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THE AMERICAN UNIVERSITY IN CAIRO  
SCHOOL OF HUMANITIES AND SOCIAL SCIENCE  
DEPARTMENT OF POLITICAL SCIENCE

RESISTANCE TO PRIVATIZATION  
IN EGYPT

YASMIN MOHAMED KHODARY

A THESIS SUBMITTED  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE DEGREE OF MASTERS OF ARTS IN  
POLITICAL SCIENCE

DECEMBER 2004

**To my parents**

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## ABBREVIATIONS

ISI	Import Substitution Industrialization
SOEs	State Owned Enterprises
PE	Public Enterprise
IMF	International Monetary Fund
IFIs	International Financial Institutions
SAPs	Structural Adjustment Programs
MNCs	Multi-National Corporations
LDCs	Less Developed Countries
ERSAP	Economic Reform and Structural Adjustment Program
PEO	Public Enterprise Office
NDP	National Democratic Party
NPUP	National Progressive Unionist Party
GFLU	General Federation of Labor Unions
ESA	Employees Shareholder Association
GNP	Gross National Product
GDP	Gross Domestic Product

## ABSTRACT

In *Economic Neoliberalism Became Almost Irrelevant*, G.W. Kolodko states:

New development policies are emerging after 10 years of experience with the transition process. Both theoreticians and policymakers are revising earlier theories about the market-state relationship, scrutinizing privatization processes, tackling deregulation arrangements with a fresh attitude, and attempting to deal with the far-reaching consequences of globalization (Kolodko, 1999).

This research examines resistance to privatization in Egypt. It researches the reasons behind such resistance and the tactics of resistance as well. It also examines the different modes of resistance that exist in Egypt. Finally, it attempts to find out the effects of such resistance on privatization in order to prove that that local resistance to privatization may, in some cases, alter the outcomes.

Secondly, in an attempt to find out the implications of resistance on the privatization track in Egypt, the research draws a comparison between two cases of Egyptian local resistance. The first case represents a model for the failure of privatization due to resistance and the other case represents a model for the success of privatization in the absence of strong resistance. The research shows how different combinations of reasons of resistance, tactics of resistance, and modes of resistance affect the impact of the resistance and its success or failure.

## CHAPTER I

### A THEORETICAL OVERVIEW

This chapter examines the main theoretical issues concerning economic liberalization, privatization and resistance. It is divided to three parts. It starts with an introduction followed by the definition of liberalization, privatization, and the types of privatization. Then it links privatization to economic liberalization theoretically and reviews the literature that tackled the relationship between the two.

The second part of the chapter presents the theoretical framework of the study. In order to explain resistance to privatization, I use Tironi's theory of resistance, which traces all modes of resistance to the existence of different forms of exclusion and exploitation. I review some theories that explain resistance but fail to address all the reasons of resistance, which supports my choice of Tironi's theory. This part of the chapter ends with explaining the importance of the study as well as the methodology utilized to implement it.

The third part of the chapter explores the reasons behind resistance privatization specifically. The reasons behind resistance to privatization are sorted to reasons related to privatization as donor driven and reasons related to the nature of privatization. Finally, the chapter ends with the modes of resistance that exist and some examples of resistance that exist around the world.

## Part 1: Liberalization and Privatization

### Introduction

The results of planning in the LDCs were disappointing. The majority of countries failed to achieve the planned objectives. Public sector investment projects frequently performed poorly. The import substitution industrialization strategy (ISI), which formed an integral part of the interventionist approach to development in the 1950s, 1960s, was associated with wide spread inefficiencies and resource misallocation<sup>1</sup>.

After a long rule of the Keynesian mechanisms and statist economic policies that prevailed through the fortieth and fiftieth and continued for two more decades in the developing countries<sup>2</sup>, the liberal perspective of state and market came to rule.

Reevaluating the role of the state was actually a product of the state failure to face many problems and its further creation of new problems. The vigorous augmentation of the roles and functions of the state, which varied from the expansion of administrative systems to the wide provision of public services and involved the emergence of the state as the 'major employer and producer'<sup>3</sup>, increased the burden on the state and prevented it from meeting most of its responsibilities. In addition, the Import Substitution policy, which many states defended and went through, raised the level subsidies, the state expenditures, and the budget deficit. Moreover, it did not lead to significant substitution of imports or successful and sustainable state entry into manufacturing<sup>4</sup>. The ISI policies along with other problems aggravated the states' economic situation, increased the

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<sup>1</sup>P. Cook and C. Kirkpatrick, *Privatization in Less Developing Countries* (London: Harvester Wheatsheaf, 1988), 8.

<sup>2</sup>E.A Brett, in *Privatization in Less Developing Countries*, Cook P. and C, Kirkpatrick (London: Harvester Wheatsheaf, 1988), 47.

<sup>3</sup>T. Killick, and S. Commander, *Privatization in Less Developing Countries*, Cook P. and C, Kirkpatrick (London: Harvester Wheatsheaf, 1988), 93.

<sup>4</sup>Ibid.

countries' debt and borrowing level and subsequently exposed the states to what was called 'fiscal crisis of the state'<sup>5</sup>.

The fiscal crisis of the state was coupled with problems in the state enterprises. The state enterprises suffered problems such as inefficiency, corruption, lack of accountability and irrational spending. By the middle of the 1970s, the need for state and economy adjustment was highly assured<sup>6</sup>. The adjustment required a wider and deeper role of the market and price mechanisms; in other words, it required economic liberalization<sup>7</sup>.

With the fall of communism and the collapse of the Soviet Union, impediments to the spread of liberalization were abolished. The fall of communism signifies the fall of a true challenger to liberalism. On the other hand, the collapse of the Soviet Union helped accelerating the process of liberalization around the world. Hence, liberalization became a deriving force in the contemporary world.

As liberalization mounts and grows, privatization -as a main component of liberalization as well as an incentive for the spread of liberalization- mounts and grows. In order to show the link between liberalization and privatization, both terms shall be well defined in a way that clarify the possible connection between them.

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<sup>5</sup>Brett, 47.

<sup>6</sup>Cook and Kirkpatrick, 5.

<sup>7</sup>Ibid, 9.

## The Definition of Liberalization

In its European connotation, the term 'Liberal' refers to the "commitment to individualism, free market, and private property"<sup>8</sup>. Liberalization, on the other hand, refers to the needed process to reach liberalism. On the Political level, liberalization refers to many things. It refers to the respect and pursuit of civil freedoms, such as freedom of expression, freedom of choice, and freedom of action. It is also connected to liberal democracy<sup>9</sup>. Thus, it calls for freedom to choose rulers through multiparty system and the freedom to change them through regular and free elections<sup>10</sup>. It also calls for transparency, accountability, etc...

On the other hand and most important to this research is the definition of economic liberalization. On the economic level, in the twenty one century meaning, liberalization refers to the shift to market economy and the process of opening markets, shrinking the role of the state, deregulating goods, services, capital, and labor<sup>11</sup>. It increases transactions and reduces the cost of such transactions.

## The Definition of Privatization

As defined in Kurland and Brohawn's paper presented to the American Banker Conferences, privatization means restructuring economic institutions in order to create a "competitive free enterprise system" as well as encouraging the private sector to engage

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<sup>8</sup>Robert Gilpin, *The political economy of international relations* (Princeton, N.J.: Princeton University Press, 1987), 27.

<sup>9</sup>M.ohamed Algohary, *Globalization and Islamic culture* (Cairo: Dar Al Amin for publishing 2002), 22.

<sup>10</sup>Ibid, 23.

<sup>11</sup>David Hulme, Michael Edwards, *NGOs, States and Donors: An Overview and Key Issues* (UK: Carfax Publishing Company, 1997), 5:7 and Algohary, 24.

in the fields that are currently administrated by the public sector<sup>12</sup>. However, the practice of privatization exceeds its classical meaning of involving the private sector into ‘the services that the government provides’ to ‘the services and the functions that the government is actually responsible of but many not be practically providing’<sup>13</sup>. Thus, it is no more involving in what the government actually administrates or provides but what falls under the government responsibility.

Christopher Adam gives a similar but much specific definition to Privatization. He believes that Privatization is not an end but rather a process to reach efficiency. This happens through transfer of ownership as well as transfer of goods and services’ provision to the private sector.

In the cases where privatization refers to the transfer of goods and services’ provision to the private sector, privatization is reflected in quadrants 2 and 4 (see Roth Matrix). At the two quadrants, the private sector is the main provider of the service. However, the public sector becomes the main player or owner when it performs contracting (quadrant 2) while the private sector becomes the main player or owner when it buys some State Owned Enterprises ‘SOEs’ (quadrant 4)<sup>14</sup>.

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<sup>12</sup> Kurland and Brohawn, “Beyond Privatization: An Egyptian Model”. *American Banker Conferences on ESOPs* (U.S: New York, 1993).

<sup>13</sup> Privatization, Competition, and partnership, <http://www.acf.dhhs.gov/programs/cse/rpt/pvt/ch2.htm>.

<sup>14</sup> Christopher Adam et al, *Adjusting Privatization, Case Studies from Developing Countries* (London: James Currey Ltd, 1992), 7.



		The Provider	
		Public	Private
The Player	Public	1	2
	Private	3	4

Figure 1. Roth Matrix  
Source: Roth in Christopher, A., 1992, 6

Combining Kurland and Brohawn’s definition with Christopher’s definition of privatization, one can easily recognize the three areas of change that privatization may involve as identified by Cook and Kirkpatrick in their book *Privatization in Less developed countries*. The first area of change entails “liberalization or deregulation of entry into activities previously restricted to public sector enterprises”<sup>15</sup>. The second area of change refers to change in ownership. The last area of change is the area of goods and services’ provision.

According to Kurland and Brohawn’s definition and Christopher’s definition, privatization can take ten forms. It can take the form of Contracting, Franchise, Vouchers, Subsidy, Service or "Load" Shedding, Asset Sale or Lease, Volunteers, Self-help, Infrastructure Development, or Deregulation (see Table 1 for definitions). In all cases, privatization gives lead to private enterprises whether the domestic or the foreign ones.

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<sup>15</sup>Cook and Kirkpatrick, 4.

Table 1. Types of privatization

<p>1. <b>Contracting.</b> Government contracts with a private organization, for-profit or nonprofit, to provide a service or part of a service.</p> <p>2. <b>Franchise.</b> A private firm is given the exclusive right to provide a service within a certain geographical area. This is contracting with a twist. For example, governments often give franchises to cable television companies and bus companies, or to fast food chains to operate restaurants on turnpikes.</p> <p>3. <b>Vouchers.</b> Government pays for the service; however, individuals are given redeemable certificates to purchase the service on the open market. The certificates, or vouchers, subsidize the consumer of the service, but services are provided by the private sector. Food stamps, housing vouchers, and vouchers for child day care are some examples of widely used voucher programs. Voucher programs put the "power of the purse" in the hands of consumers, allowing them to decide who will get their business.</p> <p>4. <b>Subsidy.</b> The producer of a service is subsidized by the government contributing financially or in-kind to a private organization to reduce the costs to consumers. Hospitals, medical schools, and developers of low-income housing are subsidized because they produce goods and services considered beneficial to the public interest.</p> <p>5. <b>Service or "Load" Shedding.</b> Government stops providing the service, relinquishing any responsibility for its provision, and lets the private sector assume the function.</p> <p>6. <b>Asset Sale or Lease.</b> Government sells or leases assets such as airports, gas utilities, or real estate to private firms, thus turning physical capital into financial capital.</p> <p>7. <b>Volunteers.</b> Volunteers provide all or part of a government service.</p> <p>8. <b>Self-help.</b> Community groups and neighborhood organizations take over a service or government asset such as a local park or community pool. The new providers of the service also directly benefit from the service.</p> <p>9. <b>Infrastructure Development.</b> The private sector builds, finances, and operates public infrastructure such as roads and airports, recovering costs through user charges.</p> <p>10. <b>Deregulation.</b> Government regulations are eliminated from a government monopolized service to allow private providers to compete. Deregulation of express mail statutes governing the Postal Service, for example, allowed Federal Express, United Parcel Service, and their competitors to begin delivering packages overnight.</p>
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*Source: Guide to Developing Public-Private Partnerships, J& E Associates, 1997*

## The Links between Privatization and Liberalization

In theory, privatization and liberalism are very much connected. Forms of liberalism (since Adam Smith till now, classical, neo classical, etc...) though differ in their stress over the role of the state or state interventionism, they all believe in the essentiality of market competition and price mechanism<sup>16</sup>. Market competition and price mechanism, in turn, encourage lower costs of information, lower prices of products as well as higher quality of products<sup>17</sup>. Thus, they enhance efficiency in the enterprises, which is the main target behind privatization<sup>18</sup>. Thus, liberalism helps reaching the essence of privatization.

In addition, the three areas of change that privatization involves, as described above by Cook and Kirkpatrick, show other connections between privatization and liberalization (economic liberalization specifically)<sup>19</sup>. They explain the similarity and connection between liberalization and privatization in regard to the role of the state and the market.

The first area of change that reveals such similarity, as Cook and Kirkpatrick state, is “liberalization or deregulation of entry into activities previously restricted to public sector enterprises”<sup>20</sup>. Privatization as defined by Kurland and Brohawn involves engaging the private sector in the areas that fall under government responsibilities.

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<sup>16</sup>Gilpin, 27.

<sup>17</sup>Adam, 17.

<sup>18</sup>Ibid.

<sup>19</sup> Economic liberalization in this context is related to the neoliberal perspective or form of liberalism, which stresses on minimal state intervention. This makes the connection between liberalization and privatization clearer.

<sup>20</sup>Cook and Kirkpatrick, 4.

Christopher Adam specifies such engagement in terms of administration or transfer of ownership that allows the private sector to provide goods and services. However, logically, if any field or area is restricted to the public sector, the private sector will not be able to engage in it whether by ownership or administration. In addition, it will not be able to provide goods or services.

Privatization requires two things in order to facilitate and encourage the engagement of the private enterprises in the areas restricted to the public sector. It requires reducing the role of the state in the economic and possibly the social sphere. This facilitates the engagement of the private enterprises into the areas that were previously restricted to the public sector, such as health and education. It also requires opening the market to capital, labor, etc...<sup>21</sup>, which encourages public enterprises to engage in different activities. In other words, it requires economic liberalization.

The second area of change refers to the change in ownership. Privatization involves the transfer of ownership as one of the two possible ways to engage in the public sphere. In Roth Matrix, transfer of ownership represents quadrant 4 where the private sector is the main player (the owner) and the provider of the service.

Taking part in ownership requires many things. It requires freedom of actions as well as freedom of finance and capital movements<sup>22</sup>, which facilitates trade and investment. This provides an encouraging environment for long investment. At last, expanding private ownership requires shifting the role of the state from controlling and owning economic transactions to only providing an environment favorable to free trade,

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<sup>21</sup>Ibid, 4.

<sup>22</sup>Paul J Welfens, "Privatization and Foreign Direct Investment in the East European Transformation: Theory, Options and Strategies", in *Privatization, Liberalization and Destruction*, ed. Casaba, L (Great Britain: Athenaem Press Ltd, Newcastle upon Tyne, 1994), 38.

free market, and free entry of capital, goods, and services. Hence, privatization needs economic liberalization since or market economy depends on autonomous enterprises that work without political pressure and with self-management<sup>23</sup>.

The last area of change is the area of goods and services' provision. Whether privatization promotes change in administration or change in ownership, the private enterprises start to have the responsibility of providing goods and services instead of the public sector. In Roth matrix, this falls in quadrants 2 and 4 where the private sector is not necessarily the main player but is necessarily the provider of goods and services.

In order to encourage privatization, the provision of goods and services by private enterprises should be promoted. This requires shifting the states' economies from central planning to market economy. Market economies increase and improve competition. They work according to the supply and demand, which makes them work freely and without state intervention. Thus, privatization demands economic liberalization and competition.

It is worth noting that both Privatization and economic liberalization target the market. Changes in the three areas -ownership, goods and services provision, and activities previously restricted to SOEs- create enough property to make the market work and prosper<sup>24</sup>, which is the same target of liberalization. Thus, their goals match together.

Thus, in theory, privatization and economic liberalization are linked. The core concept of each of them is linked to the other (efficiency and competition). The three areas of change that privatization involves require opened markets, deregulated flows of capital and labor, and market economies. In addition, both privatization and economic liberalization refresh the market and reduce the role of the state.

