <http://www.economist.com/news/middle-east-and-africa/21584362-egypts-press-has-peculiar-theory-why-west-will-intervene>, August 31, 2013.

¹⁵⁸ Goldschmidt Jr., Ibid, 116.

¹⁵⁹ Sadek, Said. "Cairo as Global/Regional Cultural Capital?" in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*, edited by Paul Amar and Diana Singerman. The American University in Cairo Press: Cairo, 2006. 153-90.

than a rubber stamp institution. While Nasser's successors eventually loosened some of their control over the political system and the economy, the state to this day remains authoritarian.¹⁶⁰

Without voice and accountability in the political system, government leaders were able to abuse their political offices for personal gain. Abdel Nasser and subsequent presidents have used their control of state resources to distribute jobs, subsidies, land, housing, and other benefits to loyal clients in the public and private sectors in exchange for loyalty and personal favors. These problems with clientelism, nepotism, and corruption have filtered down to every level of the bureaucracy to the detriment of government effectiveness, regulatory quality, and the rule of law. Consequently, Egypt's bureaucracies are notoriously bloated and inefficient. Due to these problems with governance, Nasser's state owned industries and public schools suffered under the weight of over-employment, poor management, and inefficiency. Without adequate industrial development, the state struggled to pay for the massive welfare system created by Nasser's government over the following decades as the country's population grew larger and Greater Cairo expanded in size. Furthermore, the country's music, film, and art scene witnessed a dramatic decline by the 1970's due to the poor quality of the educational system and state control of the film industry and the media.¹⁶¹ While Cairo was once the center of the Middle East's most vibrant artistic culture in the 1940's and 1950's, it has now arguably fallen behind several other countries in the region, including Turkey and Lebanon. Despite Sadat and Mubarak's attempts to reform the political system, the country's bureaucracies continue to suffer from these problems.

¹⁶⁰ Kienle, *Ibid*, 33.

¹⁶¹ Sadek, *Ibid*.

Nasser's foreign policy luck also ran out towards the end of his tenure as president. The state's promotion of Arab Nationalist rhetoric failed to unite the countries of the region politically. Other military dictatorships in the region, including Syria and Iraq, did not cooperate with one another despite their frequent promotion of Arab Nationalist rhetoric. Egypt's brief union with Syria fell apart partly because the political leadership of both countries failed to create a power sharing agreement on which the elites of both sides could agree.¹⁶² Furthermore, the conservative monarchies of the Gulf, Morocco, and Jordan were opposed to Nasser's socialist and secular policies.¹⁶³ Over time, the power of these Gulf States grew as their oil wealth increased, which created political problems for Nasser. It was the Saudis who were funding rebels in Northern Yemen to fight the Arab nationalist government. Despite the Egyptian state's rhetoric, the Arab world remained divided. Nasser's military ventures were also catastrophic failures.¹⁶⁴ His invasion of Yemen turned into such a disaster that political scientists such as Arthur Goldschmidt have labeled it "Nasser's Vietnam."¹⁶⁵ In an excuse to leave Yemen, Nasser removed most of his troops from the country and relocated many of them to the Sinai Peninsula on Israel's border in 1967. In response to the aggressive maneuver, the Israeli state struck back and destroyed most of Egypt's air force in six days. Israel proceeded to occupy all of Palestine, the Golan Heights, and the Sinai Peninsula, and Egypt lost control of the Canal Zone. The embarrassing defeat was a huge blow to the legitimacy of the military regime. While Nasser

¹⁶² Goldschmidt Jr., *Ibid*, 137.

¹⁶³ Owen, *Ibid*, 29-55.

¹⁶⁴ Goldschmidt Jr., *Ibid*, 141-148.

¹⁶⁵ Goldschmidt Jr., *Ibid*.

would stay in power until his death in 1970, the last three years of his life were marred by growing leftist student protests against autocratic rule and a stagnating economy.¹⁶⁶

Nasser's successors had to adapt to ensure the survival of the authoritarian regime. When Anwar Sadat came into power in 1970, he was in a precarious position.¹⁶⁷ Nasser chose him as vice-president specifically because he lacked the political connections and power of some of Nasser's other fellow Free Officers thereby making him less of a threat to the regime.¹⁶⁸ Sadat also had many enemies on the political left who did not want to see him take the presidency. Prior to 1952, Sadat was known for his sympathies towards Islamist movements like the Muslim Brotherhood. Furthermore, the Egyptian economy was on the verge of collapse and the state was in desperate need of foreign aid. For these reasons, in 1971, Sadat sidelined prominent left-wing opponents by removing them from office in what he called a "corrective revolution."¹⁶⁹ He subsequently released Islamists, including members of the Muslim Brotherhood, from prison in an attempt to counter the power of socialists and liberal students within society and on college campuses in particular.¹⁷⁰ Mosques were once again allowed to establish their own independent charity networks. A new constitution was subsequently written in 1971 that would open the way for Sadat's political and economic reforms. This new constitution included provisions that allowed multiple political parties to compete in legislative elections, and Sharia law was recognized as the basis of the constitution. Political relations subsequently improved with the

¹⁶⁶ Goldschmidt Jr., *Ibid*, 148.

¹⁶⁷ Kassem, *Ibid*, 33.

¹⁶⁸ Thomson, Jason. *A History of Egypt: From the Earliest Times to the Present*. The American University in Cairo Press: Cairo, 2011, 317.

¹⁶⁹ Brooks, *Ibid*, 13-18.

¹⁷⁰ Pioppi, Daniela. "Privatization of Social Services as a Regime Strategy: The Revival of Islamic Endowments (Awqaf) in Egypt," in *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes*, edited by Oliver Schlumberger. Stanford University Press: Stanford, 2007: 129-42.

Gulf States. In 1972, Soviet advisors were also asked to leave the country, which signaled that Egypt was ready to switch sides in the Cold War.¹⁷¹

To open up relations with the United States, Sadat first needed a symbolic victory against Israeli forces that would restore the legitimacy of the Egyptian military and allow the country to negotiate with the Israeli state on better terms. On October 6, 1973, Sadat executed a sneak attack against Israeli forces in the Sinai during the holy month of Ramadan and the Jewish holiday of Yom Kippur.¹⁷² He coordinated the sneak attack with the Arab Gulf states. They played their part by cutting off the West's access to oil during the conflict, which caused energy prices to skyrocket. From a purely military standpoint, Egypt's armed forces only gained six miles of territory in the Sinai before eventually being beaten back by Israeli forces and sent back across the Canal Zone. While the Egyptians did not defeat the Israelis on the battlefield, the Soviet Union and the United States both intervened to end the conflict. Furthermore, Israeli forces suffered many casualties on the battlefield, and the Israeli government was less sure of their ability to hold the Sinai Peninsula without paying a heavy political price. They were more willing to negotiate with the Egyptian state on more equitable terms after the war. Meanwhile, Sadat falsely claimed to his own population that the war was a total military victory, and he used the boost in popularity that came from the conflict to launch his *infitah* in 1974 and begin secret negotiations with the Israelis.¹⁷³ By 1979, the Israeli government agreed to return the Sinai in exchange for official recognition and an end to hostilities, and the Egyptian state received approximately two billion a year in American aid. While Sadat's *infitah* never truly opened the country to democracy or free-

¹⁷¹ Thomson, *Ibid*, 321.

¹⁷² Thomson, *ibid*, 322-25.

¹⁷³ Mansfield, *Ibid*, 328-42.

market competition, these reforms allowed the authoritarian regime to survive until the 2011 revolution in spite of serious challenges from opposition elements. In this context, Sadat's announcement of desert development projects in 1974 can be seen as one important part of his attempt to restore the legitimacy of Egypt's military regime and secure his hold on the presidency.

Chapter Five: The Failure of Sadat's Political and Economic Reforms

While Sadat successfully engineered a political shift towards the West, his calls for political reform never materialized as envisioned in the 1974 Working Papers.¹⁷⁴ Consequently, the regime continued to have problems with governance. In 1977, multi-party elections were held by the legislature for the first time since the 1952 revolution brought the military to power. However, the political contests in 1977 and in subsequent elections—1984, 1987, 1990, 1995, 2000, 2005, and 2010— were structured in such a way to ensure that the sitting president and the National Democratic Party (NDP), which was supported by the ruling elite during the Sadat and Mubarak Eras, would win every plebiscite and election in a landslide.¹⁷⁵ In 1974, Sadat had the Arab Socialist Union disbanded, and he subsequently created his own political party that would become known as the NDP by 1978. The party was engineered to be politically weak as its members were dependent on presidential patronage for survival. In subsequent years, Sadat also created several “loyal opposition” parties such as the socialist party *al-Amal*, the center-left party *al Tagamua*, and the free-market, right-wing party *al Ahrar*.¹⁷⁶ These parties were staffed

¹⁷⁴ Kienle, Eberhard, *Ibid*.

¹⁷⁵ Owen, Roger, *Ibid*. See chapter eight for a discussion on authoritarian elections in Egypt and the rest of the Middle East.

¹⁷⁶ Kassem, *Ibid*, 41.

with his own loyal supporters, lacked funding, and had no real popular base of popular support.¹⁷⁷ Powerful politicians and businessmen joined these parties in order to gain greater access to the president and the largesse of the state. In the future, other loyal opposition elements were allowed to form their own organizations, such as the liberal New Wafd Party and the socialist Nasser Party. However, they were not allowed to seriously challenge the President and his NDP. The 1971 constitution did permit the existence of multiple political parties, but it also allowed the Minister of Interior, who is appointed by the president, to vet parties to determine whether or not they could run candidates for office, establish their own newspapers, or hold political rallies. The rules were written in such a way that the Interior Minister could use a variety of vague excuses to deny a potential political party's application.¹⁷⁸ For example, organizations that sought to mix religion and politics, such as the Muslim Brotherhood, could not form an official party. Furthermore, organizations with political ideologies that were similar to a preexisting party also could not form their own organization, and since Sadat created several fake opposition parties across the ideological spectrum that were staffed by his own supporters, this limited the ability of real opposition elements to run candidates for office. Both Sadat and Mubarak used the Interior Ministry to intimidate the opposition, stuff ballot boxes during elections, and manipulate the media to ensure the NDP's domination of the political system.

There were several reasons why the regime held authoritarian elections. For one, it allowed the president to co-opt wealthy businessmen in the growing private sector as well as prominent notables like village headmen and wealthy professionals like doctors, journalists,

¹⁷⁷ Tacher, Joshua. "Parties Over: The Demise of Egypt's Opposition Parties," *British Journal of Middle Eastern Studies*, 31(2), 2004: 215-233.

¹⁷⁸ Kienle, Ibid, 29.

engineers, and lawyers into the political system.¹⁷⁹ In exchange for running for seats in parliament either as loyal independents, members of the NDP, or loyal opposition parties, entrepreneurs would receive economic benefits in the form of state subsidies, cheap access to public land, and preferential laws and tax structures that benefited their businesses. Negotiating the terms of these state benefits was easier behind closed doors in parliament than out in public. By joining parliament, businessmen also received immunity from prosecution, which gave them more leeway to break the law. Furthermore, holding elections was also meant to show Western countries, international institutions, and domestic opposition elements that the state was engaging in democratic reforms, even if the results of the elections were predetermined. Although some members of the political opposition saw the process as a farce and refused to participate, others saw cooperation with the ruling regime as a way to push for reform from inside the system.¹⁸⁰ The opposition became weak and divided as a result. The opposition was never allowed to win more than 20 percent of the seats. While allowing a limited political opposition did give a little more breathing room for opponents of the government to promote reforms, the ruling regime was never seriously worried about being voted out of power or having the authority of the president challenged.

Since elections were fixed, Egypt's lower house of parliament, known as the People's Assembly, continued to function as a rubber stamp institution for the executive's proposed legislation and budget.¹⁸¹ Consequently, the Prime Minister—who was chosen by the president,

¹⁷⁹ Gandhi, Jennifer and Ellen Lust-Okar. "Elections under Authoritarianism," *The Annual Review of Political Science*, 12, 2009: 403-22. See also Kassem, *Ibid*, 168.

¹⁸⁰ Lust-Okar, Ellen. "The Management of the Opposition: Formal Structures of Contestation and Informal Political Manipulation in Egypt, Jordan, and Morocco," in *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes*, edited by Oliver Schlumberger. Stanford University Press: Stanford, 2007: 39-58.

¹⁸¹ Kienle, *Ibid*.

approved by parliament, and was tasked with forming a cabinet consisting of approximately three dozen ministers—was little more than a glorified bureaucrat. According to the 1971 constitution, the legislative branch technically was tasked with writing laws, vetting cabinet members, and monitoring the activities of the president’s bureaucracies, but they never exercised these duties independently of the president since elections were fixed.¹⁸² Furthermore, the Consultative Assembly, an upper house that was created in 1980, had almost no affective power other than appointing the heads of some public companies. It does not even matter since 88 members of the Consultative Assembly were also handpicked by the president and appointed directly by him while the rest were elected in fixed contests. Elections for local assemblies, professional syndicates, labor unions, and even student unions on college campuses were usually rigged to ensure the NDP’s domination, and the president directly appointed all 27 governors. Therefore, the political system was unitary with all power residing in the office of the president without significant checks on his power.

Furthermore, the civil liberties of citizens were severely restricted, which prevented journalists from seriously critiquing the policies of the president and his cronies in parliament.¹⁸³ Although the 1971 constitutions stated that there was freedom of the media, the Information Minister also had the power to revoke licenses for private media outlets for a variety of vague reasons.¹⁸⁴ For example, journalists were forbidden from endangering the unity of the Egyptian people or mixing religion with politics. Any businessmen could have their license revoked to run a media outlet due to these vague rules. This gave the regime tight control over newspapers,

¹⁸² “The constitution of the Arab Republic of Egypt,” <http://www.constitutionnet.org/files/Egypt%20Constitution.pdf>, 1971.

¹⁸³ Kassem, *Ibid*.

¹⁸⁴ “The constitution of the Arab Republic of Egypt,” <http://www.constitutionnet.org/files/Egypt%20Constitution.pdf>, 1971; and Kienle, *Ibid*.

radio stations, and television networks. Media outlets continued to be controlled by the government as well as by businessmen with close ties to the regime. There were several topics that journalists could not discuss such as corruption scandals involving the president and his family or the power of the military within the Egyptian state. Hundreds of journalists lost their jobs, and many were imprisoned for crossing this red line. Very limited criticism of the regime was generally allowed as long as the authority of the president and his closest allies was not seriously challenged. By allowing controlled dissent, it created the false perception that there was real political opposition. Only with the spread of internet and satellite television in the decade prior to the 2011 revolution did political activists have more freedom to critique the state in a serious manner and spread information to the public.

To keep the opposition weak, the regime also tried to pit Egyptians against one another by strengthening divides between different religious and political affiliations. While the 1971 constitution states that there is freedom of religion, the document also contradicts itself by stating that Islam is the official religion of the state. Individuals who have criticized the faith or engaged in acts that were determined to be immoral such as homosexuality were often given stiff prison sentences.¹⁸⁵ Under Sadat and Mubarak, Egypt's oldest Islamic institution, Al Azhar, whose leadership positions were staffed with regime loyalists, was also empowered to interpret Islam in such a way as to make protesting against the state immoral.¹⁸⁶ The only other religious group that was tolerated was the country's Christian minority, and they were not allowed to proselytize nor could they build churches without state permission. Due to the conservative Arab

¹⁸⁵ Kienle, *Ibid*, 67.

¹⁸⁶ Thomson, 336.

Gulf's influence over Egypt's culture starting in the 1970's, the Egyptian state sought to appease the growing force of Islamist sympathizers who wanted to mix religion with government. By enforcing some Islamic norms on society, the state hoped to co-opt moderate Islamists and divide them from the Muslim Brotherhood and radical jihadists. This was to the detriment of the rights of women, homosexuals, atheists, religious minorities, and secular Muslims. Many Christians and secularists tolerated this system out of a fear that far more radical jihadists could take control of the state.

The government also restricted the ability of the opposition to organize independently of the state. The 1971 constitution states that there is freedom of association, but the Ministry of Social Affairs would determine whether or not non-governmental organizations could form. Groups larger than ten people technically could not meet without the state's permission. Consequently, the great majority of non-governmental organizations were founded by Egyptians with political connections. By the 1990's, there were thousands of "NGO's" in Egypt, but almost all of them were controlled by loyal allies of the ruling regime.¹⁸⁷ There were very few truly independent business associations, labor unions, professional syndicates, social clubs, or interest groups on the eve of the revolution.¹⁸⁸ The only organizations that occasionally provided some minor opposition to the government were the doctor, teacher, engineer, and lawyer syndicates, as well as the charity networks that were heavily influenced by the Muslim Brotherhood.¹⁸⁹ While the Brotherhood was partially tolerated as they provided a source of social welfare to the population through their charity networks, their leadership was periodically imprisoned

¹⁸⁷ Abdelrahman, Maha. "The Politics of Uncivil Society," *Ibid*, 21-35.

¹⁸⁸ Langohr, Vickie. "Too Much Civil Society, Too Little Politics: Egypt and Liberalizing Arab Regimes," *Comparative Politics*, 36(2), Jan, 2004: 181-204.

¹⁸⁹ Kienle, *Ibid*, 33.

whenever the regime felt they were becoming a serious political threat. The government's restrictions on the Islamist opposition waxed and waned over the years, depending on the political circumstances. In some years, the state allowed them to speak more openly and win some seats in parliament, and in other years the state threw the opposition in prison, and elections were fixed so the NDP would win nearly 100 percent of parliamentary seats.

Sadat and Mubarak were able to use coercion against the opposition when it was necessary because of their control over the judicial system. According to the 1971 constitution, Egypt was supposed to have a code-law legal system, autonomous criminal/civil courts, and a constitutional court that has the power of judicial review. However, the president was able to get around the independence of the judicial branch through the enactment of emergency laws.

¹⁹⁰ According to the 1971 constitution, emergency laws could be established during a time of political instability, and these laws allowed the state to suppress freedom of association and give military trials to opponents of the ruling regime thus circumventing the authority of the civilian courts.¹⁹¹ Over the last four decades, there have only been two years in which emergency laws were not in effect. Sadat repealed them for one year in 1980, but after his assassination in 1981, his successor Hosni Mubarak immediately reestablished emergency laws, and they would remain in effect throughout the rest of his presidency.¹⁹² The Egyptian state has also used other methods to control the judiciary. For example, the President's Minister of Justice controls the salaries of judges and their promotions.¹⁹³ Activist judges have faced professional consequences for ruling

¹⁹⁰ Kienle, *Ibid*, 43.

¹⁹¹ Malki, Mhamed. "From the Law of the Ruler to the Rule of Law," in *Arab Human Development in the Twenty-First Century: The Primacy of Empowerment*, edited by Bahgat Korany. The American University in Cairo Press: Egypt, 2014. 27-66.

¹⁹² Kassem, *Ibid*, 57-58.

¹⁹³ Kienle, Eberhard. *A Grand Delusion: Democracy and Economic Reform in Egypt*. I.B. Tauris Publishers: London, 2001, 44.

against powerful state officials. In addition, since the regime controlled over two thirds of the legislature, they were able to amend the constitution whenever it suited their needs and pass new laws that benefited the political elite. Presidents and prime ministers were also able to issue decrees that had the force of law when parliament was not in session. In most cases, the law was on the side of the politically connected. As a result, there is a lack of a judicial check on the executive's power.

Over the last four decades, the state has used Islamist extremism as an excuse to keep emergency laws in place and restrict freedom of association. This has led to the mass incarceration of political opponents without free and fair trials. For example, from 1992 to 1997, the state used acts of violence by radical terrorist groups like al-Jihad and Gama'at al Islamiyya to throw more moderate Islamists and even secularists in jail.¹⁹⁴ Furthermore, the state used the war on radical Islamism to scare secularists and the Christian minority into remaining loyal to a regime that was actively suppressing their civil liberties.¹⁹⁵ Until today, the war on terrorism continues to be used as an excuse by the military regime as a major reason why they have not instituted serious democratic reforms. Due to Egypt's geo-political importance and the War on Terror, Western countries have tolerated the lack of progress in terms of a democratic transition and have continued to give aid to the regime.

At the end of the day, the government engaged in hollow democratic reforms to attract foreign investment from the West as well as divide the domestic opposition by co-opting some opponents of the regime.¹⁹⁶ The *infitah* did not significantly improve governance since the

¹⁹⁴ Lust-Okar, Ellen. "The Management of the Opposition: Formal Structures of Contestation and Informal Political Manipulation in Egypt, Jordan, and Morocco," Ibid, 39-58.

¹⁹⁵ Brumberg, Daniel. 2013. "Transforming the Arab World's Protection-Racket Politics," Journal of Democracy Vol. 24, 3: 88-103.

¹⁹⁶ Albrecht, Holger and Oliver Schlumberger, Ibid, 371-92.

political elites did not want to let go of control. Without legal channels in which to operate, opposition activists had to resort to violent protests in the forms of strikes, protests, and riots to have their voices heard.

Since Sadat and Mubarak never opened the political system, the economy never had a true opening either. Due to opposition in the bureaucracy and society in general, Sadat and later Mubarak were slow in privatizing state owned industries and cutting government spending out of fear of losing control.¹⁹⁷ For example, violent protests erupted at a public steel factory in Helwan in 1975 in response to wage cuts, and in 1977, bread riots broke out when the regime tried to cut food subsidies.¹⁹⁸ There has been no shortage of protests over cuts to public sector jobs and welfare since this time. Many Egyptians who live near the poverty line have resisted these reforms. This has led the government to backtrack frequently on their privatization policies. Attempts at reforming inefficient welfare programs such as bread, energy, and transport subsidies have been at the center of political struggles between the state and society over the last four decades to renegotiate the populist social contract created by Abdel Nasser.

Fortunately for the military regime, they were able to delay some of the economic structural reforms by the end of the 1970's.¹⁹⁹ This was due to the increased inflow of fossil fuel rents and Suez Canal rents following the late 1970's oil boom and a significant surge in Western aid in the aftermath of the Camp David Accords with Israel in 1979. Most countries in the Middle East receive an unusually high amount of foreign aid from the West today due to the large

¹⁹⁷ Adly, Amr. *State Reform and Development in the Middle East: Turkey and Egypt in the Post-Liberalization Era*, Ibid.

¹⁹⁸ Lust-Okar, Ellen. "The Management of the Opposition: Formal Structures of Contestation and Informal Political Manipulation in Egypt, Jordan, and Morocco," Ibid, 39-58.

¹⁹⁹ Tschirgi, Dan, ed. *Development in the Age of Liberalization: Egypt and Mexico*. The American University in Cairo Press: Cairo, 1996.

concentration of fossil fuels in the region and their close proximity to Europe.²⁰⁰ At approximately two billion dollars a year, Egypt is the second largest recipient of American aid in the world. The country's peace treaty with Israel and its control of the Suez Canal, a waterway that links the Indian Ocean with the Mediterranean Sea, also explains this exceptionally high level of international assistance. Furthermore, following Sadat's corrective revolution, many more Egyptians were able to go abroad to the Gulf to work and send massive amounts of remittances back home to their families.²⁰¹ In 1973, Egypt's GDP per capita was 3,644 Egyptian pounds or approximately 800 dollars; by 1980, that number more than quadrupled to 14,488 Egyptian pounds.²⁰² Due to the inflow of capital that did not require economic development, the Egyptian government was able to postpone fiscal reforms. In the early 1980's, the government could afford to prop up its patron-client networks and welfare state without significant changes to public policy.²⁰³ Over 50 percent of the country's businesses still remained under state control by the end of the 1980's.

However, oil dependency has its drawbacks as prices often fluctuate. The state's good fortunes did not last for long. It took a dramatic drop in oil prices in 1986, a decline in fossil fuel reserves, continued population growth, and a resulting balance of payments crisis for the state to change course.²⁰⁴ From 1986 to 1991, government debt grew rapidly. Facing a fiscal crisis and the collapse of the state's public banks, Mubarak finally agreed to serious economic structural

²⁰⁰ Richards, Alan, John Waterbury, Melani Cammett, and Ishac Diwan. *A Political Economy of the Middle East*, 2013 edition. Westview Press: Colorado, 2014, 1-6.

²⁰¹ Feiler, Gil. *Economic Relations between Egypt and the Gulf Oil States, 1967-2000*. Sussex Academic Press: Brighton, 2003, 98.

²⁰² Scobie, Ibid, pg. 27.

²⁰³ Richter, Thomas. "The Political Economy of Regime Maintenance in Egypt: Linking External Resources and Domestic Legitimation," in *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes*, edited by Oliver Schlumberger. Stanford University Press: Stanford, 2007: 177-193.

²⁰⁴ Thompson, 345-46.

reforms in 1991 after signing an agreement with the International Monetary Fund (IMF). Due to Egypt's participation in the Gulf War on the side of the United States, Egypt received a very favorable deal from the IMF that included half of the country's national debt being forgiven by their creditors in exchange for privatizing the economy. The state began more serious economic liberalization policies in the 1990's, and the process picked up speed after Gamal Mubarak came into power in 2004.

A superficial analysis of Egypt's economy after the signing of the IMF deal would make it seem as if the state enacted neoliberal reforms. As the population grew and oil rents dwindled from 1991 to 2011, the government gradually privatized the great majority of state owned businesses, made cuts to welfare spending, devalued the currency, and encouraged foreign direct investment.²⁰⁵ Part of this reform process involved joining the World Trade Organization in 1995, which forced the regime to lower tariffs. According to Leila Vignal and Eric Denis, the private sector's control of the manufacturing sector expanded from approximately 58 to 89 percent throughout the 1990's.²⁰⁶ New technologies and investments subsequently flowed into the country from the West and the Arab Gulf, which led to the importing of new products such as computers, the internet, satellite television, and cell phones.²⁰⁷ Multinational companies, in partnership with Egyptian entrepreneurs, began establishing their businesses in the country.²⁰⁸ By the year 2000, there were already over 1,500 American companies that set up shop in Egypt.²⁰⁹ To facilitate the privatization of public companies, the stock exchanges in Alexandria and Cairo

²⁰⁵ Henry, *Ibid*, 190.

²⁰⁶ Vignal, *Ibid*, 99-151.

²⁰⁷ Khatib, Lina. "Transforming the Media: From Tool of the Rulers to Tool of Empowerment," in *Arab Human Development in the Twenty-first Century: The Primacy of Empowerment*, edited by Bahgat Korany, 67-104.

²⁰⁸ Marcus, Amy Docker. "Reforms lure investments to Egypt, despite headaches," <http://www.wsj.com/articles/SB860621658728534500>, April 10, 1997.

²⁰⁹ Vignal, Leila, *Ibid*, 99-151.

were reopened in 1997 after 36 years of dormancy. The tourist industry was also expanded as foreigners, particularly from Europe, Russia, and the Gulf, began to visit the country's Red Sea resorts and historical monuments in much larger numbers.²¹⁰ Private schools and universities with foreign curricula such as Choueifat were also permitted to enter the country. Approximately eight percent of Egypt's students now go to private schools. By 2007, Egypt's economy was growing at approximately seven percent a year. There is no doubt that globalization left its mark on the country.

However, these reforms did not lead to a true economic opening. The government continued to control the market place albeit in a different way. Despite the privatization of over half of the state's assets, public resources were usually sold to loyal allies of the regime in the private sector far below market price and without a transparent auction. For example, the steel mogul and personal friend of Gamal Mubarak Ahmed 'Ezz was able to buy the public company Alexandria National Iron and Steel for 6.4 billion Egyptian pounds lower than its actual price without a public auction from the Minister of Industry, Rachid Mohamed Rachid.²¹¹ According to Magda Kandil, who was the head the Egyptian Center for Economic Studies in 2011, the government sold off over 104 billion dollars in state assets to crony capitalists for only 9.6 billion dollars between 1991 and 2011.²¹² Furthermore, most of the growth in private sector manufacturing was not attributed to the creation of new industries, but the selling of public resources to private businessmen.²¹³ These transactions dominated the activity on Egypt's stock

²¹⁰ "Tourism in Egypt," *State Information Services*, <http://www.sis.gov.eg/En/Templates/Articles/tmpArticles.aspx?CatID=416#.V1EyQpF97IU>, 2016.

²¹¹ Ahmed, Nadia. "The many trials of Mubarak's men," <http://www.madamasr.com/sections/politics/show-me-money-many-trials-mubaraks-men>, January 25, 2015.

²¹² "In Egypt, corruption cases had an American root," https://www.washingtonpost.com/investigations/in-egypt-corruption-had-an-american-root/2011/10/07/gIQAAPWoyL_story.html, October 19, 2011.

²¹³ Vignal, 99-151.

market. The regime's preferred businessmen also received extensive subsidies in the form of subsidized energy, cheap utilities, tax holidays, and access to public contracts to keep their businesses competitive against international competition. These policies encouraged inefficiency and enabled a small group of oligarchs to monopolize control of the economy.

Access to state resources did not come free. To show their loyalty, businessmen were often expected to run for seats in the People's Assembly either as members of the National Democratic Party or as loyal-opposition candidates. This came at a considerable expense in terms of time and money.²¹⁴ To buy votes to win a seat in a district, members of parliament had to invest in non-governmental organizations that provided charity and public services. For example, during the holy month of Ramadan, businessmen often competed with one another to provide the poor with the most food for the public feasts that took place after sunset. This type of charity was meant to improve the image of the government. Since the state was in the process of cutting government services, they relied on the charity of the private sector to make up for the shortfall in welfare spending. This charity came from loyal political allies and from Islamist groups with connections to the Gulf such as the Muslim Brotherhood. Once in office, members of parliament were expected to rubber stamp decisions made by the president and his inner circle. Voicing dissent would often lead to their businesses losing state protection. The patron-client relations between the government and individual businessmen were, with a few exceptions, authoritarian in nature. Only large multi-national companies like Orascom had more leeway to negotiate with the government as many of their business holdings were in foreign countries. Furthermore, Egyptian businessmen who had dual citizenship could also resort to the international legal system

²¹⁴ Blaydes, Lisa. *Elections and Distribute Politics in Mubarak's Egypt*. Cambridge University Press: Cambridge, 2011.

if they had disputes with the government. However, in the great majority of cases, the state had the upper hand. The regime used the sale of state resources, including land, to co-opt individuals in the growing private sector in exchange for obedience.²¹⁵ At the same time, the state suppressed economic competitors who opposed the ruling regime and its favored businessmen.

As a result, neoliberal economic reforms never seriously increased competition in the market place or significantly improved industrial production. The country's rapid growth rate in the 2000's was mainly a product of a construction boom in the desert funded by state rents, Gulf petro dollars, and foreign aid; it was not the result of significant industrial development or improvements in the educational system.

In addition, state bureaucracies continue to control large swaths of the economy directly even though their influence waned between 1991 and 2011. Ministers, governors, and generals still run many public companies. Of special note is the military, whose total assets are not made public.²¹⁶ Following the 1979 peace agreement with Israel and the demilitarization of the political system, officers in the armed forces were promised compensation. Many were able to get their hands on projects in agriculture, industry, natural resources, tourism, construction, and real estate.²¹⁷ The military now mass produce a great diversity of goods such as house hold appliances, spaghetti, bottled water, electronics, gas cylinders, and medicine. They even have companies that specialize in a diversity of services like construction, wedding parties, and day care.²¹⁸ Businesses run by military officers are not taxed, and many use conscripted soldiers as

²¹⁵ El Tarouty, Ibid.

²¹⁶ Richter, Ibid, 177-193.

²¹⁷ Kandil, Hazem. *Soldiers, Spies, and Statesman: Egypt's Road to Revolt*. Verso: London, 2012.

²¹⁸ Abdelrahman, Maha. *Egypt's Long Revolution: Protest Movements and Uprisings*. Routledge: United States, 2014, 22-26.

their source of labor.²¹⁹ Military operations are also subsidized with a secret budget that is not open to public scrutiny. Under these conditions, the private sector has problems competing with military-run businesses. Estimates of the armed forces' control of the economy vary widely, ranging from five percent to forty percent. The reason for the vast differences in estimates is the lack of transparency as it is difficult to tell whether some businesses are private or controlled by current and former military officers. When looking at the history of the board of directors of private companies, the line between bureaucrats, the military and businessmen often becomes blurred. In addition, the president uses the resources of the state to buy the compliance of officers in the military and the interior ministry by paying for much of their housing, transport, healthcare, and retirement benefits. Many military officers also have been given jobs as the heads of public companies, bureaucracies, and governorates following the end of their service. Presidents have done this to prevent a *coup d'état*.

Despite loosening restrictions on private financial institutions, the government still dominates the banking system as well.²²⁰ In 2007, one of the country's public banks, the National Bank of Egypt, held over 50 percent of the country's savings accounts, over 70 percent of the credit card market, and over 40 percent of debit cards. In the 1990's, a mere 343 individuals received 42 percent of all loans from banks, and 28 well connected oligarchs obtained 13 percent of loans. Foreign banks such as Chase Manhattan were initially required to engage in joint ventures with public banks before they could establish branches in the country although restrictions were loosened considerably on private financial institutions after 2004. Since

²¹⁹ Morsy, Ahmed. "The military crowds out civilian business in Egypt," <http://carnegieendowment.org/2014/06/24/military-crowds-out-civilian-business-in-egypt>, June 24, 2014.

²²⁰ Alaa, El Shazly. "Incentive Based Regulations and Bank Restructuring in Egypt," <http://www.luc.edu/orgs/meea/volume3/elsahzly.pdf>, 2000.

businesses depended on public banks for access to capital and permission to import and export goods, the government could easily punish businessmen that challenged the legitimacy of the regime. The government also dominates other sectors of the economy such as fossil fuels, transport rents from the Suez Canal, and aviation. Despite neoliberal economic reforms, on the eve of the revolution in 2011, a small group of well-connected businessmen still retained their grip on most of the economy. As with the political system, the regime did not want to let go of its control.

Chapter Six: Egypt’s Oligarchy of Officers, Businessmen, and Bureaucrats

Due to the nature of Sadat’s and Mubarak’s political and economic reforms, a relatively small group of well-connected businessmen, military officers, and bureaucrats formed an oligarchy that continues to control large swaths of the Egyptian economy. By 2004, this group of oligarchs—many of whom were directly tied to President Mubarak’s son Gamal—dominated the political system. These oligarchs and their connections to the state are listed below:

Client and Company	Businesses in Egypt²²¹	Examples of political connections with the regime	Examples of special favors from the state²²²
Ahmed Bahgat; Bahgat Group	--Industry (television sets, household appliances, electronics, furniture, medical equipment, aluminum, plastics, marble), Real Estate, Media, Tourism, Mining, Construction, Landscaping --Founded one of Egypt’s first large gated communities called Dream Land in the Sixth of October --Controlled over 30 percent of the television production market	--Member of the NDP, and a member of the Egyptian Center for Economic Studies --Personal friend of the Mubarak Family	--Bought 1,950 feddans of land in the Sixth of October far below market price and without a public auction from former Minister of Housing Ibrahim Soliman in the mid-1990’s to build Dream Land
Ahmed ‘Ezz; Ezz Steel	--Steel Industry	--Son of a military general	--Bought the publicly owned Alexandria National Iron and Steel Company without a

²²¹ For information on corporate holdings, links are found in the work cited page for each of these companies.

²²² For information on their connections to the state and the special favors they receive, see the links on corruption scandals that are found in the work cited page. Also, see Amr Adly’s scholarly article “Mubarak (1990-2011): State of Corruption” and Safinaz El Tarouty’s book *Businessmen, Clientelism, and Authoritarianism in Egypt*.

	--Prior to the 2011 revolution, Ezz controlled approximately 60 percent of the steel market	--A member of parliament from 2000 to 2011 --High ranking member of the NDP --A personal friend of Gamal Mubarak and a member of his inner circle	public auction and far below its actual value in exchange for kickbacks; he made 6.4 billion Egyptian pounds from the deal --Ahmed 'Ezz used the purchase of public companies to monopolize control of the majority of the industry --Former Ministry of Industry Rachid Mohamed Rachid was put on trial for wasting 660 million pounds; this included giving 'Ezz's companies two free licenses to produce steel illegally
Ahmed Nazif, TE Data	--Telecommunications, Satellite Television --Played a major role in establishing Media City in the Sixth of October, which controls Egypt's satellite networks, and TE DATA, a public company for mobile phones and internet access	--Was prime minister from 2004 to 2011 --Was previously a Minister of Information	--Nazif and Interior Minister Habib al Adly were found guilty of embezzling government money meant to produce license plates; both Nazif and Adly were found guilty in several other cases for graft and money laundering after the 2011 revolution --While he was Minister of Information, he controlled the parastatal called The Egypt Radio and Television Union, which took out low interest loans from public banks to purchase land under market price to build media production city; they then sold the land for over 250 times what they bought it for without constructing any buildings
Ashraf Ahmed Arafa, Arafa Group	--Retail, Textiles, Real estate, Investment Banking --Controls approximately ten percent of Egypt's textile and finished clothing market	--Under Nasser, the family operated a public textile retail company --Was personal friends with Mubarak when they attended the Airforce Academy together	--Bought the state owned textile retailer Orku under market price in exchange for kickbacks --His textile company has received preferential treatment in terms of being protected from foreign competition; the free trade zone of Port Said was temporarily shut down to prevent the smuggling of foreign textiles that affected Arafa's sales in violation of the GATT agreement
Farag Amer, Faragello	--Industry (food and bottled drinks), Agriculture, Slaughter Houses) --Owns 28 food processing factories	--Former member of the NDP and a member of parliament --Gamal Mubarak once owned 40 percent of Faragello	--Was accused of using donkey and dog meat and violating other health codes in one of his factories to save money, but the government ignored the problem
Gamal Mubarak, EFG Hermes	--Gamal and his brother Alaa Mubarak managed various mutual funds for the country's wealthy elite through EFG Hermes, which helped store their revenue in offshore tax havens --Magdy Rasekh, Alaa's father-in-law, owned the real estate company SODIC --Gamal's father-in-law Maged al Gamal owned a real estate company called al-Gammal Group --The family had investments in automobiles, restaurants, agriculture, real estate, oil, minerals, industry, tourism, and real estate	--Gamal and Alaa are sons of former president Hosni Mubarak --From 2004 to 2011, Gamal was the most powerful member of the NDP --Other members of the Mubarak Family, like Magdy Rasekh, Maged al Gamal, and Mubarak's wife, Suzanne, used their positions of power to enrich themselves and their friends; also, members of Hosni Mubarak's inner circle, such as his head of security Omar Suleiman, benefited economically from their political connections --Gamal established eight NGO's promoting economic liberalization and stronger ties to Western countries; powerful members of the NDP joined his organizations and donated money	--The Mubarak Family used their access to low-interest loans from public banks to purchase stake in international companies investing in Egypt and obtain state land far below market price --Embezzled public funds meant for repairs of presidential palaces --Paid for their personal expenses by embezzling money from the public company Arab Construction Industries --Sold the state owned store Orku to Ahmed Arafa, a personal friend of the family and a former naval officer, below market price; the regime passed laws to protect his textile business at the expense of economic competition; Gamal owned 30 percent in one of Arafa's businesses
Hassan Allam, Nasr General Contracting,	--Construction, Real Estate Management, Industry (construction materials),	--Since the Nasr regime, the family has run a public construction company called Nasr General Contracting	--Hassan Allam has used his political connections to gain access to government and military contracts for construction and infrastructure

and Hassan Allam & Sons	Historical Restoration, Infrastructure	--Hassan Allam was personal friends with Anwar Sadat and went back to the private sector under the Sadat regime	
Hassan Rateb; SAMA Group	--Construction, Real Estate, Tourism, Media, Industry (cement), Education, Mining --Controlled most of the Northern Sinai's economy	--Member of the NDP policies committee and was in Gamal Mubarak's inner circle --Had close connections with General Munir Shas, who was governor of the Northern Sinai	--General Munir Shas, who was governor of the Northern Sinai, provided Rateb with cheap access to raw materials and supplies for his cement factory in exchange for kickbacks --Bought land below market price in Arish in exchange for kickbacks; the land had been reserved for low-cost housing, but Rateb used the land to build a tourist resort instead
Hossam Badrawi	--Hospitals, Healthcare Management, Real Estate, Media --Owns Nile Badrawi Hospital as well as the HMO First Healthcare Management, one of the largest in the country	--Former member of the NDP and a member of parliament --Former Secretary General of the NDP	--Hossam used his political connections to operate Egypt's first independent healthcare management organization
Hussein Sabbour, Sabbour Group	--Real Estate, Construction, Tourism, Banking --Owns one of Egypt's largest construction companies as well as the Societe General National Bank and the Suez Canal Bank	--Personal friend and a business partner of Mohamed Farid Khamis, who was an NDP member and part of Mubarak's inner circle --Was a board member of Arab Contractors, a public company --The National Bank of Egypt, a public bank, owns 40% of Al Ahly Real Estate Company, a joint venture with Sabbour	--Egypt's public banks, including the National Bank of Egypt, were involved in numerous scandals between the 1990's and 2000's, which included giving favorable loans to well-connected individuals and denying loans to businessmen because of their opposition to the regime
Hussein Salem; HKS Group	--Real Estate, Tourism, Oil, Construction (Infrastructure), Arms Shipments --Was the prime developer of Egypt's largest tourist town Sharm al Sheikh	--Formerly a high ranking member of Egypt's intelligence agency --Personally worked with Hosni Mubarak when he was vice-president on various arms deals with the American government following the Camp David Accords in 1979	--Was sold land in the Sinai, most notably Sharm al-Sheikh, below market price in exchange for kickbacks; these kickbacks included building five villas for the Mubarak family for approximately 4.5 million dollars --His business illegally sold electricity directly to customers instead of through the Ministry of Electricity --His company was given the right to mine and sell Egyptian gas without a public bid even though he had no prior experience in the field, costing the government 4.2 billion Egyptian pounds
Ibrahim Kamel, KATO	--Real Estate, Construction, Tourism, Banking, Logistics, Aviation, Imports/Exports, Agriculture, Insurance, Industry (wood, aromatics, food processing), Restaurants, Retail	--During the 1990's, was arguably Hosni Mubarak's most trusted financial advisor --Was a leading member of the NDP	--In 2012, Ibrahim Kamel was arrested for graft; Kamel's subsidiary Egyptian Resorts had purchased land at Sahl Hasheesh on the Red Sea under its market value without a public bid from the Ministry of Tourism
Ibrahim Mahlab; Arab Construction Industries	--Industry (building materials), Construction --One of the largest construction companies in the country and has built much of the country's infrastructure over the last half century, including much of the High Dam at Aswan	--Was a member of the NDP and a member of the Consultative Assembly in parliament --Ran Arab Construction Industries, a public company, from 2001 to 2011 --Was Minister of Housing from 2013 to 2014 and Prime Minister of Egypt from 2014 to 2015	--Helped the Mubarak Family embezzle money from the government through his company, which was awarded public contracts for the maintenance of telecommunications infrastructure; in exchange for the awarding of these contracts, the company overcharged the government money for their services and gave some of the extra profits to the Mubarak family
Loutfy Mansour; Mansour Group and Mansour-	--Imports (cars, electronics, construction equipment), Agriculture, Retail, Banking, Oil, Education, Real Estate, Telecommunications, Industry	--Loutfy's cousin Ahmed Maghraby, who is also his business partner, was Minister of Housing from 2005 to 2010 and was previously Minister of Tourism	--His son Yassen Mansour purchased land in New Cairo far below its market value without a public auction from his cousin, the former Minister of Housing Ahmed