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<sup>23</sup>Dabrowsky, 29.

<sup>24</sup>Hernado de Soto, *The Economist*, 1993.

## A Literature Review

The literature of privatization is divided to scholars who relate privatization to liberalization and others who do not. On the top of the scholars who argue that privatization and liberalization are not related is Paul Starr. Starr argues that one should distinguish between privatization and liberalization. He states that privatization seeks efficiency while liberalization seeks market competition, which are different. A state can increase competition in the public sector or between the public and the private through increasing finance or incentives and not necessarily through privatization<sup>25</sup>. In addition, competition leads to lower costs and better qualities, which spontaneously promotes efficiency without necessarily privatizing<sup>26</sup>.

He continues to argue that even in history, privatization and liberalization did not go together. Some countries adopted liberalization and still did not privatize; on the contrary, they liberalized and nationalized at the same time. In early 1980s, the French socialists liberalized financial markets quite after nationalizing Banks<sup>27</sup>. On the other hand, some countries adopted privatization without following liberalization. For example, when Thatcher started the privatization wave in England, she was not following liberalization before it or attempting to<sup>28</sup>. Thus, liberalization and privatization are not necessarily connected.

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<sup>25</sup>Paul Starr, "The meaning of Privatization", in *Privatization and the Welfare State*. Alfred Kahn and Sheila Kamerman [book on-line] (Princeton University Press, 1988).

<sup>26</sup>Guide to Developing Public-Private Partnerships J& E Associates, 1997

<sup>27</sup>Ibid.

<sup>28</sup>Starr, 1988.

On the other hand, some scholars argue that liberalization and privatization are related and connected. Betty Reid Mandell and William S. Peirce argue that privatization is derived by ideology. Hence, an ideology that promotes market economy and opens borders to capital, labor, goods and services will logically encourage privatization while a socialist ideology will most likely encourage nationalization<sup>29</sup>. In that sense, liberalization encourages and derives privatization.

In addition, while Starr uses the history to prove that privatization and liberalization are not related, other scholars use the present time events to prove they are connected. Cook and Kirkpatrick state, “privatization has emerged as one element in a more general shift in the dominant development paradigm”<sup>30</sup>, the liberal paradigm. Tony Killick and Simon Commander state “The current emphasis on privatization in the modification of economic policy priorities can be seen as a part of a more general rehabilitation of the use of prices and markets as mechanisms”<sup>31</sup>; unquestionably, the prices and markets as mechanisms refer to economic liberalization.

In addition, Christopher Adam, Lukin A.V, Geoffrey Garrett, Bruce Kogut and others argue that privatization and liberalization are connected because privatization comes as inseparable part of the conditionality and the adjustment packages that promote liberalization. They argue that donor countries and international financial institutions (IFIs) spread privatization while trying to push economic liberalization around the world.

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<sup>29</sup> Starr (1988); and William Peirce, *Privatization, Nationalization and aspects of transition* [database on-line] (2000, accessed at 15 September 2004), from [www.uni-erfurt.de/finanzwissenschaft/lv/Handbook](http://www.uni-erfurt.de/finanzwissenschaft/lv/Handbook).

<sup>30</sup>Cook and Kirkpatrick, 7.

<sup>31</sup>T. Killick, S. Commander, in Cook and Kirkpatrick, 91.

Donor countries and major international financial institutions, like the World Bank and the International Monetary Fund (IMF) spread privatization in developing countries. Donor agencies started to relate their donations to the commitment of the recipient countries to certain conditions. Such conditions ought to derive “conscious change in the fundamental nature of economic relationships within society as well as change to the structure of the economy in order to meet the long-term needs of efficient utilization of factors of production to ensure sustained growth”<sup>32</sup>. They are neoliberal conditions or neoliberal package that actually contain privatization as an inseparable item<sup>33</sup>. Nancy Brune, Geoffrey Garrett, and Bruce Kogut argue that the conditionality of the IMF and the World Bank forced recipient governments to privatize more SOEs<sup>34</sup>. In that sense, they spread and consolidated privatization while trying to promote liberalization<sup>35</sup>.

Some reasons encouraged the IMF and the World Bank to shift their policy to program aid or policy lending which relates the agency’s finance to the applicability of certain policies or programs. The most important one is related to the autonomy of the World Bank and the IMF. Their autonomy depends on their finance and their administration policy<sup>36</sup>. The two conditions reflect the power of the nations. Since the largest financial contributor and the only country with the right to veto on formal

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<sup>32</sup>Bob Milward, “What is Structural Adjustment?” in *Structural Adjustment: Theory, Practice, and Impact*, Mohan, Giles *et al* (London and New York: Routledge, 2000), 25.

<sup>33</sup>Adam *et al*, 3.

<sup>34</sup>Nancy Brune, Geoffrey Garrett, and Bruce Kogut, *The International Monetary Fund and the Global Spread of privatization* (The Reginald H. Jones Center: Wharton School, 2003).

<sup>35</sup>Hulme, 5:7.

<sup>36</sup>Samir Amin, *Capitalism in the Age of Globalization* (London: Zed Books, 1999), 33.



amendments in the World Bank is the United States, then the bank is not actually autonomous when it comes to the U.S or its interests<sup>37</sup>. Since the USA adopts privatization and considers it an incentive to more liberalization, it is logical to find it in most, if not all, of the structural adjustment programs of the World Bank and the IMF<sup>38</sup>.

## **Part 2: Theoretical Framework, Methodology, and Limitations**

The trend to liberalize and privatize is increasingly spreading around the world. However, the two trends are not mounting unquestionably. Dissatisfaction with the two trends is increasing as well. Resistance is growing in many countries.

Resistance in the research refers to the responses made to counteract privatization. The optimum goal of such resistance is to destroy privatization and introduce alternatives or at least reform privatization. However, the grassroots' resistance, specifically, refers to the responses to privatization by the ordinary people, who do not occupy high positions or seize concrete power. Grassroots' resistance emerges in order to "respond" in a way that can bring out reform or change in the future.

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<sup>37</sup>Kapur, 2002.

<sup>38</sup>The major financial contributors in the World Bank use their finance to push forward their ideology and pursue their interests. Robert Wade refers to the Japanese model as a challenge to the American one. Japan, the second fund provider to the World Bank, propagandizes for the Japanese called "miracle" through the publications of the MITI (the Asian Development Plan) and the publications of the World Bank (the East Asian miracle). Japan encourages its recipient countries to use more state interventionist policies, direct and subsidized credit, and operate strategies of guided markets, which is very different to the American strategy (see Wade, 1994). Aid and finance are tools in the hand of the powerful most paying states. However, it is not a Zero-sum game; rather, it is a transaction and a mutual cooperation process at which both, the recipient and the donor, benefits (see Heba Handoussa's *Fifteen years of US aid to Egypt* with reference to the American Egyptian aid as an example).

## The Theoretical Framework

The reasons behind resistance provide clue to the kind of resistance and its strength. Many theories attempted to explore the reasons behind resistance. One of the most important theories is Tironi's theory of resistance. According to Tironi's theory in Franc Shuurman's book, *Beyond the Impasse*, social movements, grassroots movements, and other types of resistance emerge in order to respond to the exploitive or exclusive policies that affect them negatively<sup>39</sup>.

Tironi clarifies his point of view through a very flexible matrix. The matrix does not limit resistance to specific reasons. Rather, it bases the existence of resistance on the presence of exploitation and exclusion, which takes different forms and various degrees. For example, if the people feel exploited or excluded on all fronts (economically, politically, and socially), they will break with the system and resort to revolutionary acts, see ad 3, 4. On the other hand, they can be reformist and actively participate in the system in order to bring in reform, see ad 1, 2<sup>40</sup>. To Tironi, resistance emerges in order to challenge or respond to exploitive and exclusive policies.

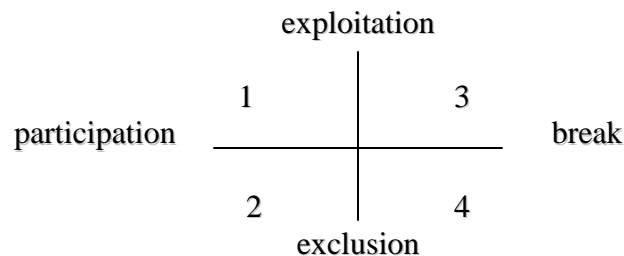


Figure 2. Tironi's matrix

Source: Franc Schuurman, 1999, p.199

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<sup>39</sup> Franc Shuurman, *Beyond the Impasse* (U.K: Biddles Lid, Guildford and King's Lynn, 1996), 199.

<sup>40</sup> Ibid, 200.

The terms exclusion and exploitation can not be objectively defined. Although the word exploitation, for example, attained currency in the nineteenth century and was severally used by Marxists and social reformers to explain the relations between the capitalists and the proletariat<sup>41</sup>, it is not necessarily limited to that nineteenth century meaning per se or even the twentieth century definition (which explains resistance in term of labor-management relations<sup>42</sup>). ‘Exploitation’ can be better thought of in terms of the alternatives that will be available<sup>43</sup>. For example, dismissing workers in countries that bear high rates of unemployment may leave no options in front of the workers but to stay at home or accept improper jobs, which is, thus, exploitation.

On the other hand, the term exclusion has many meanings. It can refer to voluntary exclusion, which aims at reinforcing social cohesion or achieving one’s wish of being excluded<sup>44</sup>. However, ‘exclusion’ as used in this research can be better thought of in terms of the “dissatisfaction or unease felt by individuals who are faced with situations in which they cannot achieve their objectives”<sup>45</sup>. In addition, ‘exclusion’ can be thought of with regard to ‘inclusion’ (e.g. if some people have access to goods and services, they are included while if they do not have access to them, then they are excluded)<sup>46</sup>.

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<sup>41</sup> R. A. Stanford, *Exploitation*, [database on-line] (1996, accessed at 15 September 2004), from <http://facweb.furman.edu/~dstanford/relecon/exploita.htm>,

<sup>42</sup> Ibid.

<sup>43</sup> *Globalization Terms: Exploitation*, [database on-line] accessed at 29 September 2004, from <http://www.aworldconnected.org>.

<sup>44</sup> Centre for Informatic Apprenticeship and Resources, *The meaning and the use of the term social exclusion*, [database on-line] accessed at 29 September 2004, from <http://ciaris.ilo.org/english/frame/r1-3.htm>, 2004.

<sup>45</sup>Ibid.

<sup>46</sup>Ibid.

Tironi offers an explanation to resistance suitable to this research. His theory and matrix examine the ‘Reasons behind resistance to privatization’ comprehensively and properly more than other scholars or theoreticians. For example, Tironi’s matrix and theory of resistance provides a much more comprehensive justification to resistance than Adrian Smith and John Pickles. Smith and Pickles state that poverty and inequality lead to resistance, which for them refers to the survival strategies and the illegal or semi legal activities that rise to respond to the previous two factors<sup>47</sup>. They continue to say that such strategies or activities are “ways in which individuals with differential powers are able to mobilize existing social, political, and economic resources to find a pathway through the maelstrom of transition”<sup>48</sup>.

However, looking at the two concepts of “Poverty” and “Inequality”, one can find that they reflect a degree of exploitation and exclusion. Poverty exploits some people and excludes others from the economic and social life. The same can be applied to the concept of inequality; it gives an indication that some people are excluded and implies that others exploit them. Thus, Tironi’s explanation of resistance is clearer and much more comprehensive. It does not insist on one form of exploitation or exclusion; instead, it approves all forms of exploitation and exclusion as reasons for resistance.

However, though Tironi’s theory offers a justification to the emergence of resistance (or the reasons behind resistance), one can not solely depend upon it to fully analyze resistance. This research utilizes a reformed model of Tironi’s theory that combines other aspects of resistance. Specifically, the research combines the reasons

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<sup>47</sup>Adrian Smith, John Pickles, *Theorizing Transition: The Political Economy of Post-Communist Transformations* (London: Routledge Curzon, 1999), 3.

<sup>48</sup>Ibid, 5.

behind resistance with the tactics of resistance (which refer to the techniques used in order to perform the resistance) as well as the modes of resistance (which are certain descriptions to the forms of resistance and are not necessarily related to the chosen tactics of resistance).

There are different modes of resistance. One can differentiate between political vs. public mode of resistance, infrapolitics or implicit vs. visible and explicit mode of resistance, organized vs. unorganized mode of resistance, and global vs. local mode of resistance.

James Scott (1990) spoke about the peasant's weapons of resistance, which referred to the peasants' mode of resistance as "infrapolitics" type of resistance<sup>49</sup>. This resistance occurs on daily basis in the normal life of the peasants when they negotiate their resources and their problems<sup>50</sup>. This mode of resistance reflects the possession of limited resources and moderate powers. On contrary to the infrapolitics mode of resistance, there is the visible, clear, or explicit mode of resistance that reflects much confidence and influence. Karl Polanyi spoke about modes of resistance with regard to the agents of resistance organizational structure. He suggested that if they have organizational structure, they can form movements<sup>51</sup>. They can also form 'submerged' networks if they do not have an organizational structure<sup>52</sup>. Moreover, there is political mode of resistance, which reflects the resistance of decision makers and their lack of commitment (or lack of

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<sup>49</sup>Christin Chin, James Mittelman, "Conceptualizing Resistance", in *Globalization and the Politics of Resistance*, Barry Gills (Britain: Antony Rowe Ltd, 2000), 37.

<sup>50</sup>James Scott, *Weapons of the Weak: Everyday Forms of Peasant Resistance* (London: Yale University Press, 1985), 29.

<sup>51</sup>Chin, Mittelman, in Gills, B, 35.

<sup>52</sup>Ibid, 36.

political will)<sup>53</sup>. On the contrary to this mode of resistance, there is the resistance of the ordinary people who do not possess formal power or authority. At last, there is the global mode of resistance and the local mode of resistance. They both identify different fields of action while might have the same goals or objectives.

On the other hand, there are numerous tactics of resistance. The agents of resistance can use one or more tactic of resistance. They can choose from direct actions, media, and formal or legal channels. They can also choose to use violent means of actions versus non-violent ones.

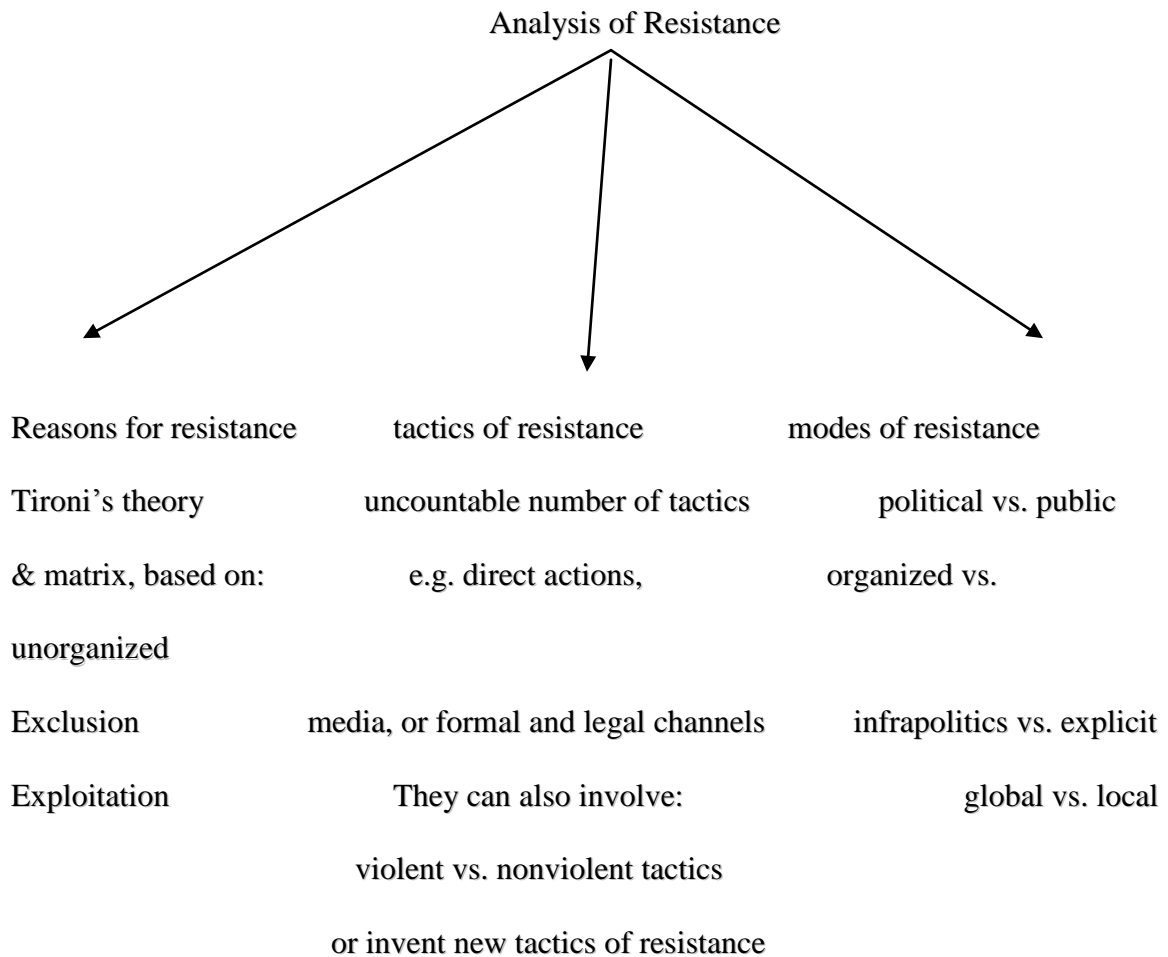
To conclude, the modes of resistance and the choice of resistance tactics depend on the agents of resistance levels of awareness, culture, and education. They also depend on the resources and powers that the agents of resistance enjoy and have access to<sup>54</sup>. In addition, they depend on the number of opportunities and privileges they feel they are losing, the formal channels they can reach, the power of the sector they work in, the number of the workers resisting, and their stress reactions.