Maghraby Company --Company is now run by Yasseen, Mohamed, and Youssef Mansour	(processed food and drinks), Restaurants, Education --Largest importer, manufacturer, and seller of cars in Egypt --Distributes General Motors, Caterpillar, and John Deere vehicles	--Ahmed Maghraby was a personal friend of the Mubarak Family and oversaw the maintenance of the presidential family's homes --Loutfy Mansour's son Mohamed was Minister of Transport from 2004-2007	Maghraby, in order to construct Palm Hills Development --Mohamed Mansour was accused of not collecting taxes from favored companies during his time as transport minister in 2005 --Ahmed Maghraby was found guilty of wasting 25 million Egyptian pounds by selling land under market value to a real estate company in exchange for kickbacks
Mansour Amer; Amer Group	--Real Estate, Tourism, Retail, Restaurants, Education --Runs the well-known Porto chain for malls, hotels, and real estate --His subsidiary Tropicana operates 56 restaurants in Egypt, many of which are international brands --Controls over 2,000 feddans of land in real estate	--Mansour Amer was a district attorney in the 1980's --Was a member of parliament --Was a high-ranking member of the NDP	--Received land far below market value without a public auction on the Red Sea to build Porto Sukhna Golf Resort --Received special permission to build a hotel resort on Lake Fayoum despite the fact that area was previously designated for environmental protection
Mohamed Aboul Enein; Cleopatra Group	--Real Estate, Tourism, Industry (ceramics, porcelain, toilets, bathtubs, smart cards), Agriculture, Mining, Media --Largest producer of ceramics in the country	--Member of the NDP --Friend of Gamal Mubarak and a member of his inner circle --Was a member of parliament from 2000 to 2010	--Received public lands below market price to run factories in a free-trade zone south of the Suez Canal near Ain Sukhna; the free-trade zone was set up for exports but Cleopatra mainly produced products for local construction --Bought land from the Minister of Agriculture on the Cairo-Ismailia road below market price --Bought land at Sharm al Sheikh for a tourist resort below market price in exchange for kick backs
Mohamed Hassan Dora, Dora Group	--Construction, Marketing, Real Estate, Industry (heavy equipment) --Runs one of the largest construction companies in the country	--Family's company was nationalized in 1961, and they ran the public company al Gomhuriya Public Contracting Company until it was reprivatized under Sadat --They have received many construction contracts from the military	--Like Hassan Allam, Dora Group has received preferential access to government and military construction contracts --The family used their status as the heads of a public company to get into the private sector
Mohamed Farid Khamis, Orientals Group	--Manufacturing (rugs), Real Estate, Tourism --His company has a near monopoly on rug production	--Member of the NDP and a member of parliament --Friend of Gamal Mubarak and a member of his inner circle	--Was accused of bribing a judge in exchange for receiving a favorable court ruling in 2008
Mohamed Nosseir; ALKAN --The company is now run by his son	--Electronics, Real Estate, Construction, Pharmaceuticals, Financing, Industry (Cotton Spinning), Aviation, Medical technology, automobiles --Founder of what would later become Vodaphone, Egypt's second largest cellphone and internet provider	--Personal friends with both the Sadat and Mubarak families	--In 1993, he used his friendship with than Prime Minister Atef Sidqi to purchase the rights to distribute Coca-Cola products for a low price and without a public auction; he then tripled the profits from the investment by reselling two years later
Mohamed El Sewedy; Sewedy Electric	--Industry (electrical equipment, cables, wires, steel, cement, copper), Solar Energy --He is one of the richest men in the country and the largest producer of electrical equipment	--Member of parliament and a member of the NDP --His family's company was nationalized under Nasser, and his family continued to run it as public employees until it was reprivatized in 1984	--Used his connections as the head of a public company to get into the privatize sector and dominate the market on the importing and production of electrical equipment
Mohamed Sheta; International Group for	--Real Estate, Construction, Imports, Tourism, Agriculture, Financing, Electronics	--Was a member of the NDP and a member of parliament	--Mohamad Sheta was a member of the board of a public company al-Nasr Company for Steam Boilers when it was sold off in the early 1990's to Babcock &

Investments (IGI)	--Distributes electronics for the company LG	--Sat on the board of a public company called al-Nasr company for Steam Boilers prior to its privatization in 1994	Wilcox Egypt, a business own partially by his two sons; there was no proper bidding process and it was sold below market price; his sons eventually took full control of the company and illegally liquidated many of its assets shortly thereafter
Moutazz al Alf; Egypt Kuwait Holding Company, and Cairo Poultry Company	--Investment Banking, Oil, Gas, Fertilizers, Industry (plastics, paper, sponges, packaging, aluminum), Poultry, Electricity, Restaurants, Education, Agriculture --Sits on the board of trustees at the American University in Cairo	--Member of the NDP --Part of Gamal Mubarak's inner circle --Brokered economic deals between the powerful Kuwaiti Family Kharafi and the Egyptian military	--Used his connections with the Mubarak Family to invest in Gamal's Horus fund, which allowed him to move some of his profits overseas in an offshore tax haven in Panama --Egypt Kuwait Investment company bought land on the North Coast that was originally supposed to be used for an agricultural reclamation project, but they used it for a real estate project --Bought land that was supposed to be reserved in Wadi al Gamal protectorate south of Hurghada, and they used it to build a tourist resort called Port Ghalib
Onsi Sawiris; Orascom Development --The company is now divided among his three sons Naguib, Samih, and Nassif	--Construction, Tourism, Telecommunications, Media, Mortgages, Real Estate, Industry (construction Materials), Historical Restoration, Entertainment --Largest business in the country --Owned the first private cell phone operator called Mobinil --Owns and operates Gouna, which is the largest tourism resort in the country	--Onsi's wife, Yousri, was a member of the Consultative Assembly in parliament --Important political figures sat on the board of directors of the Sawiris Fund for Social Development, including former heads of the Central Bank, the IMF, and Suzanne Mubarak	--A 1997 law giving all private owners of movie theaters tax breaks was passed despite the fact that Orascom was the only owner of a private theater --Orascom was sold a public telecommunications company to create Mobinil in spite of the fact that he was outbid by another businessman --In 1999, before taking their company public, Orascom falsified certificates given to them by public banks, raising their total capital by 400 million pounds and artificially raising the worth of their stocks; they made 2.2 billion in profit from the deal
Osman Ahmed Osman; Osman Group --The company is now run by his four sons and two nephews	--Real Estate, Advertising, Industry (sugar, building materials, plastics, wood), Mining, Construction, Information Technology, Transport ---His public company helped construct the High Dam at Aswan and dominated the reconstruction of Canal cities after the 1973 War	--Original founder of Arab Construction Industries --Had very close relations with Anwar Sadat, serving in his cabinet in numerous positions although his family lost influence under the Mubarak regime --Was a father-in-law to one of Sadat's daughters --Was Minister of Housing from 1974 to 1977	--While he was Minister of Housing in 1974, Osman received special perks for his company, including tax breaks on imports and special access to public contracts without bids --Sold over 150 thousand feddans of land east of the delta with prebuilt infrastructure for reclamation projects well under market price --Fell out of favor under Mubarak and lost control of his public company; however, his family still operates his private company Osman Group
Rachid Mohamed Rachid, Fine Foods --Rachid had to sell his assets in Fine Foods upon becoming a Minister	--Agriculture, Food Processing, Imports --Operated Unilever Mashreq, a joint operation with the British company Unilever	--Was Minister of Industry and Trade from 2004 to 2011 --Was a member of Mubarak's inner circle	--Used his position as a minister to gain access to insider information; he then gave that information to Gamal Mubarak's EFG Hermes, which the investment bank used to make profits on the stock market --From these deals, he made 522 million Egyptian pounds, which he then transferred abroad to a tax haven in Cyprus
Raouf Ghabbour, Ghabbour Group	--Industry (cars, trucks, busses) --His father's cousin Mounir Ghabbour founded Sakkara Tourism for Investments	--The Mubarak Family owned shares in several of the family's car companies	--Raouf evaded taxes by investing much of his money in Gamal Mubarak's mutual fund Horus, which placed his money in a bank in Panama --His father's cousin Mounir Ghabbour illegally obtained land in New Cairo from Housing Minister Ahmed al Maghraby

	--Raouf's company is the largest producer of automobiles		below its actual price, costing the state 72 million pounds
Safwat el Sherif, Nile SAT	--Imports/Exports, Satellite Television and Media --Helped establish Media Production City and Nile Sat --His son founded a private newspaper	--Started his career in the military and later joined Egypt's intelligence agency --Helped Sadat find the NDP and would later become Secretary General --Was a member of parliament and a former head of the Consultative Assembly --Was a former Minister of Information	--Used his political connections with Anwar Sadat to get into imports and exports, where he made his fortune
Sami Saad, Samcrete	--Construction, Industry (food processing, cars, windows, doors, cement, agricultural equipment), Tourism, Education, Historical Restoration --With Samsung, built the American University in Cairo's new campus	--Member of the NDP and the Egyptian Japanese Association --In 2008, was made head of the Egyptian Export Council by Mohamed Rachid, the Investment Minister --Ran a public company starting in 1963 before it was privatized under Sadat and constructed numerous infrastructure projects for the Egyptian military --A member of the company's board of directors, Abdel Wahhab, was Minister of Industry in 2011	--Was sold the public food processing company Corona under market price in 2000
Talaat Mostafa; Talaat Mostafa Group --Company is now run by his two sons	--Construction, Agriculture, Real Estate, Education, and Tourism --Controls over 10,800 feddans of real estate	--Talaat's son Tarek was a member of the NDP, a member of parliament, and a personal friend of Gamal Mubarak	--The company received land from the Minister of Housing Ahmed al Maghraby for a gated community called Madinaty near New Cairo far below its real value in exchange for kick backs
Zahi Hawass	--Tourism, Entertainment, Museums, Gift Shops, Restaurants, Media, Education --In conjunction with the Discovery Channel, Hawass became the face of Egypt's outreach to the West to encourage more tourism	--Managed the pyramids site for several decades under the Ministry of Culture --He became the first Minister of Antiquities in 2007 --A new ministry was created specifically for himself in 2007	--He was accused of being involved in numerous scandals involving the robbery of historical artifacts; the Ministry of Culture has also given historical restoration contracts to companies with no experience in the field -- Implicated in a scheme involving the granting of a special contract to a gift shop company connected to him to operate in the Egyptian museum --Used his position to promote himself and monopolize the market on historical documentaries
Zoheir Garana, Garana Tours	--Tourism, Real Estate --Before becoming Minister, his family owned a large tourism company called Garana Tours	--Was the Minister of Tourism between 2004 and 2011 --NDP member and a part of Gamal Mubarak's inner circle	--Was accused of selling two state owned pieces of land on the Red Sea at Ain Sukhna without public bids --Accused of illegally giving state owned villas on the Alexandria coast to a dozen members of Mubarak's inner circle

Table 2: Egypt's Oligarchs

There were different ways in which these oligarchs gained access to state resources.²²³

Some of them, such as Onsi Sawiris, Mohamed Dora, and Osman Ahmed Osman, came from well-connected families that made their fortune as land owners and businessmen prior to the 1952

²²³ See the websites of these businessmen and the articles on corruption cases in the work cited page and Safinaz El Tarouty's book *Businessmen, Clientelism, and Authoritarianism in Egypt*.

coup d'état. While most of them had their businesses nationalized after 1956, they usually continued to control their companies as public-sector workers, and they subsequently took advantage of the privatization that began under Sadat to regain control of their businesses. A few of them, such as Sawiris, fled the country after Nasser began his nationalization program but returned once Sadat reopened the economy. Other oligarchs, such as Mansour Amer, Hussein Salam, Ibrahim Mahlab, and Ahmed Ashraf, used their political connections as high-level public employees and military officers to gain access to government resources. In other cases, businessmen like Loutfy Mansour, Ahmed Bahgat and Gamal Mubarak used their personal and family relationships with regime leaders to gain access to state largesse. These clients became the beneficiaries of presidential patronage.²²⁴ They traded loyalty for personal enrichment.

An analysis of their histories reveals some common trends in terms of their business operations. Many of these oligarchs took advantage of Sadat's economic opening in 1974 by first going into imports and exports.²²⁵ By the 1980's, they began putting the capital earned from foreign trade into construction and the production of building materials, consumer goods, and processed food in the new towns. In the 1990's, these businessmen then diversified into tourism, real estate, and electronics. In the 2000's, their investments in gated communities and private education increased. As they accumulated more personal wealth, they created their own patron-client networks that consisted of family members and friends, many of whom worked in high-level positions for their businesses and for government ministries. These oligarchs and their dependents are interconnected with one another as they conduct business together, are enrolled

²²⁴ Kassem, May. *In the Guise of Democracy: Governance in Contemporary Egypt*. Garnet Publishing Limited: United Kingdom, 1999, 43.

²²⁵ See the websites of these businessmen in the links listed in the work cited page.

in the same private schools, attend the same social clubs, eat at the same restaurants, shop in the same retail outlets, take vacations at the same coastal resorts, and live in the same neighborhoods. While these oligarchs did compete with each other over access to state resources, they supported the authoritarian regime out of self-interest as they depended on the state for their survival.

Moreover, these businessmen controlled a large share of the inflow of international capital. Although foreign companies have proliferated in Egypt over the last couple of decades, most could not have operated in the country without an Egyptian business partner controlling at least 51 percent of the stake in a joint venture.²²⁶ The interactions between Egypt's political elite and multi-national corporations varied. In some cases, foreign businesses and international organizations participated in joint ventures with Egypt's oligarchs by providing consultation, financing, or new technology for projects.²²⁷ For example, the Saudi company Bin Laden Group invested a significant amount of capital into Talat Mostafa's real estate company. In other cases, the Egyptian business partner became the main distributor of the foreign company's products within the country. This was the case with the relationship between the multinational corporations General Motors, John Deer, and Caterpillar and the Egyptian businessman Loutfy Mansour, who is the exclusive distributor of their vehicles.²²⁸ Many Egyptian businessmen also participated in joint ventures with some of these companies outside Egypt in the Gulf and on the African continent.²²⁹

²²⁶ "Land and real estate ownership laws," <http://www.gafi.gov.eg/English/StartaBusiness/Laws-and-Regulations/Documents/LandandRealEstateOwnershipLaws.pdf>, 1996.

²²⁷ See the websites of businessmen in the work cited page for many examples.

²²⁸ Hazlehurst, Jeremy. "Loutfy Mansour—the rising son," <https://www.ft.com/content/478dc420-d1a6-11e5-831d-09f7778e7377>, March 8, 2016.

²²⁹ Vignal, *Ibid*, 99-151.

While multi-national companies provided capital for projects and introduced new technology into Egypt, they only created the illusion of competition and did not significantly improve the country's industrial sector. Most of Egypt's foreign direct investment was shifted into low-risk economic sectors like construction, tourism, real estate, food consumption, and imports. There were many factors that discouraged international investments into high-risk industrial ventures, including the lack of a well-educated labor force and the unpredictably created by bureaucratic red tape and extensive corruption.

Although Egypt did not significantly improve the quality of its industrial sector, these oligarchs became extremely wealthy and politically powerful because of foreign direct investment. These rich businessmen increased their political power by using their wealth and clientele networks to whip up votes during elections.²³⁰ To buy votes for parliamentary seats, they distributed benefits to individuals in the form of cash, free food, jobs, and access to housing. Electoral districts that voted for NDP candidates were awarded by being given access to more services than districts that did not vote for the ruling party. By 2004, approximately 25 percent of parliament was controlled by this business oligarchy, and they shaped the policies of the ruling National Democratic Party until the 2011 revolution. They used their connections with Hosni Mubarak and control of parliament to gain access to state subsidies and protect themselves from competition.

The only group of businessmen who attempted to seriously challenge their power were entrepreneurs connected with the Muslim Brotherhood such as Khairat al Shatir, Safwan Thabet, Medhat al Haddad, and Mohamed Moamen. However, the Ministry of Interior, led by Habib al

²³⁰ El Tarouty, *Ibid.* See chapters four and five.

Adly from 1997 to 2011, played a large role in suppressing these competitors by periodically placing them in prison and confiscating many of their assets whenever it suited the needs of the regime. The most extreme example of this was after the *coup d'état* in 2013, when over 500 businesses of the Muslim Brotherhood and most of their charitable foundations were taken over by the government. There were also several liberal businessmen from the loyal opposition such as El Sayyid El Badawi of the Wafd Party, Moussa Mostafa Mousa of the Ghad Party, and Hani Enan of the Kifayya Movement who occasionally opposed the government publicly, but their influence was far more limited as their popular base of support was smaller. The government was more easily able to control liberal businessmen through a mix of coercion and co-optation.

It is important to note that these crony capitalists did not receive protection from the state and access to international capital for free. Businessmen were often required to pay extensive bribes in the form of financial payments and special favors to government officials—especially military officers—in exchange for state largesse.²³¹ These bribes included cash payments, apartments, villas, chalets, club memberships, jobs for relatives, and free stays at hotel resorts. Furthermore, businessman usually had to allow the president's inner circle to personally profit from their ventures.²³² Hosni Mubarak's son Gamal, along with his business partners Yasser Mallowany and Hassan Heikal, founded various mutual funds through the investment bank EFG Hermes, and many crony capitalists had to invest millions of their own dollars into his mutual funds. On Gamal's Horus Fund, we find that some of Egypt's most powerful businessmen invested a minimum of two million dollars each. With this money, Gamal

²³¹ El Tarouty, Ibid.

²³² Bennington, Ash. "What's worse than losing Egypt's presidency? Answer: Losing \$40 Billion," <http://www.cnn.com/id/41536445>, Feb 11, 2011.

Mubarak used his access to insider information through his political connections to manipulate the stock market.²³³ He had prior knowledge of when public banks were about to give loans to businesses as well as when the government was about to invest in new infrastructure or privatize a public company.²³⁴ His funds made enormous profits due to insider trading. Gamal also personally made money by collecting large fees to manage these funds. According to the Panama Papers, Gamal Mubarak took much the profits earned by himself and his inner circle and then moved the money to an off-shore tax haven in Panama called Pan World Investments, which was secretly owned by Gamal and his brother 'Alaa.²³⁵ Pan Investments owned a company on the island of Cyprus called Bouillon, which in turn owned a large percentage of EFG Hermes, the largest investment bank in the Middle East. Some of their profits were also moved to other tax havens like Switzerland. In other words, Gamal was taking much of the profits of the business oligarchy and secretly moving them abroad where they would not be taxed by the Egyptian government; he then reinvested those untaxed profits back into Egyptian businesses that he knew would make a profit ahead of time. Those businessmen would then continue investing their profits in Gamal's mutual funds. The Mubarak Family and their associates successfully embezzled billions of dollars out of Egypt in this manner and acquired extensive amounts of property within Egypt and abroad as a result.²³⁶ There are many other examples of abuse of

²³³ "Swiss leak expose Egyptian mastermind behind massive corruption deal," <http://en.aswatmasriya.com/news/details/17385>, July 23, 2016; and Alaa Mubarak reportedly profited \$55 million with a little help from his capital market friend," <http://english.alarabiya.net/articles/2011/07/25/159191.html>, July 25, 2011.

²³⁴ Adly, Amr. "Mubarak (1990-2011): The State of Corruption," Ibid.

²³⁵ Bahgat, Hossam. "Behind the Panama Papers: the full story of the Mubarak sons' tax sheltered companies," <http://www.madamasr.com/sections/politics/behind-panama-papers-full-story-mubarak-sons-tax-sheltered-company>, April 4, 2016.

²³⁶ Hope, Bradley. "The Mubarak's Family Assets," <http://www.thenational.ae/news/world/africa/the-mubarak-family-assets>, October 23, 2012; Bennington, Ash. "What's worse than losing Egypt's presidency? Answer: Losing \$40 Billion," <http://www.cnbc.com/id/41536445>, Feb 11, 2011.

power by the Mubarak Family and their cronies that includes graft, insider trading, and the embezzlement of public funds for private use.²³⁷

For decades, the Mubarak regime and their supporting oligarchs were able to get away with this abuse of power for several reasons. First, they controlled the presidency and parliament, which allowed them to shape the constitution and the law codes as they saw fit. Most of the abuse of power was technically legal. Second, they controlled the media outlets, elections, and other linkage institutions, which enabled them to suppress the spread of information. The police frequently arrested, tortured, and imprisoned political activists who promoted reforms.²³⁸ These political prisoners were often tried by special military courts that lacked transparency and accountability. Even when Mubarak's inner circle broke the law, there were plenty of ways to get around it. For example, the Mubarak Regime controlled the Ministry of Justice, which was responsible for public prosecution. As long as Mubarak was in power, no public prosecutor would dare bring up charges against a member of his inner circle except under extreme circumstances.²³⁹ By the end of the 2000's, Gamal Mubarak had become so powerful that he began setting himself up to be his father's successor to the dismay of many within the military. Thirty-six years after Sadat announced his *infitah*, the state showed no signs of making true democratic reforms. In 2010, the NDP won almost every seat in parliament in spite of the

²³⁷ "Court sentences former housing minister to three years in jail," <http://english.ahram.org.eg/NewsContent/3/12/142053/Business/Economy/Court-sentences-former-Egypt-housing-minister-to-t.aspx>, September, 2015.

²³⁸ "The complicated legacy of Egypt's Hosni Mubarak," <http://www.bbc.com/news/world-middle-east-21201364>, January 25, 2013.

²³⁹ Bahgat, Hossam. "The Mubarak mansions: how Egyptians unknowingly paid for the ruling family's lavish lifestyles," <http://www.madamasr.com/sections/politics/mubarak-mansions>, May 20, 2014.

fact that the independents from the Muslim Brotherhood had won approximately 20 percent of seats in the 2005 election when some restrictions on political activity had been lifted.²⁴⁰

The extensive abuse of power by Gamal's inner circle did not go unnoticed.²⁴¹ In the 2000's, access to the internet and cellphones allowed for the freer spread of information among activists.²⁴² Furthermore, the government's cutting of state welfare and public-sector salaries led to growing anger among many bureaucrats and factory workers. From 2000 until 2011, ever larger and more aggressive protests were held by both conservative organizations like the Muslim Brotherhood and new liberal ones like *Kifayya* (enough) and the Sixth of April Movement.²⁴³ Due to pressure from the Bush Administration to make democratic reforms from 2000 to 2005, the Mubarak regime was forced to give more space for these activists to protest. Labor strikes and protests also grew in industrial towns like Mahalla in opposition to neoliberal reforms.²⁴⁴ Images of victims of police brutality began circulating on the internet, most notably, a picture of a young man with a mangled face name Khaled Sa'id, who was beaten to death after being arrested for drug possession in 2010. Rumors of grand-corruption schemes by Gamal's closest associates such as the Steel mogul Ahmed 'Ezz and the family of the real estate tycoon Talaat Mostafa were also being discussed on social media and on satellite television stations like Al-Jazeera.²⁴⁵ By the end of 2010, the Mubarak Regime had angered many different factions

²⁴⁰ Fahim, Kareem, Michael Slackman, and David Rohde. "Egypt's ire turns to confidant of Mubarak's son," http://www.nytimes.com/2011/02/07/world/middleeast/07corruption.html?_r=0, February 6, 2011.

²⁴¹ Tessler, Mark, Amaney Jamal, and Michael Robbins. "New Findings on Arabs and Democracy," *Journal of Democracy*, 23(4), October, 2012.

²⁴² Khatib, Lina. "Transforming the Media: From Tool of the Rulers to Tool of Empowerment," *Arab Human Development in the Twenty-First Century: The Primacy of Empowerment*, edited by Bahgat Korany. The American University in Cairo Press: Egypt, 2014, 67-104.

²⁴³ "The Power of Workers in Egypt's 2007 Uprising," In *Arab Spring in Egypt*, ed. Bahgat Korany and Rabab El-Mahdi. Cairo: American University in Cairo Press, 2012.

²⁴⁴ Bogaert, Koenraad. "Contextualizing the Arab Revolts: The Politics behind Three Decades of Neoliberalism in the Arab World," *Middle East Critique*, 22(3), 2013: 213-234.

²⁴⁵ "Desert storm: vast building sites on the outskirts of Cairo are a legacy of Mubarak's corrupt regime," <https://www.theguardian.com/world/2011/jun/11/cairo-satellite-towns-future-egypt>, June 13, 2011.

within Egyptian society, even within the ranks of the military due to Gamal's intention of succeeding his father as president.

Following Tunisia's successful revolution at the end of 2010, liberal protestors occupied Tahrir Square on January 25, 2011 with the intent of forcing Mubarak to step out of power.²⁴⁶ They called for democratic reforms and social justice. They were joined two days later by the Muslim Brotherhood, and two weeks later by the country's labor movements. On the third day of the revolution, protestors burnt down police stations and many public buildings including the headquarters of the NDP near Tahrir Square. For the first time, all of Egypt's opposition elements came together to protest the regime since its establishment in 1952. Gamal Mubarak's inner circle did attempt to break up the protests by sending paid thugs into the streets to beat up protestors, but this only served to further agitate the opposition. With the entire world watching, Western governments began placing pressure on the government to appease the growing calls for democratization. On February 11, 2011, the military forced Mubarak to step down after 18 days of protests.

Only after the revolution did most of these corruption scandals surrounding the Mubarak Family and their cronies see the light of day.²⁴⁷ After Mubarak stepped down from power, there was a brief political opening in the country. Minister of Defense Hussein Tantawi, who stepped into power following Mubarak's resignation, tried to end the massive protests and end the political crisis by beginning a democratic political transition, albeit very slowly and unevenly.²⁴⁸

²⁴⁶ For explanations on what caused the 2011 revolution, see Lynch, Marc, ed. *The Arab Uprisings Explained: New Contentious Politics in the Middle East*. Columbia University Press: New York, 2014; and Cook, Steven A. *The Struggle for Egypt: From Nasser to Tahrir Square*. Oxford University Press, Oxford, 2013, 272-307.

²⁴⁷ Bahgat, Hossam. "The Mubarak mansions: how Egyptians unknowingly paid for the ruling family's lavish lifestyles," *Ibid*.

²⁴⁸ See Albrecht, Holger and Dina Bishara, 2011. "Back on Horseback: The Military and Political Transformation in Egypt," *Middle East Law and Governance*, 3, 2006: 13-23; and Bellin, Eva. "Reconsidering the Robustness of Authoritarianism in the Middle East: Lessons from the Arab Spring," *Comparative Politics*, January, 2012: 127-49.

Since most of the anger was directed at Gamal Mubarak and his closest political allies like steel mogul Ahmed 'Ezz, the generals may have figured they could temporarily sacrifice a few of the former regime leaders and end the crisis. Many of Mubarak's ministers and well-connected businessmen—including Gamal and Alaa Mubarak—were imprisoned and put on trial. Most of them were initially found guilty and given prison sentences for the acts of corruption listed in Table 2. Some, including Hussein Salem and Ibrahim Mahlab, fled the country and went to Europe or the Gulf.²⁴⁹ However, these show trials were not enough to get many protestors who were clamoring for real forms off the streets. In 2012, the military finally caved in and allowed relatively free elections for parliament and the presidency. When Brotherhood member Mohamed Morsi was elected president on June 30, 2012, it was the first time a civilian took the job.

However, the revolution led to two years of severe political and economic instability. Former members of the Mubarak regime made great efforts to undermine the country's democratic transition, and liberals refused to accept the legitimacy of Morsi's government.²⁵⁰ Liberals and Islamists had a falling out over the writing of the 2012 constitution and the timetable for elections. The economy was also in a state of free fall as political instability hurt the tourism sector and discouraged foreign direct investment. The once united opposition became divided and weak, and average Egyptians were losing their taste for protests and politics in general. The international community was also growing wary of the political instability created

²⁴⁹ "Justice Minister: reconciliation deal with fugitive tycoon Hussein Salam," <http://www.madamasr.com/en/2016/03/13/news/economy/justice-minister-reconciliation-deal-with-fugitive-tycoon-hussein-salem/>, March 13, 2016.

²⁵⁰ Stepan, Alfred. "Democratization Theory and the Arab Spring," *Journal of Democracy*, 24(2), April, 2013: 15-30; and Barany, Zoltan. 2012. "Comparing the Arab Revolts: The Role of the Military," *Journal of Democracy* Vol. 22, 4: 28-39.

in the region by the Arab Spring and the ensuing civil wars in Syria and Yemen. Egypt's brief democratic transition ended in a counter revolution and a *coup d'état* on July 3, 2013. Morsi and the heads of the Brotherhood were put in prison, and emergency laws were reenacted again. It didn't take long afterwards for the military to turn on liberal activists as well. Prominent left-wing activists and bloggers were being thrown into prison by November. There are now over 40,000 political activists in jail. There were also numerous cases of opposition activists who were kidnapped, tortured, and murdered by security forces. In 2014, a new constitution, which was structured on a similar basis to the 1971 document, was passed in a "popular" referendum, and the general that led the coup, Abdel Fatah al Sisi, won the subsequent presidential election with 97 percent of the vote. Of course, opposition activists were not allowed to seriously campaign, and media outlets were controlled by the military. Sisi initially had a lot of support among the population as he promised stability and economic development.

Convicted ministers and businessmen that were sent to jail after the 2011 revolution appealed and were eventually given retrials. In exchange for paying hefty fines, most of them had their convictions overturned, and they have been released from prison.²⁵¹ This includes members of the Mubarak Family. Most of the businessmen who had fled abroad returned from exile after cutting a deal with the state. Although the military's control of the economy has increased since the coup and several new businessmen have come into prominence, many of the Mubarak Era cronies have continued their business operations in the country, and some have already reentered politics as supporters of the new president.²⁵² Former supporters of Mubarak

²⁵¹ For examples, see "Mubarak's sons released from prison," <http://www.bbc.com/news/world-middle-east-30982077>, January 26, 2015.

²⁵² Essam al Din, Gamal. "Businessmen MP's Could Form New Lobby in Egypt's Parliament," <http://english.ahram.org.eg/NewsContent/1/64/205784/Egypt/Politics-/Businessmen-MPs-could-form-lobby-in-Egypt-s-new-par.aspx>, April 30, 2016.

eventually created a political coalition consisting of ten political parties called *For the Love of Egypt*, which now supports President Sisi. Former CEO of Arab Contractors Ibrahim Mahlab even served a brief stint as Prime Minister in 2014. The Gulf States also gave extensive aid to the regime to prevent the state from collapsing, although the recent decline in oil prices and continued population growth puts the long-term viability of Sisi's government into question.²⁵³ Like his predecessors, Sisi has wasted a lot of state resources on vanity projects in the desert.

The survival of the authoritarian regime and the failure of Sadat's *infitah* has not boded well for governance in Egypt. The public policies of the state are geared towards short term political survival over long term economic development. While limiting freedom of speech weakens opposition groups, it has a corrosive effect on the country's educational institutions, non-governmental organizations, and media outlets, which are needed to check the power of the state.²⁵⁴ Without transparency and accountability, corruption remains a persistent problem within the bureaucracies. Furthermore, even though clientelism insures the loyalty of various factions within the state, it hurts the efficiency of public and private institutions over the long term. This is why the state continues to have difficulty with tasks such as garbage collection, public education, traffic management, tax collection, and other important outputs of governance.²⁵⁵ Money spent on short term political survival also takes away resources for long term economic development. Despite the authoritarian nature of the regime and the resources at its disposal, the state is weak, lacking the institutions necessary to deal with many of the

²⁵³ Young, Karen. "The Gulf's entanglement in Egypt," <http://www.agsiw.org/the-gulfs-entanglement-in-egypt/>, April 25, 2016.

²⁵⁴ Korany, Bahgat, ed. *Arab Human Development in the Twenty-First Century: The Primacy of Empowerment*. The American University in Cairo Press: Egypt, 2014.

²⁵⁵ Al-Akkad, Farah. "Egypt's Garbage Problem," <http://weekly.ahram.org.eg/News/14892/32/Egypt%E2%80%99s-garbage-problem.aspx>, December 3, 2015.

country's economic and urban-development problems.²⁵⁶ This is why Sadat's urban-development scheme failed to materialize as planned.

Part Three: The Failure of the State to Populate the Desert

Chapter 7: The Allocation of Desert Land

Poor governance is linked to the failure of Sadat's urban-development policy through the process by which public officials and the oligarchs in the private sector distributed land outside the Nile River Valley and designed, managed, and evaluated desert projects. The businessmen who personally benefited the most from Sadat's urban-development scheme were the same people that controlled the institutions that were supposed to regulate these projects. Due to the lack of voice and accountability, the great majority of the population, most of whom did not benefit from these projects, were left out of the decision making process. As a result, the ownership of desert land was monopolized by a small group of oligarchs with connections to the regime.

When Anwar Sadat issued his *1974 Working Papers*, there were no special bureaucracies that dealt with desert development nor was there a system in place for how the president should allocate territory.²⁵⁷ Almost all desert land—over 90 percent of the country's territory—was the property of the military. Following Sadat's proclamation in 1974, the president began distributing territory to various bureaucracies for the purposes of promoting different urban-development and agricultural-reclamation schemes. At first, land distribution was at the total

²⁵⁶ Ayubi, Nazih. *Over-stating the Arab State: Politics and Society in the Middle East*. I.B. Tauris Publishers: London, 2001.

²⁵⁷ Sims, David. *Egypt's Desert Dreams: Development or Disaster*. Ibid, 261.

discretion of the president, but this did not last long. In 1981, a system for land allocation was formalized under Law Number 143.²⁵⁸ According to this law and subsequent laws governing desert development, land was distributed to the following ministries, which are placed here in the order in which they have had priority over desert lands: Defense, Petroleum, Culture/Antiquities, Agriculture, Housing, Tourism, Industry, and the Environment. In turn, most of these Ministries have sub-bureaucracies that deal with desert development and several public companies that specialize in the construction of projects. Furthermore, each of the governorates controlled land for housing and other projects in the desert within two miles of the Nile River Valley. Through this law, the president was supposed to decide what bureaucracies would gain control of which desert territory based on a rational, legal set of rules. However, in practice, clientelism influenced how the state distributed land and infrastructure contracts to bureaucracies and private companies. Both Sadat and Mubarak cut up and parceled out desert territories to loyal allies in the military, the ministries, and the business community to strengthen the regime's base of support and personally profit from heavily subsidized projects. Overtime, many contradictory laws on land distribution were passed by parliament. This was to the detriment of urban development.²⁵⁹

Since clientelism and not economic development determined how state resources were distributed, land management has lacked proper organization. There are over 50 ministries, semi-autonomous sub-ministries, and governorates that have control of territory outside the Nile River Valley, which is a bewildering array of bloated bureaucracies.²⁶⁰ Although the Ministry of

²⁵⁸ Johannsen, Asger, Marianne Mahrous, and Maria Graversen. "Land ownership disputes in Egypt," <http://www.arabwestreport.info/sites/default/files/pdfs/AWRpapers/paper15.pdf>, 2008.

²⁵⁹ El Tarouty, Ibid.

²⁶⁰ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, 261-69.

Planning has issued reports in the past on coordinating plans for desert development, there is no single organization that monitors all of the desert projects or coordinates activities between these ministries. These bureaucracies often compete with one another instead of cooperating, and they frequently get into disputes over control of territory.²⁶¹ According to David Simms:

“The actual boundaries of land assignments are rarely clearly delineated in laws and decrees, and reference maps are almost never used. This produces conflicts, disputes, and overlapping jurisdictions, and the situation has not been helped by the poor performance of the near-dysfunctional Egyptian Survey Authority, the entity legally charged with mapping and setting out official boundaries.”²⁶²

The World Bank also agrees with this assessment. Since the late 1970’s, the government has passed approximately 45 laws on land management that are contradictory.²⁶³ Foreign investors are left in the dark as there is a lack of good statistics, maps, and information on land ownership and the bureaucracies that regulate desert territory.

There are also many specific problems with the manner in which land was allocated. For one, enormous amounts of territory are still controlled by the armed forces, and much of this land is not used for security purposes.²⁶⁴ Farms, factories, hotel resorts, and real estate that are run by the military are not very efficient. However, their businesses control a large share of the market place because they are not taxed, and many of their employees often consist of conscripted soldiers who are paid miniscule wages.²⁶⁵ State subsidization of military-run businesses stymied the development of many desert projects as it discouraged competition. There is also a lack of oversight when it comes to the businesses of the armed forces. For

²⁶¹ “Egypt’s Land Shortage,” <http://weekly.ahram.org.eg/News/15779/32/Egypt%E2%80%99s-land-shortage.aspx>,

²⁶² Simms, David. *Egypt’s Desert Dreams: Development or Disaster*, Ibid, 265.

²⁶³ “Arab Republic of Egypt: Egypt Public Land Management Strategy,”

<https://openknowledge.worldbank.org/bitstream/handle/10986/19447/365200EG0White10121041200701PUBLIC1.pdf?sequence=1&isAllowed=y>, 2006, 5.

²⁶⁴ Abul-Magd, Zeinab. “The army and the economy in Egypt,” <http://www.midanmasr.com/en/article.aspx?ArticleID=222>, October 14, 2016.

²⁶⁵ Abdelrahman, Ibid, 25.

example, much of the land on the Cairo-Ismailia Road was supposed to be reserved for agricultural reclamation projects in a scheme known as the Ahmed 'Urabi Land Reclamation Cooperative.²⁶⁶ However, many officers have used the land to construct country-side villas with orchards. Projects that were meant for commercial farms have been used for real estate in the form of rustic villas that are marketed as vacation homes for the wealthy. A similar phenomenon happened on the Cairo-Alexandria road although under the watch of the Ministry of Agriculture.²⁶⁷ Over 50 billion pounds worth of land was misused for this purpose. Gamal Mubarak's father-in-law, Mahmoud al Gamal, and the owner of Palm Hills Development, Loutfy Mansour, were also implicated in schemes that involved turning reclamation lands into vacation homes and gated communities. Moreover, a lot of valuable land in the desert towns is allocated to subsidized-housing projects for military and police officers. For example, to the north and east of New Cairo, large amounts of territory are reserved for housing projects for security forces in an area that was previously part of a military base called Camp Haykasteep and an extension of Nasr City called al Zahra.²⁶⁸ There is also a very large Police Academy and an Airforce Hospital that use hundreds of feddans of valuable land on what was supposed to be part of New Cairo's central commercial district. More embarrassingly, there is even a housing complex for police officers within view of the pyramids of Giza on the other side of the Nile River Valley. These public housing projects for security forces also contribute to high vacancy rates as officers tend to own multiple villas, apartments, and seaside chalets. Presidents have allocated public

²⁶⁶ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid. In chapter four, Sims discusses many problems with reclamation projects. This includes the military's and the GARPAD's abuse of desert land for personal profit by turning reclamation schemes into real estate.

²⁶⁷ "Cairo court orders former Interior Minister Adly's asset's friezed," <https://electronicintifada.net/content/corruption-investigations-begin-post-mubarak-egypt/9831>, February 17, 2011.

²⁶⁸ "Google Maps: New Cairo," <https://www.google.com.eg/maps/place/New+Cairo+City,+Cairo+Governorate/@30.0448106,31.44294,21946m/data=!3m1!1e3!4m5!3m4!1s0x145822cfc270e7:0x98b73d687889fd8!8m2!3d30.007413!4d31.4913182>, October 22, 2016.

resources in this manner in order to maintain the loyalty of military and police officers. This is at the expense of urban development, agricultural production, and tourism.²⁶⁹

In addition, the Ministry of Industry is neglected in terms of land allocation even though promoting industrial exports should have been one of the biggest priorities of the regime. Instead, the government has heavily favored the Ministry of Housing over the last two decades. The reason why is that powerful businessmen found that real estate speculation was a less risky investment than promoting industrial exports. More money and land have been allocated to the Ministry of Housing as a result. This can be seen clearly in second-generation cities like New Cairo and Sheikh Zayed, where almost no territory has been reserved for industrial development. In New Cairo, the only space for industry is found in the far south of the city where there are a small handful of factories that mainly produce construction materials and processed foods for local consumption, warehouses to store these materials, and businesses that provide services for car and housing maintenance. Even in older first-generation cities and special free-trade zones along the coasts, most factories produce materials for construction and the local consumption of processed foods instead of focusing on industrial exports.²⁷⁰ It also does not help matters that many of the utilities that industries need are controlled by the Ministry of Housing's NUCA, which has its own separate political and economic interests.

The tourism sector also suffered due to the manner in which the government allocated land in the desert. For example, in 1980, the Ministry of Housing was given a substantial amount of territory on the North Coast to the west of Alexandria. Hazballah Kafrawy, who served as

²⁶⁹ Brooks, *Ibid.*

²⁷⁰ Thomson, *Ibid.*, 326.

Housing Minister from 1977 to 1993, had control over most of the land in this area for no justifiable reason other than his close connections with the president. Instead of focusing on designing projects that would attract tourists from abroad, the government built real estate projects in the form of vacation homes and tourist resorts for Egypt's wealthy and middle class.²⁷¹ During the 1980's, Egypt had not yet significantly opened its economy to foreign direct investment, so development on the north coast focused on the domestic real estate market, which is why the vacation homes and resorts that were constructed were very poor in quality. Real estate speculation—not foreign tourism—inexplicably became the main focus of development because of how land was distributed to the ministries. Although most of the public lands on the North Coast were eventually given to the Ministry of Tourism after 1993, this was after most of the territory in the region had already been sold to the private sector. A valuable opportunity was lost to attract foreign direct investment.

Another problem with this system of land allocation is the weakness of the Ministry of Environment, which has been poorly funded in comparison with other bureaucracies. For example, a lot of coastal land on the Red Sea should have been reserved for environmental protection.²⁷² Approximately 80 percent of the coastline sits very close to the coral reef and is not suitable for quality tourist resorts. Most of the investment in tourism should have gone to places where there are good natural beaches with nearby towns like Sharm al Sheikh and Hurghada. However, the Ministry of Tourism has over built on most of the coastal land on the

²⁷¹ "Arab Republic of Egypt: Egypt Public Land Management Strategy," <https://openknowledge.worldbank.org/bitstream/handle/10986/19447/365200EG0White10121041200701PUBLIC1.pdf?sequence=1&isAllowed=y>, 2006.

²⁷² "Endangered Species: Egypt's coral reefs," <http://www.egyptindependent.com/news/endangered-species-egypt%E2%80%99s-coral-reefs>, October 28, 2011.

Red Sea and has threatened the fragile eco-system. Pollution and overfishing have also caused damage to the coral reefs off the coast. Protection of the coastline could have preserved the environment and improved the quality of the average tourist resort, but past Ministers of Tourism such as Zoheir Garana were more interested in selling the land to developers in exchange for kickbacks.²⁷³ Almost no land was reserved for public beaches either. Even on coastal land reserved for the Ministry of the Environment, developers were able to purchase property and build resorts by paying bribes.²⁷⁴

According to the World Bank, there are also problems with confusion over land allocation between the 27 governorates and the various bureaucracies that control desert land.²⁷⁵ Technically, the governorates are supposed to control all desert land that is within two miles of the Nile River Valley, but it is not usually very clear where the Nile River Valley ends and the desert begins. Several governorates have established their own housing projects in the desert on the outskirts of cities without coordinating with the NUCA. For example, on the eastern outskirts of Cairo along the Ring Road, desert extensions of Ma'adi and Moqattam are currently being constructed. Developers like SAMA Group and Orientals Group have constructed real estate projects for the middle class in Ma'adi al Zahra, and the UAE Company Emaar Properties built a luxury compound called Uptown Cairo on the outskirts of Moqattam. This has contributed to the problem of vacancies in the new towns and added to the sprawl of populations.

²⁷³ "Egypt's Tourism Minister Jailed for Five Years,"

<http://af.reuters.com/article/egyptNews/idAFLDE7491M220110510?pageNumber=2&virtualBrandChannel=0&sp=true>, May 10, 2011.

²⁷⁴ Sowers, Jeanie. *Environmental Politics in Egypt: Activists, Experts, and the State*. Routledge: United States, 2013.

²⁷⁵ "Arab Republic of Egypt: Egypt Public Land Management Strategy,"

<https://openknowledge.worldbank.org/bitstream/handle/10986/19447/365200EGOWhite10121041200701PUBLIC1.pdf?sequence=1&isAllowed=y>, 2006, 5.