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<sup>53</sup>Killick *et al.* in Brown, Ed, “Tinkering with the System”, in *Structural Adjustment: Theory, Practice, and Impact*, Mohan, Giles *et al* (London and New York: Routledge, 2000), 124.

<sup>54</sup>Smith, Pickles, 3.

Figure 3. The reformed model of Tironi's theory of resistance



## Methodology

Christopher Adam (1992) states “the debate surrounding privatization in developing countries is based on limited empirical evidence”<sup>55</sup>. Since depending on the reformed model of Tironi’s theory of resistance will just derive another impractical study, the research studies two cases of resistance in particular. The first case of resistance is the case of the Delta for fertilisers and the second case of resistance is the case of Cemex. The first case represents a model for strong successful resistance while the second case represents a model for weak failing resistance. The two cases were chosen randomly to reflect the general types of resistance that exist in Egypt. Within the chosen cases, the reasons behind the workers’ resistance, the tactics of resistance as well as the modes of resistance are all shown and detected. Studying two different/contradicting cases of resistance will –to some extent- reveal the factors behind the success or failure of their resistance to privatization.

Throughout the research and along with the theoretical line, a qualitative methodology that depends mainly on interviews and questionnaires is utilized. The interviews and the questionnaires are conducted with decision makers, problem solvers, labor union representatives, labor syndicate representatives, resistance activists as well as workers and employees. Annexes with information about the interviewees and the detailed texts of the interviews and the questionnaires are attached to the research

In-depth interviews were conducted with the employees in the privatization unit in the Ministry of Investment. The purpose of these interviews was to help discovering the reasons of resistance, tactics of resistance, and modes of resistance that exist in Egypt

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<sup>55</sup> Adam et al, 3.



since they are the decision makers and the problem solvers who deal with the issue of privatization. The interviews also aimed at discovering their opinion as decision-makers and top-level administrators in the two case studies, Delta for fertilisers and Cemex. The interviews were conducted with the privatization assessment expert, a senior official in the privatization program until 1998, and other official in the privatization unit whose names were not mentioned upon their request (for security reasons).

Other interviews were conducted with workers or the employees (including the labor union or labor syndicate representatives). The interviews were conducted in the form of face-to-face questionnaires. The first questionnaire was conducted with the employees in the Delta for fertilisers. The second questionnaire was conducted with the employees in Asiut cement (Cemex). A sample of about 12 employees (administrators, workers, managers, etc...) was used in each questionnaire.

The questionnaires attempted to find out the reasons behind the workers' resistance. They also attempted to find out the tactics of resistance the workers used in each case study. In addition, they helped detecting the modes of resistance that each case study represented. This will hopefully explain the relation between privatization and resistance in the two cases.

In addition, other interviews were conducted with resistance activists. An interview was conducted with the anti-globalization movement activist in Egypt. The goal of this interview was to show whether the movement finds it viable to work on the local level or not. It showed the perspective of the anti-globalization movement in Egypt with regard to resistance to privatization. Other interviews were conducted with the labor union and labor syndicate representatives in the Delta for fertilisers as well as Cemex.

These interviews attempted also to reveal the reasons behind resistance, the tactics of resistance and the modes of resistance. In the case of the Delta for fertilisers, specifically, the statements of the labor union and labor syndicate representatives were very important since they played a great role in organizing and directing the resistance.

### The Limitations of the Study

Researching and detecting resistance to privatization in Egypt was not an easy subject neither in theory nor in field research. I actually met some difficulties during this study. Lack of sources (books and articles) that tackle the resistance to privatization specifically was one of such difficulties. I had to use my imagination to find out the theoretical and conceptual base for this resistance. Except for the Egyptian book *Privatization in Egypt: The Debate in the people's assembly*, which is written by highly academic and professional individuals, very few sources spoke of resistance to privatization inside Egypt.

However, I tried to compensate lack of written sources with some interviews with the high rank employees and decision makers who were responsible of planning and implementing the privatization program and were later responsible of solving its problems. Nevertheless, the issue was very sensitive. While doing my interviews and questionnaires, I was faced with fear and suspicion. I was even advised not to say the name of my research "Resistance to Privatization in Egypt" while doing my questionnaires with the workers (which I did not do of course). Instead, I attempted to solve this problem through building a line of confidence between me and the workers and

advised them not to mention their names for security reason, which removed some of their caution.

The last limitation of the study was actually the lack of time. Studying some factors -such as culture, awareness, education, acquisition of resources, .etc- might have helped understanding and analyzing resistance. If there is any future possibility to continue with this research, my primary concern will be detecting and studying such factors in Egypt. I actually recommend that other researchers shall start involving more in such factors in order to have a full and perfect picture of resistance to privatization in Egypt.

#### The Importance of the Study

This research attempts to reveal the ambiguity that encircles the progress of privatization in Egypt. In addition, the research will attempt to identify factors contributing to the failure and success of privatization. It will show how resistance to privatization can affect the course of privatization and even change it or reverse it with reference to Egypt in general and to an Egyptian case study in particular.

This becomes possible through studying the effect of different combinations of (i) motives or reasons of resistance, (ii) the utilized tactics of resistance, and (iii) the possible modes of resistance. Thus, the research offers a fine study to the three factors and their effect through comparing two case studies that have different combinations of the three factors. Finally, the research will prove that resistance on the local level can be very effective and can through cumulative effect lead to reform or change in the path of privatization.

### Part 3: Resistance to Privatization

Liberalization and privatization are not mounting unquestionably around the world. They face some resistance. This part of the chapter focuses on resistance to privatization.

#### The Reasons behind Resistance to Privatization

Depending on its form pace and intensity privatization, on its own, or as an integral component of a wider policy of structural adjustment programmes, is bound to have serious consequences on the society at large or on specific groups, regions, or sectors<sup>56</sup>.

According to Tironi, resistance to privatization will emerge once people feel and realize they are excluded or exploited. However, privatization in less developed countries can lead to exclusion or exploitation in two ways. The first way is related to the fact that privatization is donor driven in developing countries. The second way is related to the nature of privatization that affects distribution and allocation of resources and incomes.

#### 1) Privatization as donor driven:

Aid -whether provided by a country or a financial institution- is very much seen as donor driven<sup>57</sup>. This means that the donor specifies the amount of aid and the direction of aid according to his interests and the acceptance of the recipient country to follow his policies or programs<sup>58</sup>. Both state and society share the responsibility of setting the pattern in the cases of the weak state- strong society and strong state- weak society while

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<sup>56</sup>Privatization and social issues, <http://www.fou.uib.no>, 1996.

<sup>57</sup>The expression of “Donor driven” was severally used by Carol Lancaster (see *Aid to Africa* for Carol Lancaster for more details about the concept).

<sup>58</sup>Carol Lancaster, *Aid to Africa so much to do, so little done*, (A century Foundation book. The University of Chicago Press, 1999).

the external actors are much in control and in position to impose their conditions in the case of the weak state- weak society, which is the case in many developing countries<sup>59</sup>.

Thus and expectedly, in a study formed about Structural Adjustment Programmes in 1996, it was found that “Local ownership” of individual SAPs was very high in only fifth of the programmes while very low in more than the half<sup>60</sup>. In addition, the time given to the individual countries to revise and further incorporate their contribution to the agreements was very limited<sup>61</sup>. This reflects the low real and genuine contribution of the individual countries in the SAPs, which leads to disregarding many important factors in such countries<sup>62</sup>. Thus, following reform does not suggest that local actors are satisfied about the reform components. Brown Ed in *Structural Adjustment: Theory, practice and impacts* states:

The apparent consensus would suggest an increasing local ‘ownership’ of the reform process, as ‘realist’ governments and bureaucracies are trained in ‘correct’ economic management – an argument which conveniently forgets the assertion that the lack of positive results from adjustment was largely related to implementation slippage and a lack of commitment to the reform agenda<sup>63</sup>. Analysis of internal politics within adjusting countries is routinely limited to the dismissal of opposition to the reform agenda as ‘rent seeking’ behavior from non-productive interest groups<sup>64</sup>.

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<sup>59</sup>Nevine Mosaad, “The Process of Privatization in the Egyptian Party Discourse”, in *Privatization in Egypt: The Debate in the People’s Assembly*, Wadouda Badran, Azza Wahby. (Cairo: Center for Political Research and Study, 1996), 74.

<sup>60</sup> Ed Brown, 123.

<sup>61</sup>Ibid.

<sup>62</sup> This is a criticism by some of the insiders in the World Bank (the Bank staff) directed to Structural Adjustment programmes (see Ed Brown, 2000, 123).

<sup>63</sup>Ed Brown, 124.

<sup>64</sup>Killick *et al* in Ed Brown, 124.

Christopher Adam and Percy S. Mistry state, “Privatization lies at the heart of economic adjustment programs”<sup>65</sup>. In that sense, privatization programs come as a part of the conditionality or the recommendations that less developed countries have to accept in order to guarantee the continuation of aid or most accurately ‘finance’.

Since privatization might be a product of the IMF conditionality, the World Bank’s structural adjustment or the donor countries’ pressure, the privatization program disregards many things. According to James L. Phelan, the programs or policies of the World Bank and IMF create an environment favorable to transnational and multinational corporations. In that sense, he continues to argue that those policies are indifferent to all countries. In other words, the International Monetary Fund and the World Bank give the same program of privatization, market liberalization and market based pricing to any country regardless its culture, traditions, economic history, or future plans<sup>66</sup>.

Moreover, the state’s plans of development can contradict with the reform package or privatization specifically. Public enterprises can be used as a source of budget revenues, employment, deconcentration of economic power, and mobilization of industrial capabilities<sup>67</sup>. Hence, privatization may disturb the nature of the economy and delay the developmental plans.

The reform package while changes the role of the state in favor of the market, it does not stipulate the existence of any of the important roles of the state that are allowed and encouraged within liberalization. Such roles of the state or the government involve

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<sup>65</sup>Adam et al, 3.

<sup>66</sup>James Phelan, “Renowned U.S. Economists Denounce Corporate-Led Globalization”, *Common Dreams News Center*, Vol. 2, No4 (2001, November).

<sup>67</sup>Joh Hak-kuk, Privatization of Natural Monopolies & Competition Issues. International Conference on Competition Policy: Tashkent, <http://ftc.go.kr/data/hwp/privatization> (June 2003).

solving externalities, monopoly, inefficient resource allocation, etc...<sup>68</sup>. Solving market inefficiency is not always part of the reform package. Thus while some countries proceed with privatization, they might forget that they have to enact laws governing monopolies (e.g. Egypt) or otherwise they will jeopardize people's interests and security.

At the same time, one can not depend on a single package to transfer a country from underdevelopment to development or in our case impose privatization to cure all diseases disregarding the many internal differences between countries. Countries are very different economically, politically, historically, and socially. Disregarding negative or positive social capital, the economic culture, the nature of the market, etc... can be extremely dangerous.

The experience of the Czech Republic and transition economies suggests that diversity in the nature of developing countries requires the adoption of diverse forms of transition. Each different form of transition should take into consideration "the role of the legacies of the institutional frameworks and social relations derived from state socialism"<sup>69</sup>. This raises the sense of the ownership of the model and thus the credibility and political commitment to the model<sup>70</sup>. In that sense, no one single program is ever suitable to all developing countries or transition economies.

The IMF and the World Bank do not only neglect differences between countries, but they also depend on an illogical principle. They apply programs that succeeded in developed countries, which means that they were mainly attached to developed countries

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<sup>68</sup>Cook, Kirkpatrick, 6.

<sup>69</sup>Smith, Pickles, 3.

<sup>70</sup>Mahmoud Mohieledin, Sahar Nasr, "On Privatization in Egypt: With Reference to the Experience of the Czech Republic and Mexico", in *Privatization in Egypt: The Debate in the People's Assembly*, Wadouda Badran, Azza Wahby. (Cairo: Center for Political Research and Study, 1996), 58.

at a late phase of their progress and development. Hence, they overlook the prerequisites that are needed for the success of such programs<sup>71</sup>.

In the cases where privatization is imposed from outside, people feel that their countries are peripheral and dependent. They feel they are dependent in decision-making, finance, capital, goods and services, etc... They realize that their countries are excluded from the international process of decision-making. They did not choose to privatize or deregulate capital, goods, and services. In addition, they realize that countries at the core encourage processes that exploit them and exclude them from competition. Such processes work in the interest of the countries that include skilled, well-educated, and cheap labor as well as technological, high quality, and competitive products. Hence, the entire relation is not in their advantage; instead, it exploits them and excludes them.

## 2) The nature of privatization:

Since privatization by nature redefines the role of the state in the social and economic arenas, it touches very sensitive issues in the lives of the people. Some of the social and economic goods and services that the state used to provide will be provided by the private sector. However, privatization promotes market and commercial ideologies, which cherish competition and profit. The private enterprise will seek profit through controlling wages, employment, social securities, etc... The problem is worse when such ideologies dominate the provision of basic or strategic goods and services. In this case, the private enterprise may seek profit through manipulating prices, quantity, or quality, which is dangerous.

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<sup>71</sup>Narjess Boubakri, Jean-Claude Cosset, "Does privatization meet the expectations? Evidence from African countries". *Plenary on Privatization and Corporate Governance*. African Economic Research Consortium biannual research workshop. (Kenya: Nairobi, 1999).



The meaning of privatization depends in practice on a nation's position in the world economy. In the wealthier countries, it is easy to treat privatization purely as a question of domestic policy. But where the likely buyers are foreign, as in the Third World, privatization of state-owned enterprises often means denationalization--a transfer of control to foreign investors or managers<sup>72</sup>.

However, private companies, whether domestic or foreign, can adopt the same exclusive and exploitive policies. Private domestic companies while pursuing profit and seeking their self-interest, they may follow policies similar to the ones followed by the multinational corporations. Whether foreign or domestic, the private company seeks profit. Thus, it may raise prices, reduce wages, dismiss employees, and reduce social securities<sup>73</sup>.

Firstly, private companies may raise prices in order to maximize their profits. Raising prices can be very a sensitive issue when it comes to privatizing natural monopolies or infrastructure (for example: health, water, electricity, etc...). In general, all what touches strategic and basic goods or services irritates both people and decision makers. In the instances where private companies raise the price of a strategic good or service, the country's security and stability becomes threatened. This raises the eternal question of "what should be privatized and what should not?".