Another problem with land allocation is the way in which the bureaucracies have outsourced the planning of desert projects and construction of infrastructure to private companies. Too often, companies were given land and subsidies based on their political connections and not their ability to run a business or complete a project efficiently. Below is a list of the major businessmen who have been allocated the most land in the new towns and the projects they have conducted over the last four decades:

The Egyptian Businessmen	The Desert Projects ²⁷⁶
Ahmed Bahgat, Bahgat group	<ul style="list-style-type: none"> --Owns 2,000 feddans of land in the 6th of October where he built Dream Land, which has gated communities, hotels, clubs, restaurants, golf courses, and other attractions --Owns Dream TV Channel, which is based in Media City in the Sixth of October --The subsidiary Goldi Domestic Products mass produces refrigerators, televisions, washer machines, and other household appliances in new towns like the 6th of October; they produced many products for the company Phillips
Ahmed 'Ezz, Ezz Steel	<ul style="list-style-type: none"> --'Ezz's company operates several steel factories in the new towns, including in Sadat City, Borg al Arab, the 10th of Ramadan, and the 6th of October; with his domination of the steel market, his product became an integral part in the construction of office buildings in the new towns
Ahmed Nazif, TE Data	<ul style="list-style-type: none"> --Responsible for establishing the 6th of October's Media City, from which all of Egypt's satellite television networks operate --Helped design and build the Information-Technology Park on the Cairo-Alexandria Road called Smart Village
Ashraf Ahmed Arafa, Arafa Group	<ul style="list-style-type: none"> --His textile company, Golden Text, has several textile factories in the 6th of October and the 10th of Ramadan --With his foreign business partners Ashrif Dawidar and Fathallah Fawy, Ashraf runs a real estate company called ARDIC, whose subsidiary Zizinia has numerous real estate developments in the new towns
Farag Amer, Faragalla Food Industries	<ul style="list-style-type: none"> --Agriculture reclamation projects along the Cairo-Ismailia Road --28 food processing factories in the new town Borg al Arab --His food supplies many grocery stores and restaurants throughout the new towns
Gamal Mubarak, EFG Hermes	<ul style="list-style-type: none"> --With international partners in the Gulf and the help of public banks, Mubarak helped provide the financing for many desert projects --Gamal owned percentages, large and small, of numerous companies that operate in the new towns, including large percentages of BMW and Jaguar --The Mubarak Family and their extended relatives owned substantial amounts of real estate, agricultural reclamation projects, and tourist resorts in the desert; for example, Alaa Mubarak's father-in-law, who owned SODIC Real Estate, managed numerous gated communities in the new towns including Beverley Hills in the 6th of October
Hassan Allam, Nasr Contracting Company and Hassan Allam & Sons	<ul style="list-style-type: none"> --His public company Nasr General Contracting constructed the following in the new towns: parts of the Ring Road that interconnects the satellite cities around Greater Cairo including many of the bridges and tunnels, part of the infrastructure at Cairo International Airport and Taba International Airport, some of the highways along the North Coast, part of the Cairo-Alexandria and Cairo-Suez Desert Roads, some roads in the 6th of October and New Sohag City, buildings and roads at Haykaste military base north of New Cairo, a large housing project in Burg al Arab, projects for Alexandria's Port Authority, the Mubarak City for Scientific Research in Burgh al Arab, infrastructure for Badr city and parts of Sheikh Zayed including buildings, roads, and utilities, irrigation networks in the Sinai, and potable water and sanitation projects in Hurghada, Alamein, Marsa Matroh, New Qena, Badr City, and New Cairo --His private company also has numerous real estate projects in the new towns and tourist resorts on the coasts --Has participated in many joint ventures with Orascom including the construction of the Red Sea resort of Gouna
Hassan Rateb, SAMA Group	<ul style="list-style-type: none"> --Dominates the economy of the Northern Sinai with holdings in real estate, mines, construction projects, tourist resorts, and private educational institutions --His subsidiary SAMA properties owns land in various desert new towns on the outskirts of Greater Cairo as well as private schools
Hossam Badrawi	<ul style="list-style-type: none"> --Owns a gated community in Sheikh Zayed called West Park --Minority owner of the satellite channel Mihwar, which is based in the 6th of October

²⁷⁶ Information on these desert projects was gathered from the websites of companies associated with these businessmen, which are located in the work cited page.

Hussein Sabbour, Sabbour Group	<p>--Provided master planning for the following new towns: Sadat City, the 6th of October, New Minya, and New Beni Suef; they also provided master planning for free-trade zones in Ain Sukhna, Port Said, Nasr City, and Burg al Arab</p> <p>--Constructed dozens of office buildings, factories, and universities in the new towns</p> <p>--Built dozens of sports clubs in the new towns, and its subsidiary Al Ahly Real Estate manages many of them</p> <p>--Constructed many gated communities in New Cairo, the 6th of October, and elsewhere; his subsidiary Al Ahly Real Estate manages many of these communities; has also constructed real estate projects for Mountain View, Al-Arabia Real East, and Orientals Group</p> <p>--Built numerous tourist resorts on the Red Sea and North Coast</p>
Hussein Salam, HKS Group	<p>--East Mediterranean Oil Company constructed and managed various gas pipelines in the desert that sent natural gas to Israel in the 1990's</p> <p>--Hussein Salam's HKS Group owns numerous hotels in Sharm al Sheikh and has built much of the infrastructure for the tourist town</p>
Ibrahim Kamel, KATO	<p>--Has factories in the new towns that mass produce aromatics, packaged food, drinks, cleaning supplies, hygiene products, seeds, and spices</p> <p>--The subsidiary KATO for Agricultural Development operates various agricultural-reclamation projects that grow mango and citrus fruits</p> <p>--The subsidiary KATO Real Estate has built the tourist resort Ghazzala Bay on the north coast near Alamein, which has two million square meters and five hotels</p> <p>--The subsidiary Egyptian Resort's Company has built a resort on the Red Sea called Sahl Hasheesh as well as other resorts on the Red Sea and North Coast</p> <p>--The subsidiary KATO construction has built hotels and office buildings along the Nile as well as subsidized housing in plans involving the clearance of informal areas in Cairo</p> <p>--The subsidiary Fine Arts Compound has a wood factory in the 6th of October</p> <p>--The subsidiary Rowad Tourism Company controls several Hilton and Kempinski hotels at Sharm al Sheikh, Nuweiba, Borg al Arab, and Sahl al Hasheesh</p> <p>--The subsidiary International Airports Company has a 50 year contract to run and operate Alamein Airport on the North Coast</p> <p>--The subsidiary International Export Center at Cairo International Airport controls exports and imports from major airlines</p> <p>--Owns the subsidiary Cairo Aviation, which does Charter flights from Egypt to Europe</p>
Ibrahim Mahlab, Arab Construction Industries	<p>--Has constructed much of the infrastructure in the desert, including roads, bridges, tunnels, ports, waste water treatment plants and potable water including much of the Ring Road and other desert highways</p> <p>--Has constructed mosques, stadiums, commercial buildings, schools, and universities in the new towns</p> <p>--Has constructed tourist resorts, including Palm Beach in Marsah Matrouh</p> <p>--Has numerous factories that manufacture construction equipment such cement, steel, and electrical equipment in the new towns</p> <p>--Manufactures much of the irrigation equipment needed in reclamation projects</p> <p>--Has participated in the construction of many airports including Cairo International Airport, Hurghada, Sharm al Sheikh, Luxor, and Marsa Alam</p> <p>--Has constructed several office buildings along the Nile River in Cairo and participated in several historical reclamation projects</p>
Loutfy Mansour, Mansour Group	<p>--The subsidiary Mantrac Egypt distributes Caterpillar products for construction equipment, which have been used in many desert projects; sites for equipment distribution are located in the Sixth of October, New Cairo, and elsewhere</p> <p>--The subsidiary Delta Egypt distributes equipment for construction and agricultural-reclamation projects for multi-national companies like Perkins, Challenger, and SEM</p> <p>--Distributes IT equipment used in schools, universities, and homes through its subsidiary Mantract Distribution for companies like Microsoft, Dell, and HP</p> <p>--Dozens of their Metro Markets are located in the new towns, where many of their food labels like Mario and Sunshine are sold</p> <p>--Mansour Manufacturing Free Zone Factory, which produces cigarettes for Phillip Morris, is located in the new town of Burg al Arab outside Alexandria</p> <p>--The subsidiary Mansour Automotive has automotive factories in the 6th of October and several distribution sites in the new towns</p> <p>--His cousin's company Maghraby Agriculture owns various agricultural reclamation projects that grow strawberries, grapes, citrus, flowers, and peaches in the desert outside of Alexandria</p> <p>--His cousin also owns various pack houses in some of the new towns that package fruits and vegetables</p> <p>--His cousin operates the Egypt's branch of the French hotel chain Accor, which includes the hotels Sofitel, Novotel, Mercure, Itab, Eyepiece, Pullmen, and Xpress, most of which are found on the coasts, and Ahmed's brother Sherief ran a hotel and tourism company called Gezira</p> <p>--With his cousin Mohamed al Maghraby, he owns the real estate company Palm Hills Developments, which runs gated communities in the 6th of October, Sheikh Zayed, and New Cairo as well as hotels on the North Coast</p>
Mansour Amer, Amer Group	<p>--Has numerous real estate and tourist developments under the Porto Cairo brand in the desert towns</p> <p>--Has developed numerous malls under the Porto Cairo brand in the new towns</p> <p>--Runs numerous hotels under the subsidiary Tropicana Projects Company, including La Reve</p> <p>--Operates dozens of restaurant brands in the new towns, including Chili's and Studio Masr</p>

Mohamed Aboul Enein, Cleopatra group	<ul style="list-style-type: none"> --Runs real estate projects in the 6th of October and Shuruq --Operates hotels on the Red Sea and the North Coast at Sharm al Sheikh, Marsah Matrouh, Marsah Alam, Taba, and Hurghada, and a tourism company called Cleopatra Tours --Owns ceramic factories in the 10th of Ramadan and on the Red Sea near the Suez Canal --Has stores that sell ceramics and porcelain in the new towns --Controls mining operations in the desert for materials needed for ceramics and porcelain --Runs agriculture reclamation project in East Uwainat and other areas of the desert --Owns Sada al Belad, a satellite channel based in media city in the 6th of October
Mohamed Farid Khamis, Orientals Group	<ul style="list-style-type: none"> --Owns several rug and carpet factories in the 10th of Ramadan --Distributes his products in dozens of retail outlets in the new towns --His real estate company Oriental Resorts for Touristic Development owns various gated communities in the new towns and tourist resorts on the Red Sea in collaboration with Sabbour Group --He is on the board of trustees for the British University in Egypt, located in Shuruq
Mohamed Dorra, Dorra Group	<ul style="list-style-type: none"> --Constructed numerous commercial buildings and residential buildings in the new towns as well as towers on the Nile River in Cairo; constructed real estate projects for companies like Tabarak Holding --Constructed infrastructure in many of the new towns
Mohmaed Nosseir, Alkan	<ul style="list-style-type: none"> --Obtained many government and private contracts for services involving telecommunications, internet infrastructure, traffic management, surveillance, statistics, and electromechanical products for desert projects; he was the original founder of the telecommunications and internet company of what is now Vodaphone before selling it --The subsidiaries Alkan Facilities Management and Alkan Real Estate Development manage desert real estate projects such as Babylon Gardens, which are their gated communities in New Cairo and Sheikh Zayed --Alkan Medical is a large supplier of pharmaceuticals and medical supplies for hospitals in the new towns
Mohamed Sewedy, El Sewedy for Electrical Solutions	<ul style="list-style-type: none"> --Has distribution sites for its electrical equipment in the 6th of October, the 10th of Ramadan, Sharm al Sheikh, and Hurghada --Has factories to mass produce its electrical products in a couple of the new towns
Mohamed Sheta, International Group for Investments	<ul style="list-style-type: none"> --His company IGI runs an investment group that has helped many foreign companies establish businesses in Egypt, including in the desert towns --The subsidiary IGI Real Estate owns, constructs, and manages gated communities in the 6th of October and New Cairo like Gardenia as well as tourist resorts on the Red Sea like Taba Heights --They also have extensive investments in the desert in terms of agriculture, energy, and manufacturing
Moutaz al Alfi, Egypt-Kuwait Holding Company	<ul style="list-style-type: none"> --Mines for natural gas in various parts of the desert --His subsidiary NatEnergy has provided electricity for many desert projects, and his subsidiary GasChill has provided heating and air conditioning for many buildings in the new towns --His subsidiary Delta Insurance insures many home owners in the new towns --His poultry company provides chicken to many restaurants and supermarkets in the new towns --Owns Americana Restaurants in the new towns --The subsidiary Grey Cement produces cement for many desert projects --Sits on the board of trustees for the American University in Cairo --With Kharafi Group, has constructed hotel resorts and real estate projects on the North Coast and Red Sea --EMAK Paper Manufacturing Company has a factory in Ain Sukhna --EMAK Contracting has built pools, water parks, and artificial lakes on the Red Sea and North Coast --Makxalto Advanced Card Technology has a factory in El Obour that makes varies types of smart cards --Misr Packing makes packaging materials for sponges and Misr Foam makes sponges in the 6th of October
Onsi Sawiris, Orascom	<ul style="list-style-type: none"> --The largest contractor for the construction of public housing in the new towns, including Haram City in the Sixth of October and the Mubarak Housing Project for the Youth --Has constructed hundreds of office buildings, schools, hospitals and shopping centers in the new towns, including Cairo Festival City in New Cairo; a large percentage of their projects are located in the 6th of October and New Cairo --Owned Mobinil stores throughout the new towns before selling it to the company Orange --Is responsible for the construction and maintenance of infrastructure in many free trade zones that promote industry including an industrial park in Ain Sukhna that is over 8 million square meters in size --Has numerous factories in the Tenth of Ramadan, Sadat City, and the Sixth of October that produce construction materials like paints, steel, cement, mortar, gypsum, and pipes; this is done through several subsidiaries, which include Dry Mix United Holding Company, United Paints and Chemicals, National Pipe Company, and Alico Egypt, which is a joint venture with UAE based Alico --Has participated in the construction of numerous airports throughout Egypt including Cairo International Airport and Burg al Arab International Airport --The subsidiary Orascom Development has developed numerous tourist resorts along the Red Sea including over 31 hotels for the companies Azur and Three Corners as well as the Red Sea resort Gouna, which is almost 40 million square meters; Orascom also has several Nile cruisers for tourism --Operates Tamweel Mortgage, one of Egypt's four main mortgage agencies --Has constructed much of the infrastructure in the new towns including roads, bridges, waste water treatment plants, and power plants that use fossil fuels and solar energy

	--Has constructed and managed real estate in the new towns including Hyde Park in New Cairo and Beverly Hills in the 6 th of October --Has constructed numerous office buildings along the Nile River and engaged in historical restoration projects
Osman Ahmed Osman, Osman Group	--Their subsidiaries el Wafaa Farm, United Investment Group, and Osma Green specialize in agricultural reclamation projects, rearing livestock, and landscaping in the new towns --Has factories in several desert towns that produce precast concrete, wood products, waterproofing products, insulation, dolomite and limestone chippings, plastic pipes, paper bags, and gypsum, which is used to make plaster --Constructed infrastructure, housing, agricultural reclamation projects, and factories in the desert --Has several real estate projects in the new towns --Formed a company called Middle East Company for Land Reclamation in the deserts east of the delta, which controlled over 150 thousand feddans of land --Dominated the reconstruction of Suez Canal cities following their reopening after the 1973 conflict
Rachid Mohamed Rachid	--Hundreds of products of Unilever Mashreq are produced in factories in the new towns and sold in stores and supermarkets
Raouf Ghabbour, Ghabbour Group	--Has car factories in the 6 th of October --Has several distribution sites for his vehicles in the new towns --His relative owns a large real estate and tourist project called Mirage City in New Cairo
Sami Saad, Samcrete	--Built numerous infrastructure projects in the new towns including a water pump station in New Cairo, the International Coastal Highway, some of the infrastructure at the Cairo International Airport, part of Ain Sukhna Highway, and the Belbeis Regional Ring Road --Constructed numerous buildings in the new towns including the Dar al Fouad Hospital, the American University in Cairo's new campus, the Pyramid Heights Office Complex and Pyramid Heights Residence in the 6 th of October, and the Sadat Factory in Sadat City for electronics --Runs numerous factories including the EGA factory for production of Mercedes vehicles in the 6 th of October --Constructed tourist resorts like the Steigenburger Al Dau Resort in Hurghada --Constructed office buildings in the new towns and the Kuwaiti Embassy on the Nile River --Runs the National Academy for Science and Skills in the 6 th of October
Talat Mostafa, Talat Mostafa Group	--Constructed, manages, and owns the largest real estate projects in the new towns including Rehab and Madinaty in New Cairo, Mayfair in Shuruq, and Rabwa in the Sixth of October; these gated communities have housing, malls, schools, medical clinics, sporting clubs, private security, and other services --Owns various hotel resorts on the North Coast and the Red Sea --Has a construction subsidiary that builds most of their projects
Zoheir Garana, Minister of Tourism	--Garana's family owns numerous companies involved in tourism and coastal real estate, including Tarot Tours Garana and Azur Hotels

Table 3: Desert land allocation to private companies

The politically connected businessmen listed in Table 2 are the same men who have control over the great majority of desert projects as shown in Table 3. Since the politically connected elite control access to most of the country's valuable desert territory, domestic and international investors without connections have had problems starting up projects due to a lack of land access.²⁷⁷ Attracting international investment has remained a problem in spite of cuts to taxes and regulations since 1991.

²⁷⁷ "Arab Republic of Egypt: Egypt Public Land Management Strategy," <https://openknowledge.worldbank.org/bitstream/handle/10986/19447/365200EGOWhite10121041200701PUBLIC1.pdf?sequence=1&isAllowed=y>, 2006, 4.

There were also several specific problems with the way bureaucracies allocated land to these businessmen. First of all, the state did not have any laws on the books requiring a public auction for the sale of state land to businessmen until the passing of Law 89 in 1998.²⁷⁸ The law was passed to placate the complaints of the opposition in parliament over accusations of graft. Before 1998, bureaucrats were legally allowed to sell land to businessmen at prices way below their actual market value behind closed doors. Even after the passing of this law, it was largely ignored by bureaucrats who were interested in earning kickbacks in exchange for sweetheart land deals. With a lack of voice and accountability, bureaucrats were able to abuse the power of their office for personal gain. As stated earlier, the state sold over 100 billion dollars in public resources at less than ten percent of their value from 1991 to 2011. The sale of state resources in this case includes not only public companies but public lands in the desert. Many ministries became heavily in debt as a result. For example, the GARPAD—the institution which controls desert reclamation projects—was over 23 billion dollars in debt by 2011 because they spent massive amounts of money on infrastructure for reclamation projects and sold that land under price to businessmen like Saudi Prince Walid Ibn Talal and the former CEO of the public company Arab Contractors Osman Ahmed Osman.²⁷⁹ In the late 1990's, Walid ibn Talal alone received over 100,000 feddans of land at Tuskha with prebuilt infrastructure by Minister of Agriculture Youssef Wali for only five million Egyptian pounds.²⁸⁰

As can be seen in Table 2, many of the crony capitalists listed above were implicated in corruption schemes involving graft. For example, the state sold over two million square meters

²⁷⁸ Adly, Amr. "Mubarak (1990-2011): The State of Corruption," Ibid.

²⁷⁹ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid. For a discussion on the GARPAD and problems with debt, see chapter three.

²⁸⁰ Adly, Amr. "Mubarak (1990-2011): The State of Corruption," Ibid.

of desert land in the coastal town of Sharm al Sheikh far below market price and without an auction to Hussein Salam, a businessman who also worked for Egypt's intelligence agency. In return for these land deals, Salem built five coastal villas worth over 39 million Egyptian pounds for the Mubarak Family.²⁸¹ In another pertinent example of graft, over 20 million square meters of land in New Cairo with infrastructure already built by the NUCA were bought by companies like Talat Mostafa Group and Palm Hills Developments way below market price without a public auction in exchange for similar kinds of kickbacks.²⁸² In the case of Palm Hills Development, the owner of the company, Loutfy Mansour, was a cousin of then Housing Minister Ahmed Maghrabi. The latter was also a part owner of Palm Hills and the very same person from which Loutfy bought much of the land. Gamal and Alaa Mubarak also had money invested in Talat Mostafa Group and Palm Hills, and the Mubarak Family also received a luxury villa in one of Palm Hill's compounds.²⁸³ Loutfy Mansour, Ahmed Maghraby, and Hussein Salam all invested millions of dollars into Gamal's mutual fund Horus, and some of their profits were then sent overseas to a bank in Panama to avoid taxes on their profits.²⁸⁴ On a side note, the Mubarak Family payed for all expenses related to their Palm Hills villa, dozens of their other properties in the country, and their own personal daily living expenses by embezzling money from the public construction company Arab Contractors, which was managed at the time by Ibrahim Mahlab, a close friend of the family.²⁸⁵ Former Ministers of the Interior, Petroleum, Culture, Agriculture, Housing, Tourism,

²⁸¹ Ahmed, Nadia. "The many trials of Mubarak's men," <http://www.madamasr.com/sections/politics/show-me-money-many-trials-mubaraks-men>, January 25, 2015.

²⁸² Moukheiber, Zina. "Billionaire Egyptian family faces potential blow to reputation," <http://www.forbes.com/sites/zinamoukheiber/2011/04/25/billionaire-egyptian-family-faces-potential-blow-to-reputation/>, April 25, 2011.

²⁸³ Adly, Amr. "Mubarak (1990-2011): The State of Corruption," Ibid.

²⁸⁴ Hussein, Salma and Salma al Wardani. "All the king's men: who runs Mubarak's money?," <http://english.ahram.org.eg/NewsContent/3/12/8793/Business/Economy/All-the-king%E2%80%99s-men-Who-runs-Mubaraks-money-.aspx>, May 15, 2011.

²⁸⁵ Bahgat, Hossam. "The Mubarak mansions: how Egyptians unknowingly paid for the ruling family's lavish lifestyles," <http://www.madamasr.com/sections/politics/mubarak-mansions>, May 20, 2014.

Industry, and Information, as well as former prime ministers and generals have been implicated in similar graft, embezzlement, and tax avoidance schemes. The state lost billions of dollar in revenue as a result of this corruption.

In addition, land was sold to specific businessmen not because of their prior success in tourism, real estate development, or industry but because of their political connections and the kickbacks they gave to government officials. For instance, the businessman Ahmed Bahgat was given over 2,200 acres of land near the 6th of October in the 1990's for only 90 thousand Egyptian pounds to build his gated community Dream Land despite his complete lack of experience developing real estate projects.²⁸⁶ Prior to this land sale, he made his money in Egypt by mass producing television sets and home appliances for the American company Phillips. However, he was personal friends with Hosni Mubarak, which is why he was able to purchase the land below market price. Needless to say, Dream Land failed to attract many residents, and Bahgat had problems paying back the low interest loans he received from public banks. In another pertinent example, Hussein Salam's company East Mediterranean Gas was given the rights to mine for gas and export it to Israel after the 1993 Oslo Accords by Hosni Mubarak and then Minister of Petroleum Sameh Fahmy.²⁸⁷ Salem received the contract because he was close friends with Hosni Mubarak. Both of them worked together in the late 1970's and early 1980's on the importing of weapons from the American government with the aid money given to Egypt after 1979.²⁸⁸ Salem though had no experience in the oil industry, and his company East

²⁸⁶ Mitchell, Ibid.

²⁸⁷ Ahmed, Nadia. "The many trials of Mubarak's men," <http://www.madamasr.com/sections/politics/show-me-money-many-trials-mubaraks-men>, January 25, 2015.

²⁸⁸ Elmeshad, Mohamed. "Controversial gas-to-Israel deal back in the spotlight," <http://www.egyptindependent.com/news/controversial-gas-israel-deal-back-spotlight>, April 24, 2011; and Youssef, Abdel Rahman and Mohamed al-Arabi. "The State of Sinai: Backyard for Business Bandits," <http://english.al-akhbar.com/node/11355>, August 10, 2012.

Mediterranean Oil earned a profit only because of extensive state subsidization. He ended up selling gas to the Israelis under market price in exchange for kickbacks; several years later, the state stepped in to buy the company for a very generous price. The government lost 4.2 billion Egyptian pounds from the shady deal, but Hussein Salem personally made 2 billion in profits. Many real estate projects, tourist resorts, industrial parks, and land reclamation schemes suffered because the state turned over projects to people who had little experience in these fields.

Furthermore, bureaucracies have often distributed land in the new towns in a chaotic and disorganized manner to strengthen cliental networks at the expense of urban development. Since 1991, this problem has grown worse as the state has used the sale of desert land to co-opt businessmen into the regime and increase the amount of financial support from allies in the Arab Gulf. Over time, the land sales have grown larger. Normally, good urban planners design cities in different phases so that development first takes place at the center of the city and grows outward from there. In order to create a vibrant urban network, dense population concentration is needed first. If real estate is built over too large an area in a rapid manner, populations will become sprawled. The government should not allow developers to build new real estate until older projects have been completed and a substantial number of people have actually moved into the new homes. This is not what happened in Egypt's desert cities. Instead, the state periodically expanded the size of new towns before older projects were completed and populated. Also, developers often bought large tracts of land, and then took years to finish projects as they struggled to raise sufficient capital to finish them on time. When looking at these

cities on Google Maps, it is easy to see how construction projects are sprawled.²⁸⁹ While traveling in the new towns, on the desert roads, and on the coastal highways, one can also see the remnants of many unfinished projects that have either been put on hold or cancelled. The end result of these problems with land allocation led to the decentralization of populations throughout the new towns and the loss of billions of dollars in public revenue.

It was not only in the desert where the state faced problems with land allocation. The very existence of the informal communities exemplify how the state was not properly overseeing the distribution of the country's territory.²⁹⁰ The fact that two thirds of Greater Cairo's population were able to acquire land in informal communities—often by bribing government officials—shows that the state not only had problems with grand corruption, which is the abuse of power by the political elites for personal gain, but petty corruption at every level of the bureaucracy. Low-level bureaucrats such as court officials, who are paid very low wages, often supplement their incomes by doing favors for family and friends in exchange for kickbacks. This includes notarizing *'Urfi* contracts for informal land sales that were technically illegal. This is how many residents of informal communities semi-legally bought farm land and constructed homes.²⁹¹ Local police were often bribed as well to look the other way as homes were being constructed. Small and medium sized real estate companies were also able to illegally purchase land and construct apartment complexes in places where the New Urban Communities Authority had no intention of establishing real estate projects. Along the Ring Road on the outskirts of

²⁸⁹ "Google Maps: New Cairo,"

<https://www.google.com.eg/maps/place/New+Cairo+City,+Cairo+Governorate/@30.0448106,31.44294,21946m/data=!3m1!1e3!4m5!3m4!1s0x145822cfffcd270e7:0x98b73d687889fd8!8m2!3d30.007413!4d31.4913182>, October 22, 2016.

²⁹⁰ Tarbush, Nada. "Cairo 2050: Urban Dreams or Modernist Delusions?" *Journal of International Affairs*, 65(2), Spring/Summer, 2012: 171-86.

²⁹¹ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. In chapter four, David Sims discusses the phenomenon of quiet encroachment.

Cairo on both sides of the Nile River, speculative housing projects are appearing that were not officially approved by the NUCA. The most embarrassing example of this phenomenon are the apartment complexes that are now encircling the Pyramids on the outskirts of Giza. These unplanned communities contributed to the decentralization of populations in the desert as the poor and the middle class were given the choice to build their own apartment complexes closer to the places where their families lived and worked in the Nile River Valley.

Chapter Eight: The Design of Desert Projects

Land allocation was not the only problem that the government had with planning. Desert cities also suffered from the way in which they were designed by the public and private sectors. Public officials and businessmen who were allocated desert land for development normally planned projects behind closed doors without feedback from the rest of the population.²⁹² They were biased towards Western models of urban development thus making the new towns unaffordable for the majority of the population. It is common for the state to suddenly announce the start of a project often to great fanfare and without any public debate. This was the case with President Sisi's decision to build the new capital.²⁹³ Unfortunately, people who live in informal communities cannot form their own NGO's and send representatives to lobby for their interests either in parliament or at conferences on economic development. Only the elite can seriously participate in these discussions over the design of desert cities and housing.²⁹⁴ Even

²⁹² "Urbanization, informal areas, and the new cabinet," <http://www.madamasr.com/opinion/politics/urbanization-informal-areas-and-new-cabinet>, 2015.

²⁹³ Shiavenza, Matt. "Egypt's new Potemkin capital," <http://www.theatlantic.com/international/archive/2015/03/egypt-to-build-a-potemkin-capital/387826/>, March 15, 2015.

²⁹⁴ For a book about problems with top-down planning by the Egyptian elites, see Mitchell, Ibid.

institutions that claim to represent the interests of the informal communities are funded and managed by the elite. Such is the case with the Ma'an Organization for Slum Development, which is managed by a joint partnership between the American University in Cairo and the owner of Mountain View Real Estate, Ismail Soliman, who also runs a real estate academy for the university.²⁹⁵ Not coincidentally, Soliman has publicly supported the government's plans for more construction projects in the desert.²⁹⁶

Since planning was an affair dominated by the elites, the inspiration for most of these projects came from suburban models of urban development and architecture found in the United States, Europe, and the Arab Gulf.²⁹⁷ Many projects were also inspired by Egypt's Belle Époque neighborhoods as a large proportion of the elite continue to live in the downtown area, Ma'adi, Heliopolis, and Zamalek.²⁹⁸ In some cases, city planners, architects, engineers, and landscapers were from the West. Public officials and Egyptian businessmen often outsourced the design and construction of their projects to foreign companies. For example, Talat Mostafa Group has given contracts to several Italian architecture and engineering firms to design their gated communities.²⁹⁹ In addition, many of Egypt's real estate developers and planners received at least some of their education abroad or at a foreign accredited school within Egypt. The American University in Cairo is usually the school of choice for wealthy liberal-arts students.³⁰⁰ A quick look at the board of directors of these companies show that many members of their board,

²⁹⁵ "Egypt's strategy for dealing with slums,"

<http://schools.aucegypt.edu/Sustainability/CSD/Documents/Community/AUC%20Report%20web%20file%202020-2.pdf>, 2014.

²⁹⁶ Al-Aees, Shaimaa. "Mountain View studies listing on EGX in 2017: CEO," <http://www.dailynewsegypt.com/2015/06/21/mountain-view-studies-listing-on-egx-in-2017-ceo/>, June 21, 2015.

²⁹⁷ Sadek, Ibid.

²⁹⁸ Singerman, Ibid; Also see "Egypt," *U.S. Aid*, <https://www.usaid.gov/egypt>, 2016.

²⁹⁹ "Talaat Mostafa Group Holding," <http://new.talaatmoustafa.com/>, 2016.

³⁰⁰ "A campus where unlearning is first," http://www.nytimes.com/2010/05/06/world/middleeast/06cairo.html?_r=0, May 5, 2010.

who are often related to the founder of the company, also received some of their education at AUC. Others studied abroad in the West. Such was the case with landscape designer Dr. Maher Stino, whose company Sites International designed over 30 major landscaping projects throughout the country including AUC's new campus.³⁰¹ Most of the company's projects have been located in the desert. Like many other architects, engineers, interior designers, and landscapers, Stino's company designed their projects based on Western conceptions of suburban development. Some of the planners were also influenced by American suburban trends through their experiences traveling and working in the Arab Gulf where Western-style cities were being constructed due to the oil boom that had begun there in the 1970's.³⁰² For example, Hussein Salem spent a considerable amount of time in the Gulf in the 1970's before developing projects in Egypt. Many of the investors in these projects were also multi-national companies from the West and the Gulf as can also be seen in Table 3.³⁰³ The royal families in Saudi Arabi, Kuwait, and the UAE invested billions of petro dollars into Egypt's real estate market.³⁰⁴ In fact, the new town Sheikh Zayed is named after the now deceased Emir of Dubai due to his country's extensive investments into desert development projects. Investors also included wealthy Egyptians and Arabs who were enamored by Western models of urban development due to their own experiences working and traveling abroad. Planners have naturally tailored their projects to the tastes of their investors.

³⁰¹ "Sites International," <http://www.sitesint.com/>, 2016.

³⁰² "Egypt's capital: art deco to desert skyscrapers," <http://english.ahram.org.eg/WriterArticles/NewsContentP/1/125623/Egypt/Search.aspx?Text=%20new%20administrative%20capital>, March 19, 2015.

³⁰³ Fishman, Robert. "The Fifth Migration," in *Readings in Urban Theory*, edited by Susan S. Fainstein and Scott Campbell. Wiley-Blackwell Publishing: Oxford, 2011, 73-89; and Sadek, Ibid, 153-190.

³⁰⁴ Young, Karen. "The Gulf's entanglement in Egypt," <http://www.agsiw.org/the-gulfs-entanglement-in-egypt/>, April 25, 2016.

This is why we find in the new towns the staples of America's suburban lifestyle, which includes wide streets, extensive green space, and large homes.³⁰⁵ The gated communities grew more luxurious over time as the private sector and foreign companies came to dominate the design process after 1991. It also explains why these new towns were built a long distance away from Cairo. The country's wealthy minority wanted to separate themselves from the lower classes and avoid what they perceived as problems with overcrowding and pollution near the country's only major water resource.³⁰⁶ With the exception of a new town called the 15th of May, all of the other new towns in the desert are located over 30 kilometers away from the center of Greater Cairo.³⁰⁷ Real estate developers have used this distance as a major selling point to wealthy investors while marketing their projects.

Why exactly is this a problem? For one, this bias in urban design created numerous spatial problems. Building cities too far away from a steady supply of labor and markets for consumption raised the cost of production for factory owners and the cost of consuming goods for residents. It did not help matters that space in business districts was often reserved for multi-national companies that sold imported luxury products for the wealthy. This is why most Egyptians are not able to afford the cost of food and merchandise in the new towns. As Timothy Mitchell eloquently stated fifteen years ago:

"A 'Value Meal' at McDonald's cost more than the day's pay of most workers. A family outing to Dreampark, the entertainment complex under construction at Dreamland, would consume a fortnight's average wages. A pair of children's shoes at MM's fashion stores might exceed the monthly pay of a school teacher. The Ahram Beverages Company, which produced soft drinks, bottled water, and beer, calculated its potential market (including expatriates and tourists) as just six million in a country of more than sixty million."³⁰⁸

³⁰⁵ Sadek, Ibid.

³⁰⁶ Singerman, Ibid.

³⁰⁷ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid, 65-116.

³⁰⁸ Mitchell, Ibid, 285-86.

The majority of Egyptians can neither afford the price of shopping in most of the business districts of the new towns nor can they afford the cost of services like private education.

The spatial designs of these cities also creates problems with transportation. The lack of population density and the wide suburban streets made establishing a public transport system very expensive, and in some areas, impossible to maintain. Zoning in most parts of the new towns also forbids people from starting businesses in residential areas. As a result, people have to commute long distances without public transport in order to work or shop for food. This is why cars and private taxis are needed to travel within most parts of the new towns. While this might not be a problem for a majority of Americans, it is a problem in Greater Cairo where only 14.9 percent of families own a car. Very few Egyptians can afford paying the exorbitant costs for a personal vehicle. The high costs of transport made it so that lower classes could not afford to live in most of the desert communities.³⁰⁹

The large size of homes also has created problems. The average living space found in non-subsidized homes in the new towns is over 100 meters squared. In the two charts below, we can see that only Egyptians in the top ten percentile could possibly afford the average costs of a down payment and the monthly installments on an average home in the new towns:

Expenditure Brackets		Household Consumption 2012/2013 (LE)	
Quintiles	Deciles	Yearly	Monthly
5 th Richest	90-100%	42,789	3,566
	80-89.9%	28,646	2,387
4 th Upper Middle	70-79.9%	26,195	2,183
	60-69.9%	24,647	2,054
3 rd Middle	50-59.9%	23,097	1,925
	40-49.9%	22,000	1,833
2 nd Poor	30-39.9%	20,858	1,738
	20-29.9%	19,709	1,642
1 st Extremely Poor	10-19.9%	18,290	1,524
	Bottom 10%	15,025	1,252

³⁰⁹ Simms, Ibid, 139-68.

	Price per m ²	Price of unit (assuming size 100 m ²)	Downpayment	Payment during 1 st year	Remainder paid over 16 quarterly payments	Monthly payment
10 th Ramadan	2,700	270,000	54,000	30,000	11,625	3,875
Obour	2,900	290,000	58,000	30,000	12,625	4,208
Sherouk	3,100	310,000	62,000	30,000	13,625	4,542
New Demietta	3,700	370,000	74,000	30,000	16,625	5,542
New Cairo	3,900	390,000	78,000	30,000	17,625	5,875
6 th Oct	3,400	340,000	68,000	30,000	15,125	5,042
Badr	2,550	255,000	51,000	30,000	10,875	3,625
Sadat	2,550	255,000	51,000	30,000	10,875	3,625

Chart 3: Real Estate Prices³¹⁰

The average cost of a home in the formal areas of Cairo, including the new towns, was over 100,000 pounds in 2010. In addition, there are only a small handful of mortgage companies, and each company has a minimum monthly-earnings requirement of over 3,000 pounds to receive a loan for a home. As a result, only people who are in the top ten percentile in terms of average earnings have a sufficient salary to receive a home loan. This is why only approximately two to four percent of all homes in Greater Cairo have been built with bank loans.

Even the subsidized housing projects that the NUCA has constructed in the desert are too expensive for the average family in Cairo.³¹¹ Subsidized apartments are allotted based on a random lottery, which means that people cannot occupy entire apartment complexes with extended family and friends. This eliminates the potential to build valuable social networks in these new towns that many in Egypt depend on to survive. In informal communities, poor families usually can afford to buy land and construct their own apartment complexes because extended families are able to pool their resources together, but this is not possible with

³¹⁰ "Egypt's new cities: neither just nor efficient," <http://www.tadamun.info/2015/12/31/egypts-new-cities-neither-just-efficient/?lang=en#.V--1gfB9600>, 2015.

³¹¹ "Egypt housing minister supports affordable housing expansion," <http://english.ahram.org.eg/NewsContent/3/12/98527/Business/Economy/Egypt-housing-minister-supports-affordable-housing.aspx>, April 8, 2014.

subsidized housing. Moreover, most of the subsidized housing projects in the new towns are built in places where a resident needs a car for transportation. As David Sims notes, public housing is too often designed for supply rather than demand. These problems with housing and transport limited the pool of people that could potentially move into the satellite cities. This explains the high vacancy rates.

In comparison, the average cost of purchasing land and constructing building in the informal areas is approximately 40 thousand pounds, and the average apartment size in Greater Cairo is approximately 70 square meters.³¹² Rent prices are also incredibly cheap in the informal areas as they only cost 200 Egyptian pounds a month or a little less than 30 dollars as of 2010. Urban life in the Nile River Valley was simply too attractive for most of Cairo's inhabitants. Dense population concentrations meant the cost of transport was cheap, and tighter urban clustering lowers the costs of production and consumption.³¹³ As a result of the dense population concentration around a single river, it is relatively easy to build a system of roads to interconnect the country's urban settlements. In most places along the Nile, building an infrastructure for transporting goods and providing government services only requires a few vertical roads on each side of the river to interconnect most of the population. Public transport networks like the metro lines in Greater Cairo, the tram system in Alexandria, and the national railway system were relatively cheap to construct and are still relatively inexpensive to maintain. For those who live in the Greater Cairo area, it costs one Egyptian pound or approximately ten cents to travel anywhere in the city on the country's subsidized Metro line. Using the informal microbus systems

³¹² Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. In Chapter four, Simms compares the average price of homes in the new towns and in the informal areas. He also explains the problems with subsidized housing.

³¹³ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. In chapter four, Sims discusses why so many residences of Cairo are attracted to the informal areas.

and tuktuks is also inexpensive due to dense population concentration as most short trips in any given city cost no more than a couple of Egyptian pounds.³¹⁴ Moreover, a train ticket from Cairo to Alexandria as of 2016 only costs 35 Egyptian pounds or approximately three dollars and fifty cents. Many Egyptians can live in even cheaper housing in the delta and commute to Cairo using micro busses, public boats, and the railroad. In contrast, living in the sprawled suburban projects in the middle of the desert is too expensive for the average person. When construction companies, businesses, and schools need cheap labor, they are usually forced to bus them in from the Nile River Valley; in the case of tourist resort owners, they usually provide housing for their seasonal workers.

The long distances from the Nile also created numerous problems for agricultural reclamation projects. Part of the problem is that reclamation schemes depend on the Nile River for most of their water.³¹⁵ Egypt is located in the northeast corner of the African continent, which means it is almost completely consumed by the desert. With the exception of a narrow patch of land that stretches along the northern coast that receives a paltry 200 millimeters of rain each year, the rest of Egypt receives almost no precipitation. The light rains on the northern coast are only sufficient enough for nomadic herding. Historically, this has left the people of the country dependent on the Nile River, which supplies over 95 percent of the country's water needs. Most of the rest is supplied by five relatively small oases in the western part of the country, which sit atop an aquifer that is not renewable.³¹⁶ Outside the river valley, water is a rare commodity. The Suez Canal cities, most agriculture reclamation projects, and almost all of the desert new towns,

³¹⁴ Vignal, *Ibid*, 99-151.

³¹⁵ "USAID Country Profile: Egypt," http://www.land-links.org/wp-content/uploads/2016/09/USAID_Land_Tenure_Egypt_Profile-1.pdf, 2010.

³¹⁶ Werr, Patrick. "Making the most of Egypt's subterranean sea," <http://www.thenational.ae/business/economy/making-the-most-of-egypts-subterranean-sea>, December 2, 2015.

despite their considerable distances from the Nile, depend on long canals and pipelines connected to the river to supply them with water. The only major exception is the tourist resorts on the coasts of the Red Sea and the Mediterranean, which use desalination plants that convert salt water from the ocean to potable drinking water. However, this is an energy intensive process. According to Peter Gleick of the Pacific Institute, desalination “can cost from just under \$1 to well over \$2 to produce one cubic meter (264 gallons) of desalted water from the ocean...But switch the source to a river or an aquifer, and the cost of a cubic meter of water can plummet to 10 to 20 cents, and farmers often pay far less.”³¹⁷ Currently, the cost of desalination is too expensive for the great majority of Egypt’s citizens, so fresh water resources from the Nile remain the only viable option for the foreseeable future. Unfortunately, a lot of water is lost to evaporation with reclamation projects in the desert due to the long distances from the river, and the price increases as the distance from the river grows. These factors raised the cost of growing food and supplying drinking water to desert cities.

The nature of the Nile River Valley has also obstructed the government’s attempts to irrigate the rest of the desert. Over the 10,000 years, the flow of the Nile has created a large valley in the bedrock of the Sahara that extends from the first cataract at Aswan and tapers right before the start of Delta at the northern edge of Cairo. The valley in most places is over 200 meters deep.³¹⁸ Prior to the introduction of modern irrigation techniques in the last two centuries, farming outside of it was impossible in most areas of the desert. This is why the great majority of settlements in Egypt historically are found inside the valley. Even with the

³¹⁷ Gleick, Peter. “Why don’t we get our drinking water from the ocean by taking our salt of the seawater,” Scientific American. <http://www.scientificamerican.com/article/why-dont-we-get-our-drinking-water-from-the-ocean/>, July 23, 2008.

³¹⁸ El-Nahrawy, Mohamed. “Country Pasture/Forage Resource Profile: Egypt,” <http://www.fao.org/ag/agp/agpc/doc/counprof/egypt/egypt.html>, 2011.

introduction of modern irrigation technology in the last two centuries, agriculture outside the river basin is still difficult. Most desert projects south of the Delta require water to be pumped uphill over 300 meters to reach reclamation projects, which consumes a significant amount of energy and money for infrastructure. Elevations grow the farther one moves from the Nile River Valley. This leads to increased costs for reclamation schemes and drinking water for the new towns south of the Delta.³¹⁹ This also is the reason why many new towns like New Cairo experience frequent problems with water pressure and water shortages.

Another complication created by Egypt's geography is the major differences in the quality of the soil within and outside the Nile River Valley.³²⁰ Prior to the completion of the High Dam in 1970, the river flooded during the summer months due to seasonal rains in the highlands of Ethiopia. When the river receded at the beginning of the fall, it washed away the salts in the soil and deposited a new layer of black silt. The flow of the river also replenished annually the aquifer that lies underneath the valley, which people can still use for drinking water and irrigation. In the fall, farmers planted their crops, and they harvested them in the spring before the coming of the flood in the summer. Over thousands of years, the soil within the valley was treated with sediment by these floods making it highly fertile for agriculture. However, the lands outside the Nile River Valley consist mostly of hard clays that are either unsuitable for farming or require extensive amounts of treatment using fertilizers and modern irrigation methods. The high-salt content in many parts of the desert makes much of the land worthless in terms of food production. This is what derailed many of the reclamation schemes at Tuskha. Furthermore,

³¹⁹ Werr, Patrick. "Egypt's land reclamation plan should heed history," <http://www.thenational.ae/business/economy/egypts-land-reclamation-plan-should-heed-history-lesson>, October 14, 2015.

³²⁰ El-Nahrawy, Mohamed. "Country Pasture/Forage Resource Profile: Egypt," <http://www.fao.org/ag/agp/agpc/doc/counprof/egypt/egypt.html>, 2011.

while much of the misused water in the Nile River Valley sinks right back into the aquifer and can be recycled, any water that is misused in the desert is gone forever.

To make matters worse, approximately 90 percent of Egypt's share of the Nile River water is already being used on older farms in the valley, which means that continued desert development will lead to problems with water shortages.³²¹ Moreover, as more water is taken from the Nile to the deserts outside the valley, the Nile River Valley's water table will become increasingly salinized, which will hurt productivity. It is a zero-sum game. This problem will grow even more acute as developing countries like Ethiopia in the south continue to use larger shares of the Nile waters for drinking water, food, and hydroelectric power. These problems with water evaporation, elevation, soil quality, and long distances from consumer markets and labor hurt profit margins and incentivized businessmen to invest in orchard agriculture and capital intensive production methods.