In addition, raising the price of a basic good or service makes normal people unable of paying for their basic needs. Privatizing health services, for example, deepens inequality and poverty as argued by the International People's Health Council and inflicts

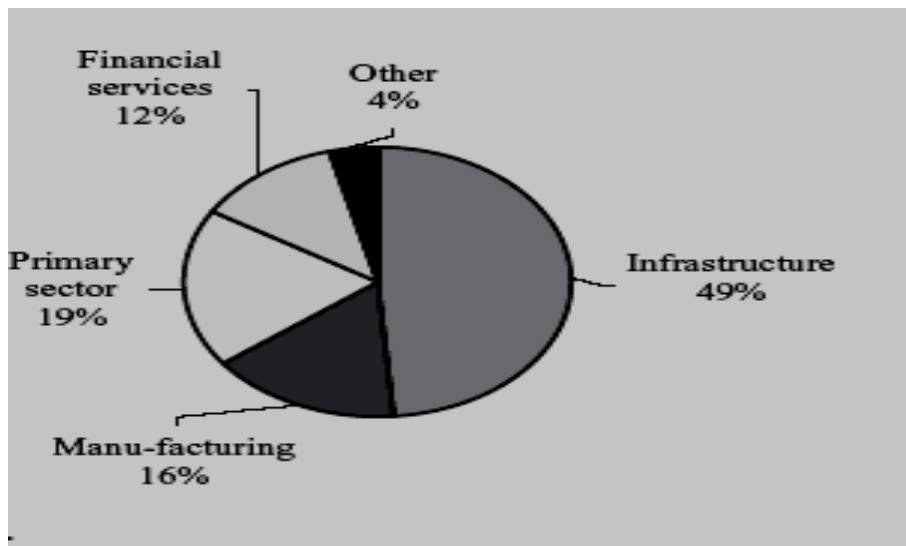
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<sup>72</sup>Paul Starr, "The meaning of Privatization", in *Privatization and the Welfare State*, Alfred Kahn and Sheila Kamerman (Princeton University Press, 1988).

<sup>73</sup>Binns, David, *Privatization through Employee Ownership: Learned from the International Experience*, <http://cog.kent.edu/lib/Binns>. 2000.

what they call “commercial mentality” on the public sector<sup>74</sup>. Only rich people will be able of affording health care. However, the problem is wider because 49% of the privatized companies are in the field of infrastructure (see the following chart), which threatens more people of cutting or at least reducing their supplies of basic goods and services. This leads to more poverty and inequality.

Privatization Proceeds by Sector 1990–99 (US\$ billions)



Source: World Bank (2001b)

Moreover, private companies may reduce the number of workers. They may extend working hours and change the organization of work in a way that irritates workers or extend their tasks<sup>75</sup>. Extending working hours and work tasks both lead to flattening the pyramid of job categories and reducing the number of the staff<sup>76</sup>. In addition, the attempt to introduce technology, especially capital-intensive one, in many arenas

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<sup>74</sup>“People’s health movement”, *International People's Health Council*, [database on-line] accessed at 29 September 2004, from [http://action.web.ca/home/clcmed/en\\_issues](http://action.web.ca/home/clcmed/en_issues), 2003.

<sup>75</sup> International Labour Office, *Discussion Paper*, No. 2, (Switzerland: Geneva, 1999).

<sup>76</sup> Ibid.

contributes to reducing the number of workers. All this demonstrate kinds of exploitation to workers.

However, Privatization may also lead to reducing wages and salaries while pursuing profit and cutting costs. The high unemployment in many countries helps the investor reducing wages, as he is certain he will find workers that accept such low wages. Since workers in developing countries will not be able of leaving their jobs because there is low or no possibility they will find another one, they will keep working despite the low wages. Thus, though low wages may attract investors and may flourish the economy, they nevertheless exploit workers since they undermine their efforts and make use of their need to the job.

In general, privatization changes labor relations and conditions. The change in labor relations after privatization is explained in Table 2. The table shows the change in personnel management, union's participation, and collective bargaining. True that it shows some of the advantages of privatization, but it also shows some factors that make workers feel exploited or excluded. Thus, although it shows a shift to flexibility, efficiency, quality promoting, and collective or decentralized bargaining, it shows the other side too. It shows the shift for less number of workers, lower wages, less internal or inside recruitment, more labor instability, less engagement in unions, and less enjoyment of unions' benefits (see Table 2). Thus, the table explains forms of workers' exploitation and exclusion. For such reasons, workers and unions both resist privatization and attempt to reform it.

Table 2. Labor relations before and after privatization

	Before privatization	After privatization
Personnel management	<ul style="list-style-type: none"> <li>• Preferential salaries, additional benefits, significant indirect salary component</li> <li>• Preference in recruitment to family members of employees and unionized workers</li> <li>• Internal labour market based on length of service and experience</li> <li>• Reduced daily working hours and overtime</li> <li>• Labour stability</li> <li>• High level of rotation of management staff (union as stable reference)</li> <li>• Overstaffing</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of additional benefits and indirect salary</li> <li>• Internships, bursaries, flexible hiring arrangements</li> <li>• Internal labour market based on formal qualifications, high level of rotation</li> <li>• Flexible working hours, reduced overtime</li> <li>• Greater internal flexibility</li> <li>• Greater discretionary powers for enterprise</li> <li>• Reductions in staff levels (redundancies, retirements, etc...)</li> </ul>
Union participation	<ul style="list-style-type: none"> <li>• Uniform union strategies based on claims and demands</li> <li>• High level of participation and union membership</li> <li>• Selective benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Diversified and more defensive union strategies</li> <li>• Lower level of participation and union membership</li> <li>• Abolition of benefits</li> </ul>

Collective bargaining	<ul style="list-style-type: none"> <li>• Centralized bargaining</li> <li>• One collective agreement per enterprise</li> </ul>	<ul style="list-style-type: none"> <li>• Decentralized bargaining by sector</li> <li>• Separate collective agreements for each enterprise</li> </ul>
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Source: International Labour Office, *Discussion Paper No. 2*, Geneva, 1999

### Modes of Resistance to Privatization

There are different modes of resistance to privatization. Resistance to privatization does not have a typical mode or form that exists in all countries.

The exploitation and exclusion resulting from the imposition of privatization lead to two forms or modes of resistance. They lead to the resistance of decision makers and bureaucrats, which is signified by “lack of political will”. In addition, they lead to public resistance or public antagonism.

The imposition of privatization programs leads to the resistance of some decision makers in the recipient country. This problem is known as hesitance of political will or lack of political will. The lack of political will and political capacity minimizes the chances of having more devoted bureaucracy and sincere plans of privatization, which may lead to countering reform. It is true then the statement “privatization is the right tool for addressing some problems, but used indiscriminately it can destroy more than it fixes”<sup>77</sup>.

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<sup>77</sup>Guide to Developing Public-Private Partnerships J& E Associates, 1997.

On the other hand, if we took in mind the targeted outcomes of privatization, we will find that such targeted outcomes can be countered with the lack of political will. The two major targeted outcomes of privatization are the maximization of customer outcomes, which refers to services' improvement, and the maximization of system outcomes, which refers to services delivery system's improvement. However, as the cliché says, "Privatization is primarily a political process"<sup>78</sup>, then maximizing the system outcomes will not be possible when a hesitant political will exists<sup>79</sup>. Improving the delivery system and improving the services both need to be backed with a solid determined political will that supervises every thing and issue future plans that would solve ongoing errors or inefficiency.

On the other hand, privatization leads to public resistance. Public resistance refers to the resistance of workers, unions, and ordinary people. It also refers to the grassroots' resistance, which as defined above is the responses to privatization by the ordinary people, who do not occupy high positions or seize concrete power. People or grassroots view the imposition of privatization and the increasing control of foreign enterprises as interference in their internal affairs in order to marginalize them and their country.

The existence of the two types of resistance hinders the path of privatization in many developing countries, especially in the Middle East and Africa (see the following chart). Obviously, the more privatization is imposed from outside, the slower the course of privatization is moving. It is the result of the two modes of resistance. In addition, one should not forget that the package imposed from outside disregards differences and is

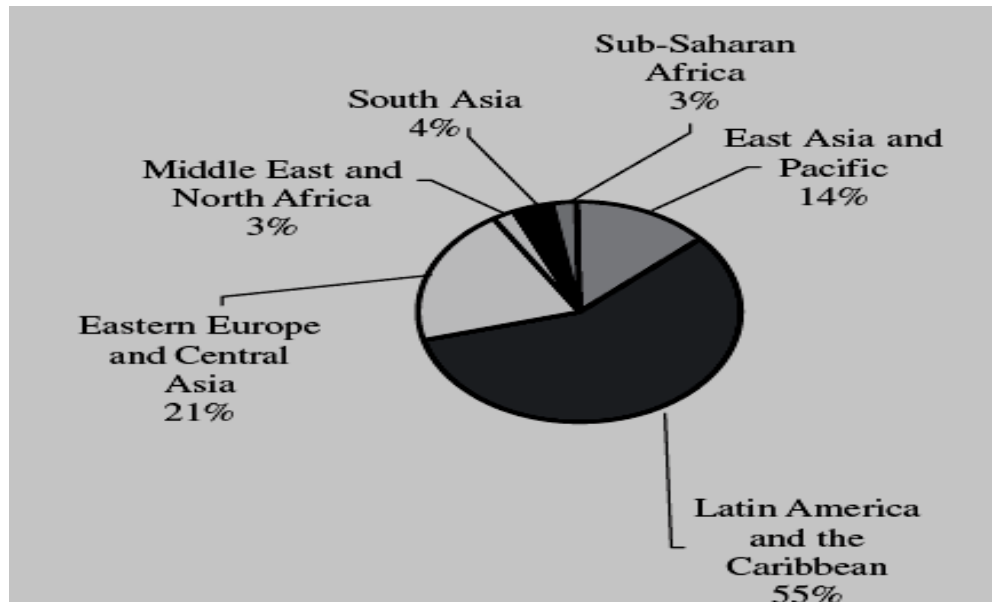
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<sup>78</sup>Kurland and Brohawn, 50.

<sup>79</sup>Guide to Developing Partnerships.

primarily taken from developed countries (who already passed a long path of development as stated above), which in itself hinders privatization in each country.

Privatization Proceeds by Region, 1990–2000 (US\$ billions)



Source: World Bank (2001b)

However, modes of resistance do not only vary between public and political modes of resistance. There are also Scott's modes of resistance that vary between infrapolitics kind of resistance and clear or loud resistance. Infrapolitics resistance refers to silent resistance that does not require propaganda or explicit use of power. On the other hand, the clear or the loud resistance refers to the apparent resistances that use explicit power.

Modes of resistance can also vary between movements types of resistance and the submerged networks. This classification is Polanyi's classification of resistance. It is based on the organizational structure or collective nature of resistance. He also differentiates between collective resistance and individual one. It is actually a dichotomy

that varies between highest degrees of organization to the lowest degrees of organization. Contentious collective actions are much related to social movements and acts of confrontation with authorities<sup>80</sup>. They are based on solidarity<sup>81</sup>. On the other hand, individual actions are the opposite of collective actions, as they are not directly confronting authorities and do not involve high degree of organization.

Finally, resistance can vary according to the scale it reaches or aims at reaching. It can vary between global form of resistance that targets the global arena and addresses international decision making and local resistance that works locally and targets domestic decision making. The two modes agree on the goal but disagree on the mean.

#### Placing Resistance in an International Context

Resistance to privatization is experienced in many countries, whether developed or less developed as will be shown. The agents of resistance in such countries resist their exploitation or exclusion. They use many tactics while resisting. Those tactics vary between direct actions, violent actions, media, or legal and formal channels.

In Bolivia, the people used direct actions to respond to one of the biggest MNCs. In 2001, the people made a general strike against Bechtel's multinational enterprise in Cochabamba, a Bolivian city. After the government privatized water, the people were very upset and afraid of the changes in the prices of the most vital and needed substance in life, water<sup>82</sup>. The decision by Bechtel enterprise, which is the enterprise that came to

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<sup>80</sup>J. Feffer, *Living in Hope: People Challenging Globalization* (London: Zed Books. 2002), 19.

<sup>81</sup>Ibid.

<sup>82</sup>T. Jacobson and T. Lough, *World Bank and Multinational Corporations* (Canada: Toronto Globe, 2001).



control water supplies in that area and is known with its clear abuses to environment, to raise Water Prices pushed people to organize the general strike<sup>83</sup>. Instability and unrest continued for four months after which the government decided to take a move and drive the Bechtel enterprise out of Cochabamba.

In Brazil, the people were able to use media and legal or political channels to resist multinational corporations. The grassroots in Brazil developed community bases, which stood behind many families that were dismissed out of their lands when some MNCs wanted to invest in agriculture using huge plots of land<sup>84</sup>. They raised their advocacy before the government as well as used press and media to make all the details about the situation published on public. In addition, members of community bases joined many other political organizations as well as helped creating some, like unions<sup>85</sup>. They realized the importance of having a good mediator or a third party that can mediate between them and other MNCs. On the other hand, it is quite an asset to prepare or create an ally that can lobby or pressure on MNCs for the grassroots' interest. In that sense, they used political discourses as well as followed the legal channels.

Wisconsin, the American state, is another case where the grassroots followed the political discourses in order to respond to MNCs. Zoltan Grossman and Debi McNutt (2000) stated, "Wisconsin is in the midst of one of the biggest upsurges in rural activism in decades"<sup>86</sup>. Grassroots in Wisconsin started four rural alliances in order to face the multinational corporations that exploit their lands and lead to environmental devastation.

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<sup>83</sup>Ibid.

<sup>84</sup>A New Social Structure, 1995.

<sup>85</sup>Ibid.

<sup>86</sup>Grossman and McNutt, 2000.

One of the alliances was with the unions against the mining corporations that attempted to pollute the river and the underground water with toxic chemicals and acids<sup>87</sup>. Other alliances, with the unions and urban organizations, were formed to stop the power plant proposals suggested by different MNCs because they did not respect the health and environmental laws<sup>88</sup>. Grossman and McNutt concluded that grassroots activism in Wisconsin that challenges and opposes the economically and environmentally devastating proposals of the MNCs actually asserts the citizens' control on their environment and economy.

### Conclusion

This chapter clarified the main theoretical issues concerning privatization and resistance. It showed how privatization and liberalization are connected in theory and in literature. It also explained the reasons behind resistance to privatization using Tironi's theory, which is based on exclusions and exploitation. The nature of privatization that reallocates resources and labor based on commercial standards as well as the fact that privatization is 'imposed' on LDCs are the main two reasons behind resistance to privatization. At last, the modes of resistance and the international context of resistance to privatization were reviewed.

However, it shall be noted that speaking of privatization and resistance does not suggest that privatization is always disadvantaged. Privatization attracts capital flows and offer new investment opportunities. In addition, it can deal with fiscal deficits, low

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<sup>87</sup>Ibid.

<sup>88</sup>Ibid.

economic returns, public sector inefficiency, corruption, and high political and administrative manipulation<sup>89</sup>. It also “allows sectors to function on commercial basis”, which means that efficiency, high quality, and wise management of time and resources will all be pursued. However, this research seeks to find out the other part of privatization that brings resistance.

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<sup>89</sup>Adam et al, 72.

## CHAPTER II

### RESISTANCE TO PRIVATIZATION IN EGYPT

#### **Introduction**

Privatization is being met with resistance in many countries, whether developed or less developed. However, the reasons behind resistance to privatization and the modes of resistance change from a country to another. The tactics that the agents of resistance deploy also change from a country to another.

This chapter examines resistance to privatization in Egypt. It starts with giving an overview about the environment at which privatization was introduced in Egypt. Since privatization in Egypt was introduced and derived by IFIs and donor agencies, this in itself constituted a reason to resist privatization. Nevertheless, it is only one reason for resistance.

The rest of the chapter explores other reasons behind resistance to privatization in Egypt. Such reasons are related to the nature of privatization. The chapter also examines the different tactics of resistance that exist in Egypt and the modes of resistance as well. Finally, it reviews the implications of resistance. This gives a reliable study to “Resistance to Privatization in Egypt”.

#### **Background to Privatization in Egypt**

Attempts to increase investments and encourage private investors are too many in the history of Egypt. However, the *Infitah* or the open door policy that began in 1974 at the time of President El Sadat was a major change in the Egyptian economic policies, which shifted from nationalization to liberalization and from the adoption of a command

system to a market economy<sup>90</sup>. Since that time, there have been many laws enacted to encourage investment, like the Law No.43 of 1974 that spurs Arab and foreign investment giving more incentives to the investors and its amendment Law No.32 of 1977 that paves the way for privatization<sup>91</sup>.

However, after a long decade of the *Infitah*, Egypt suffered huge declines in economic growth. The open door policy left Egypt in deep economic imbalances reflected in a nominal inflation rate of 15% and a real inflation rate of 25%<sup>92</sup>, a budget deficit of 17% of the GDP, and a deficit in the balance of payment of about LE 11.4 billion<sup>93</sup>. In short, there have been many monetary and fiscal problems and distortions. Thus, by the end of 1980s, the need for reform was highly assured.