Despite the spatial problems noted above, Egypt's geography by itself is not a sufficient variable to explain the failure of these projects to depopulate the Nile River Valley. Prior to the 1970's, there are several examples of urban-development schemes in the desert that had a considerable amount of success. This includes the Suez Canal cities and the suburb of Heliopolis.³²² There are vast differences between these past urban-development schemes and the current desert projects. For one, Heliopolis was only built three kilometers from Cairo, and a tram was immediately built to connect the new suburb with the capital; meanwhile, most new towns are located over 30 kilometers from the river and public transport options are not available

³²¹ Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid, 35-63. Simms describes the major agricultural reclamation projects conducted in the desert over the last fifty years. In chapter four, Simms discusses Egypt's limited water resources.

³²² Sims, David. *Egypt's Desert Dreams: Development or Disaster*, Ibid.

in most locations. Furthermore, Heliopolis was well planned. New areas of the suburb were not constructed until earlier phases were completed and people moved into the new homes. Heliopolis was also the only desert city built in the early 1900's; it was not one of 30 new towns. As for the Suez Canal cities, they were built adjacent to a canal where ships from different parts of the world traverse in one location. It is a natural place for trade and industrial development. Furthermore, Heliopolis and the canal cities are located north of where the river valley comes to an end to the east of the delta, which makes it considerably easier to build canals and supply these cities with fresh drinking water. Meanwhile, many of the new towns, like the 6th of October and New Cairo, are located south of the delta where providing water requires more energy. One has to wonder why the government did not invest more into the canal cities and build on preexisting urban infrastructure instead of constructing entirely new towns if they were so eager to depopulate the Nile River Valley.

Furthermore, several informal settlements that were built in the desert on the immediate outskirts of Greater Cairo since the 1970's, such as Manshiyet Nasr, have attracted far greater populations than the government's desert cities. These informal towns were built adjacent to the city and not 30 kilometers away. Informal agricultural-reclamation projects adjacent to agricultural plots on the Nile River Valley have also had far more promise than government planned projects in the middle of the desert precisely because of their proximity to the valley.

The problem with the state's plan to depopulate the Nile River Valley since the 1970's is not that new cities have been built in the desert, but the method by which they have designed their projects. Expanding east and west from the river will probably be necessary in the future, but it will require good governance in terms of land management and design. Geography

certainly affects the nature of urban development in Egypt and places restraints on the government, but it cannot be used as a scapegoat for the massive failures of Sadat's urban-development scheme.

Moreover, Egypt's planning problems cannot be blamed purely on Western influence. Some academics and journalists have scapegoated the West and globalization for Egypt's problems with urban planning—most notably, many of the writers of the book *Cairo Cosmopolitan*.³²³ There is an entire genre of academic work from the Marxist perspective on the effect of globalization on third-world cities.³²⁴ Much of this literature relies on very broad generalizations to blame the West for problems with urban development throughout the developing world while ignoring domestic political systems that contributed to problems with city planning.

On the one hand, there is no denying the impact of the West on Egypt's urban development since the 1970's.³²⁵ The suburban model emerged in the United States as a result of Ford's automobile assembly line, which made cars affordable to the average American. Middle and upper-class Americans were able to leave inner cities and live more lavish lifestyles on the outskirts of urban centers. Without having to worry as much about space, they were able to construct large homes, massive indoor shopping centers, and other staples of suburban life. Many construction, real estate, and retail companies came to specialize in providing for the various needs of suburban communities in America. It did not take long for these companies to expand their reach abroad and influence patterns of urban development throughout the

³²³ Singerman, *Ibid.* See also Harvey, David. *Rebel Cities: From the right to the city to the Urban Revolution*. Verso: London, 2013.

³²⁴ Fainstein, Susan S. and Scott Campbell. *Readings in Urban Theory*. Wiley-Blackwell Publishing: Oxford, 2011.

³²⁵ Fainstein, *Ibid.*

developing world. Since the late 1970's, the United States and other Western governments have had a great influence on Egypt's government through military and economic aid.

On the other hand, it is impossible to simplify Egypt's urban-development problems as one of Western businesses negatively influencing a developing country. First of all, many foreign government agencies, international organizations, and NGO's have criticized the design of Egypt's desert projects in the past. For example, USAID wrote numerous reports in the early 1980's advising the Egyptian government to spend more money on urban development in the Nile River Valley.³²⁶ Since then, there has been no shortage of criticism for these projects from foreign academics, journalists, and international institutions.³²⁷ USAID and other aid organizations from Western Europe and Japan have also spent a considerable amount of their own resources investing in urban and agricultural-development projects in the Nile River Valley. In addition, almost no foreign entrepreneur can operate in the country without having an Egyptian business partner who has close connections with the Egyptian state, so it is not as if Westerners had free reign in the country to design projects without government approval. In most cases, Egyptian business partners had to own 51 percent of the joint ventures that were established.³²⁸ Lastly, not all developing countries experienced the same problems with urban development due to the influence of America's suburban model. Globalization has led to the spread of various types of Western models of urban development throughout the world, but it has affected developing countries differently based on domestic political, economic, social, and

³²⁶ "The National Urban Policy Study: Prepared for the Advisory Committee for Reconstruction Ministry of Development, Arab Republic of Egypt," *U.S. Aid*, http://pdf.usaid.gov/pdf_docs/PNAAR572.pdf, September 15, 1981.

³²⁷ For criticism of these projects, see books and articles written by Nada Tarbush, David Simms, and Eric Davis in the work cited. Also see the articles written by the twenty two writers of the book *Cairo Cosmopolitan*.

³²⁸ Kienle, *Ibid*; and Fahim, Kareem, Michael Slackman, and David Rohde. "Egypt's ire turns to confidant of Mubarak's son," http://www.nytimes.com/2011/02/07/world/middleeast/07corruption.html?_r=0, February 6, 2011.

geographic conditions.³²⁹ Although the extensive size and scope of the desert projects would not have not been possible without foreign consultation, capital and technology, it is the Egyptian government and their cronies in the private sector that were ultimately responsible for planning them. If the lower classes had proper representation within the Egyptian state, more money may have been invested into the Nile River Valley where the great majority of people actually live and work.³³⁰

Chapter Nine: The Management of Desert Projects

If land was allocated in a poor manner, projects were badly designed, and vacancy rates are currently high, why did Egypt's businessmen make profits from desert-development schemes, and why do they continue to promote them? The reason why is that the state heavily supported them with public revenue. Once desert land was distributed to businesses and projects were designed and built, the state heavily subsidized them. Regardless of the success of prior projects, government officials continued to sell land to the same companies and approve new desert schemes. Powerful individuals in parliament and the government ministries who were supporting these projects with public money were often the same people in the private sector making a profit off them. Furthermore, the subsidization of the housing market led to rampant real estate speculation in the desert as the country's upper class invested their savings into vacant homes.

³²⁹ Simone, Abdoumalig. *City Life from Jakarta to Dakar: Movements at the Crossroads*. Routledge: New York, 2010; and Jacquemin, Alain R.A. *Urban Development and New Towns in the Third World: Lessons from the New Bombay Experience*. Ashgate: United States, 1999.

³³⁰ Mitchell, *Ibid*.

The subsidies for desert projects came in many different forms. According to several investment laws, which included Law 79 of 1979, wealthy businessmen often received 10 to 25-year tax holidays for their reclamation schemes, factories, tourist resorts, and real estate projects, and they were able to import the goods that were needed to construct their projects without tariffs.³³¹ Even after these tax holidays ended, the government was notoriously inefficient in terms of collecting tax revenue. A great majority of the government's revenue still comes from a combination of oil exports, Suez Canal rents, foreign aid, tariffs, and the profits of public companies instead of taxes.³³² According to the NGO Tadamun:

Even without considering the political turmoil of the last few years, implementing a real estate tax law in Egypt is difficult, for a number of reasons. First, according to a 1997 study by economist Hernando de Soto, more than 90 percent of property transactions in urban areas were never formally recorded with the authorities, and as a result, the government does not know who owns what, and tax evasion is widespread. Second, the real estate tax is a very visible tax that has to be paid directly by taxpayers in periodic lump sum payments – unlike income tax, withheld at source, and the sales tax, paid with each daily purchase. This does not make the building tax popular, especially among powerful land-holding interests with ties to the military, large corporations, or foreign investors in Egypt, – which are the required to pay more as the building tax is inherently progressive – but also among middle-income Egyptians for whom property is among the most popular forms of long-term investment. The alignment of middle- and upper-income interests makes the building tax extremely unpopular. This explains why many constraints on the tax were introduced, in order to make the new law acceptable to the public.³³³

In other words, wealthy businessmen have used their political influence to prevent serious tax reform. There is another reason why most land owners are not taxed: it is incredibly expensive and difficult for an owner to register their land holdings with the country's bloated bureaucracies. According to the Arab-West Foundation, "In order to officially own a piece of land in the newly reclaimed areas in Egypt one has to go through 77 procedures, in 31 different offices, involving

³³¹ "Law of Investment Guarantees and Incentives & Its Executive Regulations," http://www.egypt-law.com/Investments_law.pdf, 1997; and Sims, David. *Egypt's Desert Dreams: Development or Disaster*. The American University in Cairo Press: Cairo, 2014, 139.

³³² Richter, Thomas. "The Political Economy of Regime Maintenance in Egypt: Linking External Resources and Domestic Legitimation," in *Debating Arab Authoritarianism: Dynamics and Durability in Nondemocratic Regimes*, edited by Oliver Schlumberger. Stanford University Press: Stanford, 2007: 177-193.

³³³ "What to expect from Egypt's new building tax law," <http://www.tadamun.info/2015/03/31/analysis-amendment-law-196-2008-property-tax/?lang=en#.WAIY9eB97IU>, August 19, 2014.

three different ministries. A procedure which, on average, takes between 6 and 14 years.”³³⁴ Due to bureaucratic corruption and an extensive amount of red tape, people who want to own land will usually sign informal *‘urfi* contracts to evade Egypt’s predatory bureaucracy and the taxes that go with official ownership. For these reasons, politically connected businessmen such as Naguib Sawiris, Rachid Mohamed Rachid, Mansour Amer, and Mohamed al Amin were implicated in tax evasion schemes.³³⁵ Regulatory institutions that are supposed to monitor land purchases and tax evasion are poorly funded and understaffed.

Crony capitalists also received very favorable bank loans that were not available to the rest of the population.³³⁶ In some cases, public banks were partial owners of construction and real estate companies. This was the case with Hussein Sabbour’s construction subsidiary Sabbour Group and his real estate company Al Ahly for Real Estate Development.³³⁷ The National Bank of Egypt owned a large minority stake in the businesses. Loutfy Mansour and Ahmed Maghraby were also part owners of Credit Agricole. If one of their projects had difficulty raising the necessary funding from investors, they could often count on their political connections and business holdings to receive access to low-interest loans.

Businessmen received other benefits due to their political connections. Government bureaucracies like the NUCA, the GARPAD, GAID, and the TDA sold land to developers without charging businessmen for the cost of the infrastructure that was built, and utilities were heavily subsidized. For example, in the 2014/2015 fiscal year alone, the government spent over nine

³³⁴ Johansen, *Ibid*, 9.

³³⁵ “Turning the page with businessmen is crucial to the economy,” <http://www.dailynewsegypt.com/2013/07/13/turning-the-page-with-businessmen-is-crucial-to-economy-expert/>, July 13, 2013.

³³⁶ Mitchel, *Ibid*, 272-303.

³³⁷ “Sabbour Group,” <http://www.sabbour.com/>, 2016; “Al Ahly for Real Estate Development,” <http://www.alahly.com/>, 2016; and “Credit Agricole seizes the assets of business tycoon Yaseen Mansour,” <http://english.ahram.org.eg/NewsContentP/3/7216/Business/Credit-Agricole-freezes-the-assets-of-business-tyc.aspx>, March 7, 2011.

billion dollars to lower the cost of energy.³³⁸ These subsidies on energy disproportionately benefited the elite. In addition, many projects were funded with the help of international aid from the United States, Europe, Japan, and the Gulf. The American University in Cairo's luxurious new campus, which cost over 400 million dollars to construct, would not have been possible without USAID and the money donated by the Saudi Royal Family.³³⁹ Since 1978, USAID alone has given Egypt over 30 billion dollars in development aid, and much of that money was spent in the desert.³⁴⁰

There is nothing necessarily wrong with subsidizing development projects with cheap land, tax breaks, low interest loans, foreign aid, and cheap utility bills as long as the money is targeted at specific businesses that have the potential to contribute to economic growth in the future. Furthermore, subsidies need to be removed once a company is earning enough profits to compete against domestic and foreign competition without state assistance. The threat of subsidy removal will encourage businesses to become more efficient. However, in Egypt, the government did not do a good job of picking winners and losers or removing subsidies when needed; instead, public resources were allotted based on political connections and often without justification. This had a detrimental effect on competition. For example, while industrial exports did grow modestly from 1980 to 2011, factories were heavily dependent on state subsidization and the tariff free importing of equipment and mass produced goods from abroad to be able to stay in business. According to Amr Adly, part of what stifled the development of industrial

³³⁸ "Energy subsidy country update: assessing Egypt's energy subsidy reform," https://www.iisd.org/GSI/sites/default/files/ffs_egypt_update_august_2014.pdf, 2014.

³³⁹ "New Cairo Campus," <http://www.aucegypt.edu/about/visitor-information/new-cairo-campus>, 2016.

³⁴⁰ "Egypt," <https://www.usaid.gov/egypt>, 2016.

exports was the state's failure to send the right signals to the business community.³⁴¹ This encouraged inefficiency. As a result of state subsidization, many owners of gated communities, factories, tourism resorts, and agricultural reclamation projects did not have to be very efficient or productive to make a profit. The end result was the excessive construction of housing, hotels, factories, and agricultural reclamation projects in the desert by entrepreneurs with close connections with the regime.

The subsidization of desert projects also created problems with real estate speculation. Since there are no land taxes and property taxes are very low and rarely collected, wealthy real estate speculators were incentivized to buy multiple properties. Once land was purchased, investors were able to sit on their properties for decades without incurring much cost due to the lack of efficient tax collection.³⁴² In response to pressure from the opposition in parliament, the government did periodically try to pass laws to curb the worst excesses of land speculation, but little came of it. For example, a law was passed in 1998 to force people who invested in property in the new towns to build a home within three years on the land they purchased. However, many people got around the problem by only building the outer walls of the villas and apartment complexes while leaving the inside mostly empty. The new towns are chalk filled with the shells of empty villas with "for sale" signs dotting the facades of the buildings.

The political elites lacked the incentives to halt these desert development projects for several reasons. For one, construction companies and factory owners who produce building materials made a profit regardless of the success or failure of the projects they were contracted

³⁴¹ Adly, Amr. *State Reform and Development in the Middle East: Turkey and Egypt in the Post-Liberalization Era*, Ibid.

³⁴² Shawkat, Yehia. "Egypt's deregulated property market: a crisis of affordability," <http://www.mei.edu/content/at/egypts-deregulated-property-market-crisis-affordability>, March 5, 2015.

to build. As can be seen in Table 2, almost all of the crony capitalists were in one way or another connected with the construction industry and the production of construction materials and home furnishings. Despite the problems with desert development, these companies and their foreign partners have the incentives to continue promoting construction projects because their companies will make money no matter what happens. The bigger the project, the more profits they will make. Furthermore, over eight percent of the population was employed in construction by the 2000's. Curbing the excessive amount of construction would have led to problems with structural unemployment. Since these crony capitalists had a lot of influence on the political system from 1991 to 2011, government officials were not incentivized to make serious reforms.

For real estate developers who depended on selling homes to Egyptian families and Gulf investors to make a profit, making money was more difficult. Real estate markets are prone to fluctuation as international investment waxes and wanes. For example, Egypt's real estate markets had downturns following the 1998 East Asian financial crisis, America's dot com bust after 2002, the burst of the global housing market in 2008, and after the revolution in 2011. However, real estate companies were still incentivized to continue promoting these projects despite high vacancy rates and the occasional downturns in investment. The reason why is that many Egyptians who work abroad and send money back home in the form of remittances have decided that investing their money in housing was a far safer investment than putting their money into banks where inflation would depreciate their savings or into an unpredictable stock market.³⁴³ Therefore, Egyptian families in the top ten percentile have invested much of their

³⁴³ Essam, Shahd. "After weathering the revolution, Egypt's real estate sector slows," <http://www.madamasr.com/sections/economy/after-weathering-revolution-egypts-real-estate-sector-slows>, October 28, 2015.

capital into multiple apartments, villas, and chalets. This has caused real estate prices to skyrocket in New Cairo and the 6th of October. According to the real estate company SODIC, which was formerly owned by Alaa Mubarak's father-in-law and his Lebanese business partner Solidere, as much as forty percent of real estate investors in the new towns have no intention to live in them at any point.³⁴⁴ They intend either to resell the property or pass it down to their children in the future.

Real estate developers are very much aware of this phenomenon and aggressively market their products to wealthy Egyptians and foreigners even as they make false claims to Egypt's media outlets that the main goal of these projects is to provide housing for Cairo's poor. For example, Mounir Ghabbour justified his New Cairo real estate project Mirage City as being necessary for supplying housing for Greater Cairo's growing population of poor urbanites; meanwhile, the hotel rooms, villas, and the golf course in this gated compound are only affordable for the wealthy.³⁴⁵ They have not even bothered hiding the two faced nature of these projects. Many real estate developers such as SODIC have placed their sales pitches online to potential investors, and they clearly state that wealthy Egyptians and foreign investors are their main clients.³⁴⁶ This is why advertisements for desert real estate are almost always found in places where Egypt's wealthy elite will see them such as on highway billboards, television commercials, and internet websites and why they are not found in informal communities or on the metro line where the great majority of Egyptians actually live and commute to work. Large amounts of land in the new towns are even reserved for Egyptians living abroad who want to

³⁴⁴ "Eastown & Westown Egypt," <http://www.slideshare.net/HossamAbdelbary/solidere-53221064>, 2008.

³⁴⁵ "Interview with Mr. Mounir Ghabbour," <http://www.winne.com/egypt2/to02interview.html>, June 3, 2000; and "Mirage City Residential Community," <http://www.sitesint.com/projects/mirage-city-residential-community/>, 2015.

³⁴⁶ "Eastown & Westown Egypt," *Ibid*, and

invest in real estate projects. One of these government programs is called Beit al Watan.

According to Housing Minister Moustafa Madbouly:

The Ministry of Housing was able to provide U.S. dollar resources through offering land to Egyptians abroad through the Beit al Watan project. Exactly 4,788 pieces of land were booked in the project's third phase in 6th of October city, New Cairo, New Damietta, Sheikh Zayed, Badr, New Assiut, New Qena, and New Aswan. The ministry is also collaborating with the Ministry of Immigration to offer a new phase of the Beit al Watan project. This phase will include our kind share in Madinaty and Rehab Districts in New Cairo. The most recent offering of Beit al Watan lands include 3,000 land plots, 2,000 of which are in New Cairo, next to 2,568 units in Madinaty and Rehab.³⁴⁷

In the same interview, Madbouly also claims that the regime is making great efforts to minimize real estate speculation. One wonders how most of these wealthy Egyptian investors living abroad will also simultaneously occupy these homes.

While most real estate projects fail to attract a significant number of permanent residents, speculators are often quick to invest in the property with the hopes of reselling. Therefore, real estate developers have plenty of incentives to continue promoting projects despite the high vacancies. Most of the crony capitalists listed in Table 2 have subsidiaries and foreign partners that manage gated communities, tourist resorts, and advertising companies. Some of the most prominent of these are Talaat Mostafa Group, Orascom, Ahly Real Estate, Emaar Properties, and Palm Hills Development.

Government subsidies are not only creating the conditions for a speculative real estate market in the desert but are also encouraging most of Greater Cairo's population who live in informal communities to stay where they are. The government subsidization of transportation and food as well as the fixing of rent prices made the cost of living very cheap in the informal communities over the last three decades. Even people who can afford to move to the new towns

³⁴⁷ Darwish, Mohamed. "Ministry seeking to overcome slow growth in real estate sector in past years: Mostafa Madbouly," <http://www.dailynewsegpt.com/2016/09/26/ministry-seeking-overcome-slow-growth-real-estate-sector-past-years-mostafa-madbouly/>, September 26, 2016.

are not incentivized to do so. Past government attempts to evict residents and cut these subsidies also have been met with popular backlashes due to the national populist social pact that was created during the Nasser Era, so the state has been hesitant to do anything about the problem. Even if the state had the institutions and the popular support to tear down the informal communities in Greater Cairo, it is no longer possible. Evicting over 11 million people would be an insurmountable task for any government. Despite the authoritarian nature of the state, it is too weak to deal with these problems.

Chapter Ten: The Evaluation of Desert Projects

Although it is clear why the political elites have continued promoting Sadat's urban-development policy despite four decades of lackluster results, why was there a lack of popular resistance to these desert projects for so long? The answer to this lies in problems with voice and accountability. Those who benefited from desert projects controlled linkage institutions like the media, schools, universities, and elections that connected people with the state. They used these linkage institutions to convince many people that these projects were doing better than they actually were. Furthermore, they co-opted a minority of citizens who benefited directly from these projects by providing jobs in construction, real estate management, tourism, industry, and agriculture. Lastly, for those who did try to speak out, the government used a mix of co-optation and coercion to control the opposition.

Media controlled by the state and their loyal allies in the business community have used their influence over the country's political discourse to promote these projects and discourage dissent. Several crony capitalists even created their own satellite television stations for the

exclusive purpose of saving money on advertisements for their real estate endeavors.³⁴⁸ This was the case with Ahmad Bahgat's Dreamt TV, Orascom's ONTV, and Hassan Rateb's Mehwar. These television stations, radio stations, and newspapers frequently create news reports on the success of desert projects by touting the amount of construction that has taken place. "Interviews" with the developers of real estate and tourist resort projects are often little more than opportunities for businessmen to advertise new development projects and encourage investors to buy property.³⁴⁹ Commercials and newspaper advertisements for real estate projects are also frequently used by both public and private-media outlets.

State media was also used to promote desert projects to improve the image of the military regime, and media outlets frequently used inflated statistics and grandiose rhetoric in the process. The announcements of mega projects like new desert towns, large agricultural reclamation projects such as Tuskha, Sisi's widening of the Suez Canal, and the decision to build a new capital have all been used to create the image of the regime as a developmental state.³⁵⁰ The government has created billboards, documentaries, and even songs to promote them.

³⁴⁸ See Fandy, Mamoun. (Un)civil War of Words: Media and Politics in the Arab World. Praeger Security International: Connetcticut, 2007; and Sadek, Ibid, 153-190.

³⁴⁹ For examples, see Al-Aees, Shaimaa. "Mountain View studies listing on EGX in 2017: CEO," <http://www.dailynewsegypt.com/2015/06/21/mountain-view-studies-listing-on-egx-in-2017-ceo/>, June 21, 2015; Aggour, Sara. "North Coast project launch targeted for next summer, EGP 1bn expected in revenues: Omar Dora," <http://www.dailynewsegypt.com/2015/09/08/north-coast-project-launch-targeted-for-next-summer-egp-1bn-expected-revenues-omar-dorra/>, 2015; "Egypt," <http://www.theworldfolio.com/files/file/report-563b30ea8496b.pdf>, November 5, 2015; and "Interview with Mr. Mounir Ghabbour," <http://www.winne.com/egypt2/to02interview.html>. El Madany, Sherine. "SODIC plans contemporary downtown for Egypt," <http://www.dailynewsegypt.com/2008/02/06/sodic-plans-contemporary-downtown-for-egypt/>, February 6, 2008. Shenker, Jack. "Desert storm: vast building sites are a legacy of Mubarak's corrupt regime. What will happen to these satellite towns now? Jack Shenker pays a visit," <https://www.theguardian.com/world/2011/jun/11/cairo-satellite-towns-future-egypt>, June 11, 2011.

³⁵⁰ For examples of news clips and documentaries, see "The Toshka Project," <https://www.youtube.com/watch?v=jumoUfwINbg>, 2006; "Tahya Misr Translated," <https://www.youtube.com/watch?v=8SEi7HEsKbg>, September 16, 2015; "Egypt New Capital," <https://www.youtube.com/watch?v=NoHomExhm8U>, March 5, 2015; and "First Video Explaining the Changes to the Egyptian Capital and the Building of a New Capital (Translated from Arabic)," https://www.youtube.com/watch?v=OwFDu_BGiKE, March 14, 2015. For examples of news articles, see "Construction of Egypt's New Capital City Kicks Off," <http://egyptianstreets.com/2016/04/02/construction-of-egypts-new-capital-city-kicks-off/>, April 2, 2016; "A Message to All: Egypt Prepares for New Suez Canal Opening Ceremony," <http://english.ahram.org.eg/NewsContent/1/64/136937/Egypt/Politics/-A-message-to-all-Egypt-prepares-for-new-Suez-Canal.aspx>, August 4, 2015; "Egypt to Prioritise (sic) Toshka, Minya, and Western Desert in Land Reclamation Projects," <http://english.ahram.org.eg/NewsContent/3/12/127784/Business/Economy/Egypt-to-prioritise-Toshka,-Minya-and-Western-Dese.aspx>, April 15, 2015; and "Egypt's Sisi Opens New Suez Canals, Says to Defeat Terrorists," <http://uk.reuters.com/article/uk-egypt-suezcanal-idUKKCNOQB1JW20150806>, August 6, 2015.

Simple events such as the holding of conferences to promote investment for these projects have been ridiculously touted as miracles. Average Egyptians have been encouraged to invest their own money in them as a sign of their patriotism. The fact that desert towns such as the 6th of October and the 10th of Ramadan are named after the starting date of the 1973 war—a conflict in which the state falsely claims that it won to its own people—shows the importance these projects have in terms of promoting the legitimacy of the military regime. The state has used these projects to increase their hegemonic domination over society.

Since these projects are tied into the legitimacy of Egypt's authoritarian regime, criticizing them in the media could have grave political consequences. The Ministry of Interior and the Ministry of Information have penalized media outlets in the past for stepping out of line in terms of criticizing the regime's developmental projects. Journalists have lost their jobs, and TV stations have been shut down.³⁵¹ According to the Egyptian Organization for Human Rights, "Journalists who wrote about corruption by senior government officials—particularly involving Gamal Mubarak—were fined, sentenced to jail, or beaten by plainclothes policemen. From February 2004 to July 2006, state prosecutors filed charges against 85 journalists."³⁵² Many critics of the regime within the media had to flee the country following the *coup d'état* in 2013. Well-paid producers, editors, and journalists also have a lot to lose by criticizing the government.

There is also a severe problem within academia in terms of the suppression of information.³⁵³ Public schools and universities are highly oppressive environments where

³⁵¹ For an example, see Alfay, Akram. "Political Polarization, the Egyptian Media, and Bassem Youssef," <http://english.alarabiya.net/en/perspective/alarabiya-studies/2013/11/13/Political-polarization-and-the-Egyptian-media.html>, November 13, 2013.

³⁵² Fahim, Kareem, Michael Slackman, and David Rohde. "Egypt's ire turns to confidant of Mubarak's son," http://www.nytimes.com/2011/02/07/world/middleeast/07corruption.html?_r=0, February 6, 2011.

³⁵³ Ghriess, Najua. "The Role of Education in Individual and Sustainable Development," in *Arab Human Development in the 21st Century: the Primacy of Empowerment*, edited by Bahgat Korany. The American University in Cairo Press: Egypt, 2014, 245-84.

memorization is encouraged over critical thinking, and citizenship is defined as obedience to the state.³⁵⁴ Serious criticism of public policy is not encouraged or tolerated, and students are not taught how to become politically active citizens. Although experimental public schools and private educational institutions are a significant improvement over their public counterparts, they still suffer from a number of problems. For one, teachers and professors are often reluctant to discuss domestic politics for fear of the political consequences. Many professors and students at private universities, including AUC, have lost their jobs and have been expelled for criticizing the regime too harshly; a few professors have even been arrested, and others were forced to flee the country.³⁵⁵ Researchers also face many restrictions in terms of gathering information, conducting interviews, and distributing surveys. The recent murder of AUC student and Italian national Giulio Regeni by state security forces for the act of interviewing labor union activists is a case on point.³⁵⁶ While private universities are a little more open to discussion and debate than their public counterparts, students and professors are still discouraged from conducting research and promoting reforms.

It does not help matters that many private schools and universities in the new towns are often funded and run by the same wealthy businessmen that have political ties to the regime as can be seen in Tables 2 and 3.³⁵⁷ Hassan Rateb, Talaat Mostafa, Moutaz al Alfi, Loutfy Mansour,

³⁵⁴ Makar, Farida. "How Egypt's public schools became isolated," <http://www.madamasr.com/opinion/how-egypt%E2%80%99s-public-schools-became-isolated>, November 20, 2014.

³⁵⁵ For examples, see "AUC Law Professor Says Police Used 'Trumped Up' Charges to Arrest Him," <https://academic.aucegypt.edu/caravan/story/auc-law-professor-says-police-used-%E2%80%98trumped-up%E2%80%99-charges-detain-him>, May 15, 2011; "#FreeBebo: Campaign to Free Arrested AUC Student," <http://www.madamasr.com/opinion/freebebo-campaign-free-arrested-auc-student>, May 9, 2016; "Renowned Scholar in Egypt Charged with Espionage," http://www.nytimes.com/2014/01/23/world/middleeast/egypt.html?_r=0, January 22, 2014.

³⁵⁶ "Egyptian Police Investigated Giulio Regeni Days before His Murder," <https://www.theguardian.com/world/2016/sep/09/egyptian-police-investigated-giulio-regeni-days-before-his>, 2016.

³⁵⁷ Makar, Farida. "How Egypt's public schools became isolated," <http://www.madamasr.com/opinion/how-egypt%E2%80%99s-public-schools-became-isolated>, November 20, 2014.

Mohamed Farid Khamis, and Mansour Amer have all invested in private educational institutions, and they have used them to promote their real estate projects and service sector businesses. For example, Moutaz al Alfi of the Egyptian-Kuwait Holding Company, which is partly owned by the wealthy Kuwaiti Kharafi Family, sits on the board of directors at AUC; not coincidentally, his Americana restaurants are found on the new campus.³⁵⁸ Gamal Mubarak also owned a piece of Americana. Moutaz al Alfi became a trustee of the university in 1997 around the time the decision was made to build a new campus in the middle of what would become New Cairo. Since AUC's new campus is located in the desert, they have built housing for faculty and students near the campus. They have even encouraged the faculty to move from the Nile River Valley to New Cairo.³⁵⁹ The same is also true of many of the other private schools that are located in the new towns. Additionally, many of the administrators, professors, and teachers who work in private schools benefit from desert development and are highly supportive of the military regime. This places pressure on reformers to stay quiet.

Government bureaucracies have also stifled the free flow of information. It is telling that there are no publicly available government statistics that have seriously evaluated the efficacy of these desert projects.³⁶⁰ Government bureaucracies tend to gloat about the amount of construction in the new towns but fail to seriously evaluate the productivity of these projects. Part of the problem is that there are no incentives to promote reform. There are regulatory agencies, but they are mostly staffed with cronies who are loyal to the regime. Many of these

³⁵⁸ "Mr. Moataz al Alfi," <http://www.aucegypt.edu/about/leadership/board-trustees/mr-moataz-al-alfi>, 2016.

³⁵⁹ "Our community of learning: a strategic plan for AUC at its centennial," https://documents.aucegypt.edu/docs/about_StrategicPlanning/AUC%20Strategic%20Plan%20Final%20Text,%20April%2015,%202015.pdf, April, 2015.

³⁶⁰ Sims, David. *Egypt's Desert Dreams: Development or Disaster*. Ibid.

regulators upon retirement from public service are given jobs in the private sector by the companies they were supposed to regulate.³⁶¹ Furthermore, bureaucrats and members of parliament who have criticized the regime generally do not hold their jobs for very long. For example, a former prosecutor from the Ministry of Justice Moatessem Fathi, who was responsible for bringing many of Mubarak's cronies to trial on charges of graft after the revolution, was demoted and eventually fired after the 2013 *coup d'état*.³⁶² This same public prosecutor has spoken publicly about how the Mubarak regime stifled reformers from speaking out against systematic corruption prior to the 2011 revolution. Meanwhile, members of parliament and bureaucrats who publicly support the regime are handsomely rewarded. This is why ministers have skewed statistics to improve the image of the regime. For example, the Ministry of Agriculture publishes statistics on the amount of reclaimed land based on how much infrastructure was built and not the actual amount of food grown or the jobs created. The NUCA touts the amount of housing that has been construction while usually neglecting to mention the amount of people that have actually moved to the desert. Without free and fair elections or the protection of civil liberties, the opposition lacks the ability to check those who are using their power to profit from these projects at the expense of the collective good.

These problems with evaluation have created a negative feedback loop that produced the misperception among many people that these projects are being successfully implemented.³⁶³ Billboards, TV advertisements, and internet websites that promote these projects, which have

³⁶¹ "Egypt's SODIC names ex-regulator as new chairman," <http://english.ahram.org.eg/NewsContent/3/12/41805/Business/Economy/Egypt/SODIC-names-exregulator-as-new-chairman.aspx>, May 16, 2012.

³⁶² Bahgat, Hossam. "The Mubarak mansions: how Egyptians unknowingly paid for the ruling family's lavish lifestyles," <http://www.madamasr.com/sections/politics/mubarak-mansions>, May 20, 2014.

³⁶³ Tarbush, *Ibid*, 171-86.

proliferated in recent years, use deceptive images to create the perception that these new communities are green paradises.³⁶⁴ The websites of real estate developers use misleading, artistic images to promote their projects that make it seem as if their real estate projects are not located in the middle of a desert. Media outlets, government agencies, and educational institutions have also tried to convince the public that urban communities on the Nile River Valley are dangerous, and only the desert offers safety, security, and a modern lifestyle.³⁶⁵ This is partly why project developers have used terms like utopia, dream, modern, and future to name gated communities, schools, and malls. Even the film industry gets in on the act through their consistent and incorrect projection of informal communities as being filled with crime, drugs, shanty towns, and even millions of grave dwellers.³⁶⁶ Moreover, the constant construction of infrastructure and real estate in the new towns outside the capital creates the perception of frantic activity during the day. This makes it seem as if the satellite cities are growing faster in terms of population than they actually are. In the morning, construction crews, students, teachers, service sector workers, and shoppers flood into the towns on a single highway called the Ring Road. However, by night fall, most return home leaving in their wake very quiet cities filled with the shells of too many empty villas.

Without a free media and a civil society to contradict the narrative of explosive population growth, too many citizens are simply not aware of the full extent of the problem.³⁶⁷ While

³⁶⁴ Singerman, Diane. "Introduction: Contested City," *Cairo Contested: Governance, Urban Space, and Global Modernity*, edited by Diane Singerman. Oxford University Press: Oxford, 2011, 15.

³⁶⁵ Amar, Paul and Diane Singerman, ed. "Introduction: Contesting Myths, Critiquing Cosmopolitanism, and Creating the New Cairo School of Urban Studies," in *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*. The American University in Cairo Press: Cairo, 2006: 3-43.

³⁶⁶ Sims, David. *Understanding Cairo: The Logic of a City Out of Control*, Ibid. In chapter one, Sims discusses the common stereotypes of Cairo found within Egypt's media and film industry.

³⁶⁷ "Challenges and opportunities for Egypt's real estate sector," <http://www.oxfordbusinessgroup.com/overview/interesting-times-two-tiered-sector-resulting-diverse-challenges-and-opportunities>, 2016.

relatively few are moving to the new towns in relation to the rest of the population, the government continues to spend a very disproportionate amount of revenue on desert real estate. Unfortunately, since those in charge of planning, managing, and evaluating these projects continue to make profits from this speculative activity, more vacant housing continues to be constructed. With the help of foreign direct investment, these projects have grown bigger and more decadent over time, and the prices on desert real estate have skyrocketed in some of the desert communities that surround Greater Cairo such as the 6th of October and New Cairo. Metaphorically speaking, a mirage has been created due to poor governance.

This is not to say that there are no voices of opposition. Individual academics and journalists, such as Nada Tarbush, Timothy Mitchell, and David Simms, have written extensively about the problems with these desert projects. Furthermore, a few NGO's, such as Tadamun and the Egyptian Initiative for Personal Rights, the latter of which is run by liberal activist Yehia Shawkat, have attempted to shed light on problems with urban development in the country since the 2011 revolution. USAID and other international institutions have offered their fair share of criticism as well. However, these voices of dissent have not been able to influence the decisions of public officials who continue to promote the same desert development policies, and they also have not been able to influence public discourse significantly. The evidence for this demonstrably clear: Abdel Fatah al Sisi's government continues to promote the same kinds of mega projects in the desert as the Sadat and Mubarak regimes without a public debate or a public referendum. Furthermore, they continue to give out large chunks of land and construction contracts to most of the same companies that were profiting from these projects before the revolution.

Conclusion

In the 1970's, international organizations such as the IMF and the World Bank underestimated the importance of governance on the economic development of nations. They focused heavily on economics when recommending reform programs to states that were suffering from problems with debt, population growth, and poor industrial productivity.³⁶⁸ Economic structural adjustment programs called for states to eliminate their influence from markets by cutting subsidies, lowering tariffs, and privatizing state owned industries. This is precisely what Egypt started to do in the 1970's, but only completed by the 2000's. This reform program became known as the "Washington Consensus" since the United States, which was quickly becoming the sole global hegemonic power, promoted it throughout the world. The rationality was that free markets would create greater competition and improve efficiency all while attracting foreign direct investment and new technology. All the state needed to do was get out of the way. Although Egypt was slow to implement neoliberal reforms, the government eventually followed the same path of many other developing nations throughout the globe. Most public companies were "privatized" by the 2000's. The desert development projects involved heavy investment by private companies and substantial foreign direct investment. However, like many other developing nations, Egypt experienced problems with economic and urban development in the ensuing decades following the implementation of economic structural reforms.

Since the 1990's, a long list of international institutions and academics have begun to realize economic development also depends on strong states capable of good governance. The

³⁶⁸ Henry, Clement Moore and Robert Springborg. *Globalization and the Politics of Development in the Middle East*. Cambridge University Press: Cambridge University Press, 2010, chapter one.

failure of many economic structural programs to significantly increase growth and improve the average standard of living of citizens in the developing world influenced a new trend among academics to “bring the state back in” while analyzing problems with development. Academics like Peter Evans, Theda Skocpol, Chalmers Johnson, and Meredith Woo-Cummings have argued that strong states are needed to help produce well-educated, healthy workers that can be productive and compete with the labor forces of other nations.³⁶⁹ Furthermore, good governance is required to build the infrastructure necessary for growing populations in terms of residential, industrial, and commercial districts in cities. Free and fair markets also involve equal and consistent enforcement and interpretation of the law by an impartial executive branch and an independent judiciary. Even the reduction of state influence from the economy requires careful management. The sale of state resources and the distribution of public contracts need to be done in a rational, legal manner to ensure that resources are given to qualified businessmen in transparent auctions. Furthermore, land should only be leased to developers and officially sold upon the timely completion of a project, and government regulators need to protect the environment and promote sustainability. Lastly, if bureaucracies are to function properly, transparency and accountability are needed. Ministries need to keep proper statistics that are available to the public and academic institutions. Furthermore, civil society needs to be strengthened to check the power of the state, and governance needs to be decentralized so that local communities and their politicians can adopt policies that deal with strictly local problems.³⁷⁰

³⁶⁹ Evans, Peter, Dietrich Rueschemeyer, and Theda Skocpol, eds. *Bringing the State Back In*. Press Syndicate of the University of Cambridge: Cambridge, 1985; and Woo-Cummings, Meredith. *The Developmental State*. Cornell University Press: Ithaca, 1999.

³⁷⁰ “Arab Republic of Egypt: Egypt Public Land Management Strategy,” <https://openknowledge.worldbank.org/bitstream/handle/10986/19447/365200EGOWWhite10121041200701PUBLIC1.pdf?sequence=1&isAllowed=y>, 2006.

This can be improved through the development of linkage institutions like free and fair elections, quality media outlets, and non-governmental organizations that are found in democracies. The failure of Egypt's urban-development projects in the desert and economic development in general, despite the enactment of neoliberal reforms, can be seen as a struggle with governance.

This is not to imply that these political and economic reforms are easy for developing nations or that the implementation of reforms will automatically mean success in terms of economic development. For one, many states like Egypt are caught in the trap of what Peter Evans called "precocious Keynesianism," which is when a country creates a welfare system before successfully developing its industrial sector.³⁷¹ This is different from the historical trajectory of Western countries, who industrialized in the nineteenth century before implementing social-welfare reforms in the twentieth century in response to pressure from labor unrest. In Egypt, the welfare state and industrialization developed in conjunction with one another in the middle of the twentieth century. It is tough investing in industry, infrastructure, and education when precious few resources are caught up in short-term benefits to loyal clients and general-welfare benefits for the whole population.³⁷² The Egyptian government still heavily subsidizes bread, fossil fuels, transportation, and housing. Cutting these benefits to invest in long term economic and urban development is not easy as it may lead to political instability. Many countries throughout the globe have had to delay economic structural adjustments because of political blowback, and this was the case with Sadat's *al-infitah* in the 1970's and early 1980's. Furthermore, the rapid increase in oil rents in the late 1970's gave incentives to regimes in the

³⁷¹ Evens, Peter. *Embedded Autonomy: States and Industrial Transformation*. Princeton University Press: Princeton, 1995.

³⁷² Bellin, Eva Rana. "Contingent Democrats: Industrialists, Labor, and Democratization in Late-Developing Countries," *World Politics*, Vol 52, No. 2, January 2000, 175-205.

Middle East to delay economic and political reforms. The political scientist Michael Ross has presented substantial evidence that countries that are dependent on fossil fuels and other rents are more likely to remain authoritarian and economically underdeveloped.³⁷³

Furthermore, it is not easy asking millions of people living near the international poverty line to accept further cuts to their salaries and an increase in the cost of goods for the sake of investing in long-term development. It does not make it any better when the regime asking for the money has struggled with governance in the past. When a family is making close to two dollars a day, every cent needs to be spent carefully. Neoliberal reforms, since they encourage government spending cuts and free markets, have tended to lead to larger wealth gaps between rich and poor. Although David Simms points out that the wealth gap between rich and poor in Egypt is often over exaggerated, the spatial divides between informal communities and the gated ones in the desert are quite stark. While the initial intent of Sadat's desert projects was not to create such a visible gap in wealth, neoliberal reforms accelerated the spatial divides between social classes. Uneven urban development is one of the reasons why the Egyptian government faced a growing opposition movement in the decade proceeding the revolution. It also helps explain why protestors chose the tactic of occupying symbolic urban space in downtown Cairo during the protests. These economic and spatial divides have created a lot of opposition to neoliberal reforms.

Egypt's problems with poor governance and uneven urban development are also not unique. Throughout the developing world, many governments have struggled dealing with urbanization in an age where modern medicine has led to rapid population growth. To make

³⁷³ Ross, Michael. "Does oil hinder democracy?," *World Politics*, 53, 2001: 325-61.

matters worse, while urbanization coincided with industrialization in Western countries, most of the rest of the world—with a few exceptions like South Korea—have not been able to develop an industrial sector that can sufficiently create enough jobs in urban areas to satisfy the economic demands of growing populations. As a result, many states have lacked the resources to deal with urban growth leaving many citizens to deal with their own housing problems by constructing informal communities on the outskirts of cities.³⁷⁴ Even when some developing countries, like Egypt, have had some resources to invest in new cities, government mismanagement has often derailed urban-development schemes. It is not uncommon in some parts of the developing world to find that there are wealthy communities with very high vacancy rates sitting alongside congested, informal communities in desperate need of state investment.³⁷⁵ This problem is particularly acute in various parts of the Middle East where many states are blessed with oil and other rents but suffer from problems with governance, which has led to a waste of resources on real estate speculation.

On a final note, while I have gone to great lengths to provide empirical evidence that links the independent and dependent variables, this thesis does suffer from a number of critical weaknesses in terms of the theoretical framework. Most notably, there is too much of an emphasis on the supply of housing on the part of political elites rather than the demand for housing within society. While I have discussed housing speculation in the new towns and the development of informal communities in various parts of this thesis, the bottom-up approach to studying urban development is not integrated adequately into the theoretical framework and is

³⁷⁴ Bayet, Asef. "The Politics of the Informal People," *Third World Quarterly*, 18(1), March, 1997: 53-72.

³⁷⁵ Fleisher, Friederike. *Suburban Beijing: Housing and Consumption in Contemporary China*. University of Minnesota Press: Minnesota, 2010.

only briefly mentioned in the introduction. In my attempt to “bring the state back in” as Peter Evans would say, it may be true that I pushed society out in the process.

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