However, the public sector reform, specifically, was an issue that needed real attention in the economic reform program. There were many reasons behind this. One of those reasons is that although the open door policies were mainly adopted for the purpose of encouraging the private sector and private investment, there was no tangible success in spurring private investment. By the end of 1980s, the public sector was controlling 80% of the import/export as well as 90% of the banking and insurance sectors<sup>94</sup>. In addition,

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<sup>90</sup>“Institutional Aspects of Privatization: A comparative approach in the ESCWA Region”, *Economic and Social Commission for Western Asia* (New York: United Nations 1997), 28.

<sup>91</sup>Ibid, 27.

<sup>92</sup>Ibid.

<sup>93</sup>“Privatization in Egypt”, *Carana Corporation: Quarterly review*. USAID Monitoring Services project, (2002, April).

<sup>94</sup>Ibid.

the 1987 reform efforts that were presented upon the advice of the World Bank and the IMF to restructure the public sector were met with failure<sup>95</sup>.

Moreover, there have been no real attempts to transfer some of the state domains or roles to the private sector. Table 3 shows how by the end of 1980s the share of the private sector in investment was far below the half and its share in employment was slightly more than the half. In addition, the statistics in the report released by the Egyptian Public Enterprise Office show that at the same period the public sector was in control of 76% of the investment. Whether 61% as in Table 3 or 76%, the two percentages reveal the big share of the public sector in investment despite all its inconveniencias. Thus, the public enterprise was a sector that was seen in need of major reforms that would put the private sector in better control.

Table 3. The percentage of the private sector share in investment and employment

Sectors	Year: 1987 % of private
<b>1) Investment:</b>	
Total commodity service sectors	44.6
Total service sectors	26.2
Total social services sectors	42.4
Grand total	39.0
<b>2) Employment:</b>	
Total commodity sectors	81.5
Total service sectors	68.7
Total social service sectors	36.1
Grand total	66.4

*Source:* The World Bank, Private sector development in Egypt (*report for the conference on the Private sector development in Egypt: investing in the future*), 1994.

<sup>95</sup>Boyan Belev, *Forcing Freedom: Political Control of Privatization and Economic Opening in Egypt* [book on-line] (United States: University Press of America, 1999).

The performance of the Egyptian public sector also had fallen into many deadlocks. The Egyptian public enterprises actually operate on a system mixture between profit making enterprises (260 enterprises) and loss making enterprises (56 enterprises). This system led to losses of about LE 2.37 billion. In total, the public sector was indebted with about LE 47 billion<sup>96</sup>. Subsequently, this constituted high burdens on the capabilities of the government and the state.

In addition, the public sector suffered other problems concerning human resources. The Egyptian public sector is overstaffed and usually tolerates the unproductive and unskilled labor. This situation is inherited from the 1950s to mid 1970s policies that allowed the Egyptian government to emerge as the major employer that employed more than the third of the labour force<sup>97</sup>.

The existence of all these problems in a sector that controls the biggest share of investment is a real problem. This means that the investments will not be efficient or productive. As Carana Corporation states “while the PE’s in Egypt was receiving the lion’s share of the investment in the productive sectors of the economy, the return on the capitol was gradually decreasing and by 1989 reached a low by 5.9% while the average interest rate was 14%”<sup>98</sup>. Hence, the public investments were not circulated in new businesses or used to create more employment opportunities although they are obliged to hire them in order to accommodate the increasing unemployment.

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<sup>96</sup>*Carana Corporation: Quarterly review and; Egypt’s national Privatization Program for 2002/2003*, Ministry of Public Enterprise (The Public Enterprise Office: Privatization Unit, 2003).

<sup>97</sup>Killick and Commander in Cook and Kirkpatrick ed., 1988, 93.

<sup>98</sup>*Carana Corporation: Quarterly review*, 2002.

## Privatization in Egypt

In an attempt to solve the many economic inconveniences in general and the problems of the public sector in particular, Egypt accepted to undergo another reform program that depends on privatization. Privatization, as stated in the previous chapter, reduces expenditure, achieves stabilization, and improves the supply side through better resources allocation. In that sense and in theory, it represents a cure to many diseases, however still in theory.

The privatization program in Egypt started under the auspices of the IMF and the World Bank as a part of the Economic Reform and Structural Adjustment program (ERSAP). The program as declared by the IMF and the World Bank is a market-oriented program that puts the private sector in control<sup>99</sup>. The clear thing is that the program or the ‘package of policies related to liberalization’<sup>100</sup> is the initiative of the IMF and the World Bank and is a part of their conditionality, which brings us back to the problems of ‘imposing’<sup>101</sup> privatization that were referred to in the previous chapter and will be explained in more details later in this chapter.

The privatization program in Egypt, which was initiated through the creation of the PEO (Public Enterprise Office) as an independent advisory body<sup>102</sup>, started in early 1991. It was constituted of two phases. The first phase of the program involved the “divestment of the public sector holdings in production and manufacturing

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<sup>99</sup>Ibid.

<sup>100</sup>Mosaad, in Badran and Wahby, 76.

<sup>101</sup>Nazli M. Ahmed, “Parliamentary Debates over the external dimensions of privatization”, in *Privatization in Egypt: The Debate in the People’s Assembly*, Wadouda Badran, Azza Wahby (Cairo: Center for Political Research and Study, 1996), 369.

<sup>102</sup>Mohieledin and Nasr, in Badran and Wahby, 42.



companies”<sup>103</sup>. The second phase of the program involved encouraging investment in sectors that have been historically administrated and controlled by the government (e.g. electricity). The implementation of each phase required the utilization of one or two approaches.

Two approaches were used to achieve the first phase of the program. The first approach involved the sale of the share of public enterprises in the stock market. The second approach involved selling them to anchor investors (see the first and second row in Table 4). As a result of following those two approaches, Egypt managed to sell four companies to ‘strategic inventors’ (e.g. Pepsi Cola, Coca Cola, Egyptian bottling company, El Nasr bottling Company, etc...). Moreover, Egypt succeeded at earning about 2.6 billion LE out of its selling to twenty-seven public enterprise in the stock market. However, the earnings stopped at 2.9 billion £E in 1996<sup>104</sup>.

At the second phase of the privatization program, a different approach was required. Because this phase involved encouraging investment in sectors that had been historically administrated and controlled by the government, the used approach entailed the enactment of new laws and legislations by the government. The objective of such laws or legislations was to facilitate the private investments in the public sector. The law 203 of 1991 is a major example of this approach. The law includes the privatization of 314 State Owned Enterprises (SOEs)<sup>105</sup>. However, only slightly more than the half of this number was privatized and still partially (see Table 4).

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<sup>103</sup>*Prospects for Economic Growth*, 2004, from [www.infoprod.co.il/country/egypt1d.htm](http://www.infoprod.co.il/country/egypt1d.htm).

<sup>104</sup>*Ibid.*

<sup>105</sup>*Prospects for Economic Growth*, 2004, from [www.infoprod.co.il/country/egypt1d.htm](http://www.infoprod.co.il/country/egypt1d.htm).

Table 4. The record of privatization in Egypt

No. of Privatization Technique	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Aggregate No. of companies
1. <i>Majority or all through the Stock Market</i>	0	0	1	14	14	8	0	1	0	0	38
2. <i>Anchor Investor</i>	0	3	0	3	3	2	9	5	4	0	29
3. <i>Employee Shareholder Associations</i>	0	7	3	0	3	12	5	0	2	2	34
4. <i>40% through the stock market</i>	0	1	2	6	1	0	0	0	0	0	10
5. <i>Trenches less than 50%</i>	0	0	4	0	1	1	0	0	0	0	6
6. <i>Sold as assets</i>	6	2	2	1	3	6	7	3	2	1	33
7. <i>Factories and production lines</i>	0	0	0	1	1	3	4	6	3	3	21
8. <i>Long term lease</i>	0	0	0	0	2	0	6	10	2	0	20
<i>Aggregate</i>	6	13	12	25	28	32	31	25	13	6	191

Source: Ministry of Public enterprise, *Public enterprise office*

The privatization program in Egypt was stalled in 1998. It reflected the statement of Boyan Belev who said that privatization in Egypt is not accompanied with the public support and social forces that can push it forward<sup>106</sup>.

### **Resistance to Privatization in Egypt**

The stall of the privatization program reflects a very important fact. It reflects that resistance to privatization in Egypt is very strong and is capable of breaking the course of privatization. Local resistance to privatization in particular is and has been influential in resisting privatization.

Some scholars argue that resistance should be formed globally and specifically on the level of the developed countries and not locally or on the level of developing countries. Samir Amin (1999) argues that resisting liberalization and privatization is not efficient in developing countries. He argues that resistance that comes from such countries is very weak because it reflects the weakness of their countries<sup>107</sup>. Such countries from the beginning accepted and submitted to the rules and conditionality imposed on them. Thus, he believes that the effective resistance is the global resistance and the ones formed in the developed countries themselves against their unfair liberal policies.

Another proponent of this argument is the Anti-globalization movement in Egypt. The Anti-globalization movement in Egypt does not promote resistance inside Egypt. In other words, they do not work locally. In the interview with an activist and a founding member in the anti-globalization movement in Cairo, he justified their attitude by saying

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<sup>106</sup>Belev [book on-line].

<sup>107</sup>Samir Amin, *Our Century: A critique* (Beirut: Arab diffusion Company, 1999), 53.

that their lack of money, resources, and personals makes them in a position of choosing whether to work locally or globally. In his words he stated, “What can we choose: to spend our resources and waste our time on local resistance that do not bring out tangible outcomes on the short run or on the macro level or, in contrast, mobilize our resources in a direct strategy that can bring out national outcomes?” (see Annex 4).

For the anti-globalization movement, working globally means that they will engage directly with the international decision makers. Since privatization is imposed from outside, they believe they have to deal with the outside, convince them, pressure them, or intimidate them to reach the targeted change. This will subsequently bring out new decisions that bind the national and international community. On the other hand, it will not take much time as working with workers and local resistance and trying to organize them in order to make them effective while pressuring local decision makers.

The answer of the anti-globalization movement to the earlier question was very practical. They chose to utilize their limited time and resources in a strategy that would bring out tangible outcomes in the short run and on the macro level. Thus, it is logical to find very few cases of resistance to privatization that the anti-globalization movement managed to play a role in. The rest of their activities vary between organizing international conferences and organizing global demonstrations or media campaigns.

However, there is another argument that defends local resistance and argues it is effective and can generate change. On the long run and cumulatively, local resistance can reach the decision makers outside. The review reports and the transparency policy of the World Bank and the IMF will show such resistance. This can generate indirect pressure

on the international decision makers. Such pressure threatens their reputation and questions their decisions in the developing countries.

Furthermore, although local resistance may not directly reach the international decision makers, it reaches the decision makers inside the country. Using tactics of resistance locally, whether such tactics relied on direct actions, media, or legal channels, threatens of political unrest and public dissatisfaction<sup>108</sup>. Subsequently it pushes decision makers to change their agendas and encourages them to think of alternatives<sup>109</sup>. Hence, local resistance is, to an extent, sufficient to change the policy action inside the country.

The rest of the chapter shows the reasons and motives behind resistance to privatization in Egypt (whether local or global). It also reviews the different tactics that the agents of resistance deploy in order to affect the decision-makers. In addition, the chapter explains the modes of resistance that exist in Egypt. Finally, it reveals the gainers and the losers of such resistance.

### **The Reasons behind the Existence of Resistance to Privatization in Egypt**

There are many challenges that face the privatization process in Egypt. Such challenges constitute motives for resistance when they are failed to be addressed. The challenges are:

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<sup>108</sup>Dearing, J. and Rogers, E., 1996, 18.

<sup>109</sup>Ibid.

1) The existence of many companies that contain large numbers of employees, which raises the costs of production and leads to the indebtedness of the company. In turn, this requires cutting down the employees' numbers and wages in order to reduce costs<sup>110</sup>

For example, the decision to privatize a company like Kafr Eldawar Spinning and Weaving would be an irritating decision to many workers and employees. The Company employs more than 350,000 employees. Most of them do not do any job and if the company is privatized, the investor will not keep them (see Annex 5). The resistance of such huge number of workers can lead to instability and public unrest.

2) The failure of some privatized companies that were used to yielding profits before being sold, which leads to the loss of many jobs and the decrease of wages<sup>111</sup>.

3) Most importantly is the failure of some Employee Share Holder Associations, which threatens of canceling this option that represents one of the favorable and desirable solutions to the workers<sup>112</sup>.

When the privatization decision comes to any company, workers at such company pressure to buy their company instead of having it sold to an investor. The "Employee Share Holder Association" is a very good option in front of workers. It absorbs their resistance to privatization because they feel they own their company. However, sometimes the employees manage to pay the regular payments in the specified times, like the case of Egyptian Springs Company and some other times they fail to pay the payments, like the case of Alex Cooling Company (see Annex2).

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<sup>110</sup>Ministry of Public Enterprises in Egypt. *The Challenges facing the Egyptian Public enterprise sector reform* (The Public Enterprise Office: Privatization Unit, 2003).

<sup>111</sup>Ibid.

<sup>112</sup>Ibid.

At the Alex Cooling, the employees insisted on buying their company. However, they faced financial problems, which made them unable of paying the regular payments. They were also unable of renewing the old refrigerators in order to make their service competitive. The lack of finance and resources led to the cancellation of the Employees Shareholders Association (see Annex2).

Employees Shareholders Associations should be applied in certain cases; otherwise, it will fail. Only if the company is not meeting strong competition or demanding continuous finance, Employees Shareholders Associations can succeed. In the words of the privatization assessment expert:

An Employee Share Holder is successful only when the company does not need more money to be pumped into it and, at the same time, there is no outside competition with it. In general, Employee Share Holders do not have resources that can create money like an investor. In addition, they are incapable of managing an administration and making plans and strategies that allow them to face competition because 1) they lack experience, 2) they don't take risk and 3) they lack the capability of scientific analysis (Annex 3).

The failure of many workers to continue paying the payments regularly and the application of Employees Shareholders Associations in the wrong cases made decision makers think twice before giving workers this option. They started to think about the costs, the sources of finance, the ability to face competition, etc... However, this deprives workers from their way-out of the privatization decision, which highly irritates workers.

Failure to settle the three challenges increases the probability of having resistance. Being unable of operating successful companies and pressuring the employees to leave their jobs will most probably bring out resistance. In addition, removing the option of the workers buying their own company aggravates resistance.

Other factors also lead to resistance to privatization in Egypt. Such factors are affected by the way the privatization program was introduced in Egypt and the nature of privatization itself. They both lead to exploitation and exclusion in different kinds and degrees, which as discussed in the previous chapter justify resistance.

However, each of the two factors provokes certain mode of resistance more than the other. Introducing the Privatization Program as a part of the IMF and the World Bank package provokes politicians and educated people more than uneducated ones (since only educated and knowledgeable people will know this information). They realize that privatization in this case does not take into consideration the diversity in economic history, culture in general and economic culture in particular, as well as the social formation of the society. For example, the IMF and the World Bank recommended raising the prices of basic services like electricity and water, which would have led to another increase in the prices of basic industries like sugar and fertilisers<sup>113</sup>. They overlooked the percentage of the poor in Egypt, disregarded the great dependence of the people on the public provision of basic good and services, and ignored the history of the Egyptians in forming riots in response to raising the prices of basic goods.

On the other hand, the nature of privatization in Egypt provokes workers and ordinary people. In his report, *Sides of the Egyptian experience in reforming the public enterprises sector*, Mohamed Hasouna states that the nature of privatization in Egypt involves restructuring the public sector technically and financially. It also involves introducing a source of foreign capital and deploying new technology<sup>114</sup>. Thus, the nature

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<sup>113</sup>Ahmed, in Badran and Wahby, 371.

<sup>114</sup>Mohamed Hasouna, *Sides of the Egyptian Experience in Reforming the Public Enterprise sector* (The Privatization department: Ministry of Investment in Egypt, 2003).



of privatization actually provokes workers and ordinary people because it touches their livings, careers and independency from foreign intervention.

Privatization is resisted in Egypt for the following reasons:

1) Since the privatization program in Egypt started under the auspices of the World Bank and is a part of the IMF conditionality, which gives an indication that it was not approved with the free will of the country, it raises some policy makers and public antagonism to what they call re-colonization.

Mahmoud Mohieledin and Sahar Nasr stated, “The privatization program can be a means to obtain the approval of the World Bank and the IMF on debt rescheduling by satisfying part of their conditionality. In this case government many not be convinced or genuine in the proposition and implementation of the privatization program which can be described as window dressing”<sup>115</sup>. Since many people realize that privatization is one of the components of the package of reform that Egypt had to accept in order to guarantee the services of the World Bank and the IMF, they find this a reason for resistance. They feel that their country and decision makers were excluded from real decision-making.

Reading the literature of four of the most important Egyptian parties, the ruling party or the NDP (National Democratic Party), the Labor Party, the Wafd Party, and the NPUP (National Progressive Unionist Party), one would easily know that all the political forces in Egypt value the role of the public sector in economic and social development. For the NPUP, ‘the public sector plays the major role in leading development’<sup>116</sup>. For the

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<sup>115</sup>Mohieledin and Nasr, in Badran and Wahby, 22.

<sup>116</sup>National Progressive Unionist Party. *NPUP program for change* (Egypt: Cairo), 14.

Labor Party, ‘the public sector reflects our economic capabilities’<sup>117</sup>. For the Wafd Party, ‘the public sector is necessary for securing the appropriate surplus contributing in the self financing of development’<sup>118</sup>. For the NDP, before 1992, the public sector was ‘leading the developmental process’. However, this changed after 1992 and the public sector became only ‘the planner and supervisor of productive activities and utilities’<sup>119</sup>.

In addition, observing the declarations of president Mohamed Hosni Mubarak shows that the shift to privatization, especially privatization of ownership, happened at the start of the 1990s. Before that date, he used to declare that ‘we don’t sell the public sector, it is the pillar of the country, we are continuously developing it’<sup>120</sup>, ‘we don’t sell the public sector...we don’t dissolve it and this should be clear for all’<sup>121</sup>, and most importantly ‘I don’t support the selling of the public sector’<sup>122</sup>. These statements coincided with political (formal) and popular antagonism toward liberalization<sup>123</sup>. Hence, it was logical to find the first statement of Nabeeh shabana -the representative of the labor syndicate in the Delta for fertilisers- and his first reason for resistance: “we all know this privatization is imposed on us from abroad, it is not the sincere wish of the people or the government. It is compliance to the global trends and external pressures” (annex9). It was also not surprising to find in an article for a well known Egyptian

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<sup>117</sup>*The Socialist Labor Party platform for change*. (Egypt: ‘Hizb Alamal Aleshteraky’).

<sup>118</sup>The Wafd Party. *The New Wafd Party platform*. (Egypt: Hizb Al wafd Algadeed), 29.

<sup>119</sup>The National Democratic Party. *The NDP platform* (Egypt: Cairo), 24.

<sup>120</sup>President Mubarak speech on Labor Day, *Mayo* (2-5-1983).

<sup>121</sup>President Mubarak discourse to Mayo, *Mayo* (16-12-1985).

<sup>122</sup>National Democratic Party. *Mubarak’s declaration in his meeting with the NDP* (Egypt: Cairo, 1988).

<sup>123</sup>Mosaad, N. in Badran and Wahby, 98.

economic professor, Nazli M. Ahmed, statements like ‘the influence exercised by international powers and financial corporations’<sup>124</sup>, ‘pressure’<sup>125</sup>, ‘blackmailing and intervening in our policies’<sup>126</sup>, ‘hidden facts concerning the negotiations with the IMF and the World Bank’<sup>127</sup>, and ‘the negative impact of dependence on the U.S, the World Bank, and the IMF in terms of grants’<sup>128</sup>. Academics, politicians, and ordinary people in Egypt criticize privatization because it was primarily introduced by external institutions.

The NPUP, the labor party, and other parties (e.g. Nasserite Party) were extremely afraid of “external dependence” especially with the declining level of planning in Egypt<sup>129</sup>. For them, this would result in bias to the private sector at the expense of the public sector and its important role in development and industrialization<sup>130</sup>. Accepting the terms and policies of the World Bank and IMF without deliberating them professionally and discussing their requirements as well as their social and future economic effect is a real problem<sup>131</sup>. Sunita Kikeri and John Nellis argue that a tailored privatization is a core condition to the absence of resistance<sup>132</sup> because as Narjess Boubakri and Jean-Claude Cosset state, “the privatization experience of industrialized

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<sup>124</sup>Ahmed, Nazli M. in Badran and Wahby, 366.

<sup>125</sup>Ibid, 365.

<sup>126</sup>Ibid.

<sup>127</sup>Ibid.

<sup>128</sup>Ibid, 372.

<sup>129</sup>Mosaad, N. in Badran and Wahby, 84.

<sup>130</sup>Ibid, 85: 86.

<sup>131</sup>Ahmed, Nazli M. in Badran and Wahby, 363.

<sup>132</sup>Sunita Kikeri, John Nellis, “An Assessment of Privatization”. *The World Bank Research observer* Vol.19 (1), (April 2004), 87.

countries does not address the problems of unsophisticated or underdeveloped capital markets and thus cannot be generalized to developing countries”<sup>133</sup>.

2) Many Egyptians are dissatisfied with selling or giving up public ownership especially to foreign and multinational enterprises. It raises their sense of insecurity and arouses their feeling of a “conspiracy” that is being planned against them, which is actually part of the Egyptian culture.

Moukhtar Khattab, the minister of the Public Business Sector was one of the main opponents to the sale of public enterprises. He was convinced that selling public enterprises to foreign enterprises is not the solution to the Egyptian Economic problems (Annex 1). The NPUP also recognized the complexity of the Egyptian economy crisis that can not be reduced and solved through “privatization”, especially that there is no certainty that the private sector is more efficient than the public one<sup>134</sup>.

Privatization in Egypt became a goal in itself and not a means to reach efficiency and increase production. Many places though their administration was privatized and succeeded in achieving high returns, they were sold to the private sector and to foreign investors in particular (e.g. hotels), which is unjustifiable because the objective of privatization was primarily achieved with privatizing the administration. In addition, many successful companies that have effective administration and earn high profits were put to sale. If it is logical to sell or liquidize the failing public enterprises, selling the profitable ones will only ‘dispose’ the public sector<sup>135</sup>. All these facts raise the people’

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<sup>133</sup>Boubakri and Cosset.

<sup>134</sup>Mosaad, N. in Badran and Wahby, 93.

<sup>135</sup>Ibid, 106:107.

sense of insecurity and make them unsure of what is going to be sold and what will happen if it is sold.

3) Once private enterprises hold the management of the public sector companies, they sacrifice many workers. They justify their actions by declaring that such workers are uncompetitive, unskilled, and are going to be substituted with new machineries.

The decision to bring new machineries instead of the old refrigerators in Alex Cooling Company was one of the reasons behind workers' resistance. The investor was going to buy modern and big refrigerators. Such refrigerators do not need many workers, which means that the rest of the workers will be dismissed (Annex 2).

In addition, some investors dismiss workers directly. An example for direct dismissal of workers is the Farascore factory. In the Farascore factory, 500 workers were dismissed<sup>136</sup>. Thus, although the government in 1992 emphasized that 'not a single worker' will be dismissed or even harmed because of privatization, the government promises did not materialize<sup>137</sup>.

Dismissing workers is a strong reason for workers to resist. Workers' resistance in the Upper Egypt (Sohag) Spinning and Weaving Company resulted from the investor's policy to dismiss workers and cut their wages (Annex 2). On the other hand, workers' resistance in Egyptian Springs Company also resulted from their feeling that their careers and incomes are threatened (Annex 2).

The Early retirement policy is one of the very well known policies used when the company is privatized in order to force or seduce workers and employees to leave their

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<sup>136</sup>Wahby, A. in Badran and Wahby, 337.

<sup>137</sup>Ibid, 332.

jobs. However, the early retirement policy has many economic and social effects. In a study made upon the request of the Egyptian Trade Union Federation by the Research and Study Center about the social and economic implications of the early retirement policy, many things were found. It was found that 48.6 % of the early-retired persons could not work in any other job and could not invest their money anywhere, which means they suffered unemployment. In addition, only 8.5% of early-retired persons succeeded at starting a new private project. It was also found that the economic situation of 50.5 % of early-retired persons highly deteriorated<sup>138</sup>. The workers usually spend their money on consumptive goods and unproductive actions like renewing the house, increasing the monthly spending, etc...

On the social side, 44.3% of the early-retired persons felt their social status is clearly damaged with their retirement while only 7.8% felt it improved. In addition, the social relations of 24.7% of the early-retired persons were worsened and 22.7% of the early-retired persons started to have family instability and family disputes<sup>139</sup>.

Although the decision to early retire is a voluntary decision, workers may find themselves obliged to take this decision because of “managerial reasons” or reasons related to the Workplace policies and strategies. It was found that 59.3% of the early-retired persons retire for such reasons. Managerial reasons are recalled when the workers or the employees are threatened to be dismissed or reassigned in another distanced place or different low level job, or they are threatened to continue working

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<sup>138</sup>“Social and economic implications of the early retirement policy”, *The labor Union and the Researches and Studies Center* (Egypt: Cairo. 2000), 174.

<sup>139</sup>*Ibid*, 175.

without promotions<sup>140</sup>. Cutting their privileges is actually the hardest managerial reason that the study found can lead to retirements. The emergence of managerial pressures and instability in the workplace leave workers with no option but to retire or leave their jobs.

4) The managerial pressures, whether led to early retirement or not, create resistance. In the instances where the private enterprises keep the workers, they offer no or low social security systems and most probably cut down wages. Private companies' main goal is holding competition, maximizing profit (lowering cost and increasing returns), and achieving efficiency<sup>141</sup>, which may overlook to the social side including wages, health and environmental problems, etc... The workers, thus, find working in the public sector secure compared to working in the private sector<sup>142</sup>.

One of the reasons that pushed the workers in the Delta for fertilizers to resist privatization is their belief that they will not be given their share in the profit as they were used to under the public sector. They knew that a profit seeking investor would keep the profit or invest it in more capital. He would not think of giving the workers their share in the profits (Annex 2).

5) Privatization some times does not lead to competition. For example, in the cases of natural monopolies (e.g. privatizing the Egyptian public telecommunication company and garbage collecting), the private enterprise is not encouraged to be competitive<sup>143</sup> because it already controls the market. In this case, it controls the prices, dictates its own rules,

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<sup>140</sup> Implications of the early retirement policy, 173.

<sup>141</sup>“Privatization”, *Encyclopedia: nationmaster.com*. from <http://www.nationmaster.com/encyclopedia/privatization>, 2004, accesses at 11 August 2004.

<sup>142</sup>Mohieledin and Nasr in Badran and Wahby, 56.

<sup>143</sup>Encyclopedia, nationmaster.com, 2004.

and does not necessarily bring out an efficient good or service at last, which raises more resistance.

In the case of garbage collecting, the franchise given to the foreign private company did not bring out competition or efficiency. The private company monopolized the service of garbage collecting in the Cairo district. The domestic groups that used to collect the garbage were banned by new laws and legislations from collecting them. With the absence of competition with other service providers, the foreign company was not encouraged to provide a good or cheap service. They are certain that whatever they provide, the people will not have any option but to purchase it since no body else provides the service.

Hence, they started dictating their rules. They raised the price of the service. They offered low quality service as they started leaving the garbage in their baskets for long time and refused to recycle them. In addition, instead of taking the garbage from each apartment, people had to bring them down and put them in the baskets, which was part of the job of the traditional garbage collectors.

6) Privatizing public natural monopolies, basic or strategic goods and services, or goods and services that the government was used to subsidize generates resistance and dissatisfaction. This revives the debate about “what should be privatized?”.

All the political parties in Egypt agree that strategic items or sectors should not be exposed to sale<sup>144</sup>. According to the senior administrator who worked in the privatization unit until 1998, Minister Moukhtar Khattab and others strongly opposed the idea of privatizing the provision of basic goods as well as privatizing strategic sectors, like water,

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<sup>144</sup>Mosaad in Badran and Wahby, 103.



roads, etc.... They were concerned about the ability of the poor people to fulfill their basic needs in the light of the possible increases in prices and changes in quantities. However, there is no agreement between any of the concerned parties on a definition to what is considered ‘strategic’<sup>145</sup>, which unfortunately leaves a large room for maneuver.

However, the public provision of basic goods is quite important to maintain a level of social justice. Raising the prices of basic goods or reducing their quantity or quality is an issue that can jeopardize national security and political stability<sup>146</sup>. Especially that the rate of poverty is very high in Egypt, many people are worried of privatizing basic goods. The non-poor are also worried since they fear such items become scarce in the future.

In addition to the previous reasons of resistance, other justifications were, occasionally, given to the existence of resistance to privatization. Some people and parties (the NPUP and the Labor Party) resisted privatization because it contradicted with the Egyptian constitution, which states that public ownership is the people’s ownership and thus, the Egyptian people are the only authority capable of selling what they privately own<sup>147</sup>. Some political parties brought the argument further to say that the Egyptian government did not represent the will of the people in regard to the privatization decision, which, in turn, shook the basis of the Social contract between the people and the government<sup>148</sup>.

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<sup>145</sup>Ibid.

<sup>146</sup>The food riots in January 1977 because of raising prices are a good example for this.

<sup>147</sup>Mosaad in Badran and Wahby, 101.

<sup>148</sup>Ibid.

Another criticism to privatization that brought resistance is the fact that the same administrators that worked in the public sector and were responsible of its inefficiency took charge of privatization. The heads of the holding companies who are not formally accountable to any authority became responsible of choosing what to sell and then selling it<sup>149</sup>. Privatization was also criticized and resisted for its allowance to foreign investors specifically to run public enterprises, to control the provision of goods and services, and to have a big share in Egypt's GNP<sup>150</sup>.

All these factors derive resistance to privatization. However, it is not enough to have the motive for resistance (this motive reflects different levels of exclusion and exploitation), it is equally important to pressure for reform through tactics of resistance.

### **Tactics of Resistance to Privatization in Egypt**

Different tactics of resistance are deployed in Egypt. Each resisting strategy or action is a reflection of the social structure at which it is originated. It is also a reflection of the culture, education, personnel and group attitudes, resources acquisition, and the ability to influence and reach power. Agents of resistance can choose from direct actions, media, or instigate legal and formal proceedings.

#### 1) The use of direct actions:

Direct actions include protests, demonstrations, strikes, and boycotts. They constitute pressure on the concerned party, whether the government or the investor. This pressure pushes the concerned party to take an action that accommodates the resisting

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<sup>149</sup>Ibid, 102.

<sup>150</sup>Salwa Shaarawy Gomaa, "The Civil Debate over Privatization in Egypt", in *Privatization in Egypt: The Debate in the People's Assembly*, Wadouda Badran, Azza Wahby (Cairo: Center for Political Research and Study, 1996), 166.

groups and their demands. James Lobe states “Demonstrations, protests, and strikes are a legitimate way for many people to let both their governments and the international community know that policies are not working. In some cases, it is the only option left”<sup>151</sup>.

Protests, demonstrations, and strikes have certain characteristics. They are confrontational and expressive<sup>152</sup>. They are confrontational in the sense that they involve claims against certain groups or elites, which makes them confront with each other<sup>153</sup>. Such claims contradict with an existing situation and ask for reversing it. The claims often involve symbolic and non-negotiable demands, which make them expressive<sup>154</sup>.

Protests, demonstration, and strikes are also direct and disruptive. They are direct because they directly threaten the interests of certain group through using violent or non-violent means. They are also disruptive because they disrupt the existing situation with the raised claims, demands as well as actions. The four characteristics make direct actions very dangerous as they generate instability and challenge the power arrangements as well.

However, for the same characteristics, the decision to use direct actions is very risky and costly. It is not easy to decide to resort to direct actions because they lead to confrontations with authorities or elites. In addition, they disrupt the regime’s stability. Thus, as Tarrow states, “the probability that people will use disruptive direct action varies

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<sup>151</sup>James Lobe, *UK: Report Says World Bank, IMF Policies Provoke Worldwide*, from [www.corpwatch.org](http://www.corpwatch.org), (2002, April) [database on-line] accessed at 20 September 2003.

<sup>152</sup>Sydney Tarrow, *Power in Movement: Social Power and Continuous Politics* (United Kingdom: Cambridge University Press, 1989), 1.

<sup>153</sup>*Ibid*, 14.

<sup>154</sup>Sydney Tarrow, *Democracy and Disorder: Protest and Politics*. (Oxford: Clarendon Press, 1989), 14.

as a function of the depth of their grievances, the availability of alternative means of expression, the perceived costs and risks of the collective action, and the presence or absence of prospective organizers”<sup>155</sup>. All these factors affect the decision of the agents of resistance to use direct actions.

The Egyptian labor syndicates for trade, engineering, and chemical industries frequently deploy direct actions. They actually reject privatization totally. They do not ask for reforming it; rather, they ask for abolishing it<sup>156</sup>. During 1991- 1995, they formed, organized and guided more than 65 strikes or demonstrations<sup>157</sup>.

An example to Workers resistance to privatization using direct actions is the ‘Qaha’ case. At the Qaha Company for food, the Workers and the Labor union headed by Ms. Gamalat made demonstrations and strikes against the investor (annex 3). They created an unstable environment for the investor. Thus, the investor did not risk his business and refused to pay the rest of the payment and the company was returned to the holding Company (public sector) (annex 3).

## 2) The use of media:

Media and press are very crucial links between people and policymakers (in governments and private enterprises). When the people turn an issue to the media, the media collect evidence, gather different opinions, and then bring the issue out. The policy makers, in turn, start to be aware of the gravity of the issue and the scale of resistance and thus they are much likely to respond to it.

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<sup>155</sup>Tarrow, *Democracy and Disorder: Protest and Politics*, 14.

<sup>156</sup>Gomaa in Badran and Wahby, 166.

<sup>157</sup>Ibid, 167.

Media can also intensify an issue making it a subject of public opinion. It steers people's emotion and mentality concerning a certain topic like privatization. It also informs the people about the possible negatives or side effects. Once people are informed about the issue and its side effects, they, in turn, pressure decision makers. Then the issue starts to be a matter of threat to the reputation of private enterprises and the credibility of the government.

The effect of the media is not the outcome of few messages "but is due to the aggregate impact of a very large number of messages, each of which has a different content, but all of which deal with the same general issue<sup>158</sup>". Thus, the extensive discussion and deliberation of a certain issue in the media is one of the ways by which people can affect the agenda of the investors or governments.

The General Federation of Labor Unions (GFLU) uses this strategy (media & press) severally in order to resist privatization. The GFLU does not totally reject privatization. Thus, it does not attempt to destroy it; instead, it asks for reforming it. It sends letters to news agencies. In such letters, it demands national authorities not to sell any enterprise without trying all other options and if decided to sell, they should give priority to the employees working in those enterprises and to Egyptian entrepreneurs<sup>159</sup>. It also asks them not to sell the public enterprises to foreign investors (non-Arabs particularly) unless there is no way else<sup>160</sup>.

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<sup>158</sup>J. Dearing and E. Rogers, *Agenda setting*. Thousand Oaks (California: Sage, 1996), 15.

<sup>159</sup>Gomaa, in Badran and Wahby, 166.

<sup>160</sup>*Ibid.*

In addition, the GFLU sends some messages through media to the people and the decision makers. They send the people awareness messages that notify them with the side effects of privatization. They also send decision makers messages -through the media- with their demands which are usually related to organizing the relationship between the workers and the administration.

### 3) Instigating legal proceedings:

Legal and formal channels represent the very legitimate path of preserving rights. However, using the legal and political discourses is not that easy in reality. It consumes a lot of money, takes long time, and needs great experience to pursue one's rights politically (formally) or legally.

Using legal and political channels is not always that easy for many reasons. It takes workers long time and great expertise to pursue their rights politically or legally. Raising a case in the courts, forming political alliances, or lobbying in national parliaments takes time and effort in negotiations. In addition, it requires following the certain legal rules and procedures, keeping an eye on the whole situation in the future, and implementing the legal penalty enacted in the case or the consequences resulting from the alliance. They also need large experience in legal matters or negotiations and compromises. Thus, making the decision of using legal and political channels bears high opportunity cost (money, time, and power relations).

In addition, to media, the GFLU follow the legal and formal channels in order to reform privatization. They send their letters not only to the news agencies but also to the government officials. They even sent their above-mentioned demands to the prim

minister and the chief of the GFLU sent a letter to the president Mubarak<sup>161</sup>. The GFLU also personally met the prim minister and other ministers to explain as well as defend their perspective regarding privatization<sup>162</sup>. Moreover, the members of the GFLU attended several sessions in the people's assembly in an attempt to lobby for the labor's interests and demands<sup>163</sup>. In that sense, they pursued formal channels, whether executive or legislative.

An example to instigating legal proceeding is the Helwan Cement case. In Helwan Cement, the investor dismissed many workers; thus, the workers, the labor union and labor syndicates started to resist this investor. They started to suit him in courts and aroused public opinion against him. The privatization assessment expert state in regard to this case that "this investor is an example to rigid inventors who do not know how to deal with social forces and formal channels" (annex 3).

### **The Modes of Resistance to Privatization in Egypt**

The reasons of resistance stated above do not only provoke ordinary people and grassroots, but they also provoke decision makers. This means that two modes of resistance exist in Egypt. The two modes are the public resistance mode of resistance and the decision makers' mode of resistance.

The public mode of resistance is very dangerous since it jeopardizes the country's security and stability. The 1.3 million public enterprise employees are a real impediment

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<sup>161</sup>Ibid.

<sup>162</sup>Ibid, 167.

<sup>163</sup>Ibid.

to the continuity and expansion of the privatization process<sup>164</sup>. Their fear of being dismissed, losing privileges, or being pressured to leave their jobs arouse there resistance, which, in turn, destabilizes the country's security.

On the other hand, many factors arouse political resistance. Introducing privatization by external agencies and dealing with privatization as the only solution to all the problems are examples to such factors that provoke decision makers. In the above-mentioned reasons of resistance, Mahmoud Mohieledin and Sahar Nasr stated, "The privatization program can be a means to obtain the approval of the World Bank and the IMF on debt rescheduling by satisfying part of their conditionality. In this case government many not be convinced or genuine in the proposition and implementation of the privatization program which can be described as window dressing"<sup>165</sup>. This actually reflects the resistance of the decision makers.

In addition, decision makers, like minister Moukhtar Khattab, might sympathize with the workers and their status, which "is extremely behind their counterparts in developing countries as they do not have the same salaries, promotions, or privileges" (Annex 5). As the senior official who worked in the Privatization Program until 1998 states:

Decision makers resisting privatization can actually change the path of privatization and its speed. They can delay the decisions of privatizing companies when they find it against workers and employees. They can actually constitute a real threat on the discourse of privatization. Their resistance is dangerous and very direct (annex 3).

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<sup>164</sup>Mohieledin and Nasr in Badran and Wahby, 56.

<sup>165</sup>Ibid, 22.



Thus, privatization is not only met with public antagonism but is also met with some policy-makers' dissatisfaction.

The modes of resistance to privatization in Egypt are also mixture of visible or explicit resistance and infrapolitics kind of resistance. The modes of resistance in Egypt are not completely visible depending on the above-mentioned clear and declared tactics of resistance. Workers in few sectors, such as postal and health criticize privatization only rhetorically without actually using any explicit tactic or strategy to resist it<sup>166</sup>. They attack privatization in their daily life, in their speaking, but do not resort to any action in order to express their resistance. However, unlike Tarrow's explanation for this kind of infrapolitics resistance on the basis of culture, this form of resistance to privatization is much related to the fact that these fields are somehow far from the threat of privatization<sup>167</sup>. Thus, workers in such fields are less likely to confront directly with national authorities or spend their time, money, and resources tracing media or formal channels.

On the contrary to the infrapolitics mode of resistance, there is the clear and visible mode of resistance to privatization that deploys the above-mentioned direct and clear tactics, like direct actions, media, etc. This mode of resistance represents many resisting groups since they all feel threatened by privatization.

On the other hand, the Egyptian modes of resistance to privatization are mixture of global and local resistance. However, the global mode of resistance is much concerned with the international arena and is interested in the catching light broad issues. The global

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<sup>166</sup>Gomaa in Badran and Wahby, 156.

<sup>167</sup>Ibid.

mode of resistance represented in the Egyptian anti-globalization movement is directed toward issues that attract attention, like the war on Iraq. It also addresses “Globalization” and fights it globally. The anti-globalization movement resistance to privatization in Egypt is limited. Thus, the modes of resistance to privatization inside Egypt are more local than global.

At last, the modes of resistance to privatization that exist in Egypt vary in degrees with regard to their organizational structure and their collectivity. Resistance to privatization in Egypt varies between social movements that acquire high levels of organizational structure and social networks that acquire low level of organizational structure. Although resistance in Egypt rarely evolves to the level of movements, it can be accompanied with the support of labor union and labor syndicates’ activists, who organize, guide, and help performing tactics of resistance (e.g. the case of Qaha and Helwan Cement)<sup>168</sup>. This reflects high level of collective action. In contrary to this high level of collective action, individual resistance to privatization also exists in Egypt. Thus, in addition, the degrees of collective action differ in each resistance

### **Concluding Remarks**

As Mohieledin and Nasr concluded “In view of the unpopularity of privatization in Egypt, concerns of political instability, fears of worsening the sever unemployment problem (already 17.5%), privatization of SOEs has been lagging behind its schedule”<sup>169</sup>.

Resistance to privatization in Egypt is the product of many factors. It is the product of many reasons; each of them reflects different degree and type of exploitation

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<sup>168</sup>Tarrow, *Democracy and Disorder*, 17.

<sup>169</sup>Mohieledin and Nasr in Badran and Wahby, 52.

and exclusion. Such reasons of resistance led to the mergence of two modes of resistance, the public and political modes of resistance. This means that the public and the politicians or the decision makers are actually backing this resistance. In other words, resistance in Egypt is a process that happens in the top ranks and at the bottom as well.

However, there are other modes of resistance that exist in Egypt, such as infrapolitics mode of resistance, explicit mode of resistance, organized mode of resistance, unorganized mode of resistance, local modes of resistance, and global mode of resistance. The modes of resistance are accompanied with different tactics of resistance, like direct actions, media, and legal or formal channels. The different combinations of tactics of resistance and modes of resistance as well as the reasons behind resistance, which constitute the motive for resistance, play a role in the success of resistance. However, the outcomes of resistance to privatization are actually outcomes of both the resistance that failed and the resistance that succeeded since even the failing resistance constitutes pressure and threat for what may possibly happen.

At last, it is important to know that sometimes resistance fails to draw the targeted outcomes and instead draw reversed outcomes. At James Scott's *Weapons of the Weak*, Scott stresses on the effect of resistance on the state. Resistance can actually lead to an increase in the power of the ruling group that are basically being resisted because it pushes the ruling group to take fierce and harsh actions, which adds to the state's hegemonic power<sup>170</sup>. Hence, for Scott, resistance is a "mixed blessing" that bears risks as well as benefits to the agents of resistance.

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<sup>170</sup>Scott, 1985, 29

## CHAPTER III

### THE FIRST CASE STUDY: THE DELTA FOR FERTILISERS

#### **Introduction**

The decision to privatize a company is quite important to the workers in such company. As the chief engineer of the public chemical holding company, Azza Abulfarag, states, “the privatization decision itself irritates workers. They do not consider the future benefits for them or for their company. They are afraid of change”. They do not guarantee that this change will be in their interest.

This chapter investigates the reactions of the workers in the Delta for Fertilisers Company when they heard that their company is going to be privatized. The chapter explains firstly the reasons behind the workers resistance. Such reasons reflect different kinds of exploitation and exclusion, which according to Tironi justify resistance. The more these reasons are numerous and influential, the more intensive and strong is the resistance.

The chapter also reviews the tactics that the workers used in order to make their resistance effective. Such tactics vary between media and legal and formal channels. The choice of the two tactics was affected by some factors, which are mentioned in the chapter.

Finally, the chapter explains the modes of resistance that the case of the Delta for Fertilisers represents. It represents collective mode of resistance, local mode of resistance, public mode of resistance, etc...

## Background about the Delta f or Fertilisers

The Delta for fertilisers was established in 1991 under Law no. 203 of public enterprises. Before that time, the Delta was part of the Nasr Company for fertilisers and chemical products. The Nasr Company actually included two factories; one is the Suez factory and the other is Talkha factory, which was called later the “Delta factory for fertilisers and chemical productions”<sup>171</sup>.

The factory has been innovative and successful even before 1991 and since it was part of the Nasr Company. It produced ureic fertilisers and Nitro-ammonic fertilisers as well. The two kinds of fertilisers do not contain environmentally polluting substances<sup>172</sup>. In addition, the company continued renewing and modernizing ureic containers and boxes in order to be much effective.<sup>173</sup> Moreover, a giant energy generator was placed under the service of the Delta factory, which maximized work efficiency and saved time.

To many people, the company was not in need for an investor to renew it and make it much more effective. In 1999, the company acquired the ISO 9002 certificate<sup>174</sup>. In 2000, it acquired the ISO 9001 certificate<sup>175</sup>. In addition, the company started to produce 30 kind of solid and liquid fertilisers, which is a real international record<sup>176</sup>. All the products are environmentally friendly products. Most importantly, the company

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<sup>171</sup>Delta for Fertilisers and Chemical Productions Company. *Brief history of the Delta for fertilisers* (Egypt: Mansoor, 2002).

<sup>172</sup>Ibid.

<sup>173</sup>Ibid.

<sup>174</sup>Ibid.

<sup>175</sup>Ibid.

<sup>176</sup>Ibid.

succeeded at increasing its capital to L.E 200 million<sup>177</sup>. Table 5 shows the continuous increase in income, equity and assets. Clearly, it was quite unreasonable to claim that this company needs an investor to refresh it and solve its failure because the company was sustainable on all levels (economically, socially, and environmentally).

Table 5. Data about the Delta

Values in LE 1000

<b>ITEMS</b>	<b>200</b>	<b>200</b>
	<b>0/2001</b>	<b>1/2002</b>
<b>Net Income</b>	<b>372</b>	<b>529</b>
	<b>93</b>	<b>58</b>
<b>Net Equity</b>	<b>114</b>	<b>128</b>
	<b>219</b>	<b>553</b>
<b>Total Assets</b>	<b>442</b>	<b>447</b>
	<b>437</b>	<b>111</b>

Source: Delta for Fertilisers Fact Sheet

### **The Reasons of Resistance to the Privatization Decision in the Delta for Fertilisers**

Mohamed Abulkheir, the employee in the Delta for fertilisers, stated, “We know the public sector’s principles, work requirements, and obligations while the private sector

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<sup>177</sup>Ibid.

is very new to us. As the verse says, what we know is certainly better than what we do not know” (Annex 8).

Part of the problem in the Egyptian society and many other societies is the fear of change. Workers always prefer what they know on what they do not know although change may bring them more privileges. Once they are used to certain principles, work requirement, and obligations, they are not willing to change them. They even think it is immoral to change them since they joined the company or the organization knowing that it has certain nature.

In addition to their resistance to change in itself, the workers in the Delta for fertilisers resist privatization for other reasons. Such reasons can be dealt with separately or as a part of “Change” because this “Change”, to them, brings all the negative factors that stimulate resistance. According to the employees in the Delta and their representatives in the labor syndicate, privatization has many negatives or side effects. All such negatives reflect the possible exploitation or exclusion that can happen to the workers. According to Tironi’s theory of resistance, this exploitation or exclusion leads to resistance.

When the employees in the Delta felt they are going to be excluded and exploited (as will be explained in details in this chapter), they started to resist. All their reasons of resistance were related to a type or another of exclusion or exploitation. Although the workers have not really passed through all this exclusion or exploitation themselves, they expected certain things to happen. As they say in the questionnaire, they learned of the past experiences of privatization. They heard of what happened in nearby companies, such as Coca-Cola, Misr for Construction Company, Misr for artificial gases in Musterd,

the 10<sup>th</sup> of Ramadan Cables Company, Alexandria Detro-chemicals Company, and Misr for Chemicals Company.

From the face-to-face questionnaire that was conducted with the Delta employees, it was found that their reasons of resistance were derived from the past experiences of privatization. In addition, they were derived from their own experience with privatization, which reflects their exploitation and exclusion (annex 8). In general, their reasons of resistance are:

1) Unjust dismissals:

Many employees were unjustly dismissed after these companies were privatized. This actually happened in many companies nearby the Delta for fertilisers. Investors were only concerned with their own interest. They pursued profit, which required minimizing cost and maximizing returns. In order to minimize costs, the investors dismissed many workers. They twisted the laws in order to achieve their interests. In the words of Mr. Nabeeh Shafik Shabana, the member in the general syndicate for chemicals and the member in the top management of the syndicate commission in the Delta for Fertilisers:

The investor can go around the laws. According to law, if the employee is employed in three positions in the same workplace and his work performance was feeble in the three positions, it is legal to dismiss him. Simply, the investor can go around the law and put the employee in three areas that he is not used to or eligible to perform, and then dismisses him. According to the old law, if the employee complains he can bring his case in front of a three-members committee. According to the new law (Law no.12 for the Year 2003), he can bring it in front of a five-members committee. However, the two laws can not bring the employee back to his job. Even the court can not bring the employee back to his job. With some luck, the court will ask for compensations equivalent to the employee's salary for number of years. However, the compensations are calculated according to the nominal employee's salary and not the real one that includes promotions and privileges. Thus, dismissal is unjust to workers. I do not name it dismissal; I name it 'Butchery' (annex 9).



Although, dismissing employees has to go through certain procedures that organize and bound dismissal, employees can still be dismissed unjustly. Neither the Egyptian law nor the Egyptian court system is able of bringing the worker back to his job against the will of his employer. The employer can put any of his employees in three jobs that he is not eligible to and then dismisses him because he is not competent. The three-members committee or the five-members committee will find this legal; however, it is immoral. On the other hand, if the employee referred his case to the court, he will be compensated unfairly because the court will miscalculate the employee's salary upon which the compensation is defined.

Thus, the employees in the Delta for fertilisers were afraid of being dismissed after the privatization of their company. They did not trust the investor, the Egyptian law, or the Egyptian court system. They were afraid of being dismissed and in the light of the high unemployment rate and the scarce fertilisers companies, they would not have found any job.

## 2) Early retirement:

In order for the investor to minimize his costs, he uses the early retirement policy to deal with the overstaffed departments. He pays an amount of money at the beginning in order not to pay anything afterwards. However, the face-to-face questionnaire with the Delta employees shows the workers' awareness that these sums of money are usually spent on unproductive and mostly consumptive things. They are spent on the daughters' marriage, houses' renewal, second marriage, etc...

Although early retirement is optional, Workers in the Delta for fertilisers were aware that they can be forced to accept it and even ask for it. The head of the syndicate

commission in the Delta for fertilisers, Mr. Reyad Tolba stated that troubles and problems in the workplace push the workers to ask for early retirement although in another environment they would not have asked for it. He also stated that reducing wages or promotions also force workers to retire as they find their efforts unappreciated.

Early retirement leads to workers' exclusion and exploitation in many senses. It excludes some workers from the work and production arena. In addition, on the long run, it exploits them because they start to have no regular source of income since they usually spend their money on consumptive and unproductive items. Thus, early retirement worsens the people's economic and social position.

### 3) Unemployment:

On the macro level, privatizing the Delta for fertilisers Company would have increased the unemployment rate. Bearing in mind the fact that most of the workers spend the amounts of money they acquire on consumptive items as stated above, the logical consequence of workers' dismissal and early retirement would have been an increase of unemployment.

Unemployment, in turn, leads to other problems. It leads to instability and social violence. It also increases the crimes' rate and sparks the social problems. Unemployment can also increase the rate of poverty. In addition, it creates gap between the employed and the unemployed, which raises inequality. This gap gets wider because the unemployed is increasingly excluded from the social and economic arena for his deteriorated family and financial status.

### 4) Reduction in wages and promotions:

Reducing wages and promotions is another way to reduce costs. This constituted a real fear to the workers in the Delta. There was a unanimous agreement between the workers of the Delta that if they remained in the company after its privatization, they would suffer wages' reductions because the investor would like to minimize his costs and maximize his returns. In addition, they believed that their promotions and privileges would be reduced. In all cases, they would not be able to do anything since they can not afford to lose their jobs. The existence of very few number of fertilisers' companies could make the workers submit to the unjust rules of the investor in order not to lose their jobs.

If dismissal and early retirement leads to the exclusion of the workers who leave their company, reducing wages and promotions leads to the exploitation of the workers who remain in the company. Reducing wages and promotions exploits workers in the sense that it deprives them from receiving incomes equivalent to their counterparts in other companies. Although they stay the same number of hours (if not more) and exert the same effort, they will not enjoy the same wages or promotions.

#### 5) Minimization of social securities:

Another way to reduce costs and get rid of the social burden on the investor's shoulders is minimizing social securities. Most of the workers in the Delta are aware of the possibility of losing their social securities if their company was sold to a private investor. It is the same idea of "Investors pursuing profit and seeking their self-interest".

Minimizing social securities involves another degree of workers' exclusion and exploitation. It excludes workers from a service that they had been part of for a long time. It also exploits workers in the sense that the workers' efforts are taken without giving workers health care, pensions, and social services in return. The problem is much bigger

when the workers' jobs are dangerous or involve a high degree of risk. Jobs that directly deal with chemicals, like the jobs in the Delta for fertilisers, are risky jobs that require high degree of health care. Thus, minimizing social and health securities was a strong reason for the workers in the Delta to resist privatization.

6) More Working hours:

It represents the other side of the coin. If all the previous reasons reflect the investor's attempt to reduce costs, this factor reflects the investor's attempt to increase his returns. It is deeply rooted in the minds of all the interviewed workers of the Delta that the investor will make them work for more working hours.

7) Control of prices:

Another way to increase returns is to raise prices. The investor may raise prices in order to gain more profits. He does not consider the fact that he is dealing with a sensitive products that poor and simple farmers use in their daily life. As Soliman Mohamed Soliman, the head of the medical department in the Delta for fertilisers, states, "Raising pricing in a company like ours is very dangerous because our products are very important products that go to the poor people. Raising prices means that farmers will not be able to buy fertilisers to their lands. This will subsequently lead to raising the prices of all the agricultural crops" (annex 8).

8) Monopoly of Urea:

The investor who was going to buy the Delta for fertilisers was the owner of Abu-Keer for fertilisers, which is the only producer of urea after the Delta. This meant that

Abu Keer would monopolize the production and manufacture of urea. The employees of the Delta for Fertilisers and their representatives in the labor syndicate were quite aware of this. They are also aware (as clear in the questioner) that there is no law in Egypt that prohibits or organizes monopolies.

The problem was dangerous because, as stated above, the Delta products are products that serve the farmers. They are high quality products that are sold in very low prices. Monopolizing urea production would have given the investor the chance to control the quantity and quality of the fertilisers. He could have reduced quantity and quality of the urea. In addition, he could have raised its prices. This would have harmed all the products that need urea in general and the fertilisers products in specific. In turn, this would have harmed farmers severely and affected their agriculture in quantity, quality, and price.

9) Not working for the country:

Working for the public sector makes workers more willing to give. It is their sense of loyalty and belonging to their country and their company that push them to work harder. As most of the workers in the Delta for fertilisers stated, “We feel we work for our company and our country. In all cases, the benefit goes to us, to our families, and to our children”. Moreover, the workers unanimously agreed that they feel much safer when they work for their countries. They realized they would not be unjustly dismissed. In addition, their salaries, promotions, and social securities would not be minimized.

Working for the country is a psychological factor more than any thing else. The workers feel exploited when they work for an investor, especially if he is foreign. They

even misjudge every action taken by the investor. In addition, they feel their country's surplus is exploited since a private investor owns the company and enjoy its profit.

#### 10) Bad company assessment:

The bad assessment of the Delta for fertilisers Company is well understood in the words of Mr. Tolba and Mr. Khalaf. Mr. Reyad Tolba, the head of the syndicate commission in the Delta for fertilisers, stated:

Our experience in the Delta revealed that the company was going to be sold in a very low price based on a bad assessment. The assessment was old and made 5 years before the date of the selling. In addition, the assessment was made in a time where the dollar exchange rate in Egyptian pounds was different and far below its value at the time of the sale. Five years ago, the dollar was equivalent to 330 piaster. At the time of the sale, the dollar's value increased to 465 piaster. Hence, the company was going to be sold with quarter its real value (see annex 9).

In the words of Abdel-Aziz Khalaf, the general manager in cars and buses' operation and maintenance in the Delta Company, "The assessment of the company's value was wrong and it extremely undermined the value if the company. It counted for 25% of the real value of the company though the price of the land or the city that exists within the land is more than the price that was offered to the company" (annex 8).

#### 11) The imposition of privatization:

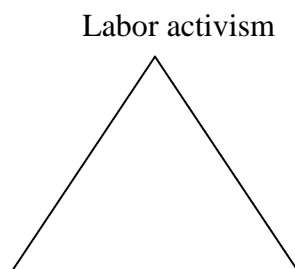
As stated in the previous chapters, privatization as derived by donor countries and agencies is a reason for resistance to many people. However, since only highly educated and aware citizens know this piece of information, resisting privatization for this reason is limited to few people. The imposition of privatization from outside was an irritating point to the Delta representatives in the labor syndicate. They had high educational and awareness level. They knew that the privatization program is imposed on Egypt from outside, which raised their antagonism. Nabeeh shabana, the representative of the labor

syndicate in the Delta for fertilisers, stated, “We all know this privatization is imposed on us from abroad, it is not the sincere wish of the people or the government. It is compliance to the global trends and external pressures” (annex9). They felt their country itself is excluded from decision-making. In addition, they realized that the country’s resources and successful enterprises were exploited in this process.

### **The Tactics of Resistance**

The employees of the Delta for fertilisers deployed many resistance tactics. As the privatization assessment expert in the Ministry of Investment states, “There is a very important triangle that when all its corners are reached, any decision to privatize a public enterprise can be cancelled or changed. The three corners of the triangle, which are media, parliament, and workers’ activism, exist in the case of the Delta for fertilisers” (annex 6).

The assessment expert spoke of a very important triangle of resistance. The triangle of resistance that the privatization assessment expert described is the one in Figure 4. Each corner holds a strategy or tactic of resistance. The first corner is labor activism, which reflects the workers’ collective determination to resist. The second corner is the media and press. The third corner is what he calls Parliament and I have included under formal channels.



Media ————— formal channels

Figure 4. The triangle of resistance

The first corner is labor activism. The workers in the Delta for fertilisers were very determined to resist the decision to privatize their company. They all decided to meet with their representatives in the labor syndicate and discuss the possible ways to fight the privatization decision together.

However, the labor activism in the Delta did not reach the level of direct actions. They were quite aware that the Egyptian laws restrict and put conditions to assembling. This awareness was the product of their personal knowledge as well as the attempts by their representatives in the labor union and labor syndicate to inform them about the best ways and most influential ones to fight privatization. Upon such information, the workers and the labor union representatives decided not to resort to strikes or demonstrations. They realized it requires many legal steps to start a demonstration or a strike, like informing authorities and certain governmental institutions of the date and place of assembly. This would have allowed the government and the police forces to intervene and spoil their efforts.

One of the tactics that the employees in the Delta preferred to use is media and press. The media and the press represent the second corner in the resistance triangle. The Delta representatives in the labor union contacted many newspapers and asked them for help. They sent to many newspapers a request to intervene and help them. The request was coupled with a document that shows the different kinds of exploitation and exclusion that result from the decision of privatizing the Delta for Fertilisers Company.



Attached to this research the document they sent to the newspapers (annex 11). The document spells out certain facts. The first fact is the success of the company in fertilisers' production, marketing, and selling. The company succeeded at making a place for it in the international market. It succeeded at selling L.E 67 million products to America. The net profit in 2000/2001 was L.E 46 million.

The second fact is related to the number of employees in the Delta. The company contains 4700 employees. This means that 25000 individuals (workers and their families) are socially and psychologically dependent on the company. The workers and their families have a stable source of income. In addition, they enjoy free health care and other social securities.

The third fact is the company's provision of quite important products to the Egyptian farmers. The products are quite essential to the farmers and their agriculture, which makes their price and quality central to the farmers' lives and livings. The Delta provides such products in low prices and high quality since it sells the fertilisers by 55 pound per ton and makes sure they contain high quality substances that compete with foreign ones.

The fourth fact is the underestimating and bad assessment of the company. The value of the company is much higher than the price it was going to be sold with. In addition, this low price is based on the 1999 assessment, which is a very old assessment. At that time, the dollar was equivalent to 330 piaster. It is illogical to sell the company three years later with the same assessment whereas the dollar's value increased to 465 piaster.

After spelling out the four facts, the document questioned the sale of the company. It questioned the sale of a very successful company that employs a big number of employees and produces strategic products. Such products should not be left totally to the private sector to control their prices, quantity and quality.

The labor syndicate representatives sent this document to many newspapers. They sent it to the Republic or 'Gimhoriah' newspaper, the Arab newspaper, the independents or 'Alahrar' newspaper, Alahram newspaper, Almidan newspaper, and Almesaa newspaper. In return, these newspapers aroused the issue and made it a public opinion matter. They continuously deliberated the issue of privatizing using all the information available in the document.

The newspapers succeeded at revealing all the issues about privatizing the Delta for fertilisers. They revealed the issue of the bad assessment and the low price the company was going to be sold with. In addition, they revealed the importance of the company and the strategic products it produces. They also uncovered the attempts to monopolize urea production and manufacture. At last, they questioned the strange and skeptic deal of selling such a successful company that provides a stable income to a lot of people.

The third corner in the resistance triangle is the parliament or the formal channels. Reaching the members of the parliament (MPs) is one of the formal ways to fight privatization. The Delta labor syndicate representatives contacted the Dakahlia representatives in the people's assembly (the parliament). They gave them the same document given to the newspapers. They were quite aware that those representatives are

chosen to represent them and represent their demands as citizens of their district. They asked them to arouse the issue in the people's assembly.

In addition, the Delta labor syndicate representatives and a group of the Delta workers distributed a petition on all the MPs in the parliament. The petition was a brief memo of the document they gave to the newspapers. The opposition members specifically found it an interesting topic to arouse and discuss. Clearly, the Delta employees knew how to ask for their rights through formal channels instead of resorting to violence or direct actions.

The employees of the Delta for fertilisers effectively deployed the three corners of the resistance triangle. The resistance of the Delta workers was very organized on the three levels. In the words of the privatization assessment expert who represents the standpoint of decision makers, he stated,

The three corners, which are media, parliament, and workers activism, were all intelligently deployed in the case of the Delta for fertilisers. The Delta workers were very active spreading their case everywhere. They aroused their case in the newspapers, whether opposition newspapers or national ones. In addition, they reached their members of parliament who aroused their case in the parliament. They even went to the parliament and distributed a petition on all the members of the parliament. They turned their case into a national security case that threatens of instability and public unrest. Thus, decision makers had to accommodate to the situation in order not to jeopardize national security (annex 6).

### **The Modes of Resistance**

The resistance of the employees in the Delta for fertilisers entails a public mode of resistance. It is not a political resistance because it does not refer to the resistance of politicians or decision makers or even top ranks employees. It is a workers' resistance performed by the workers in the Delta and their representatives in the labor union.

The resistance of the Delta employees entails also a domestic and very local mode of resistance and not a global one. It is a nationally located resistance. It targets the national decision makers rather than the global ones. It is very local mode in the sense that it refers to the grassroots' resistance. This resistance is the resistance of the people who do not seize concrete power or authority, who are the Delta employees in this case.

In addition, it is not an infra politics mode of resistance. It is a clear and apparent mode of resistance as they worked through media and parliament. The Delta employees did not try to disguise their resistance or cover it. Hence, the mode of resistance deployed in the case of the Delta for fertilisers was public, local, and visible. However, these are not the only modes of resistance identified in the case of the Delta for fertilisers.

The resistance in the Delta entails a collective mode of resistance. It is not an individual form of resistance. Although it did not reach the level of a movement, which is the highest degree of organized resistance, it is still a collective and organized form of resistance. It is based on solidarity between workers and each other and solidarity between workers and labor union representatives.

Being highly organized maximized the benefits of the resistance tactics. The labor union activists played a vital role in organizing resistance in the Delta for fertilisers. They helped planning, preparing, and performing resistance. They guided the workers to the best tactics that save time and achieve target (i.e.: media and parliament). They planned and prepared for reaching media and parliament members very well. In addition, they took part in the resistance through writing and sending an important document to the media, press, and their representatives in the parliament. They also wrote the petition and

distributed it on the members of parliament. Obviously, their activism was central to the success of the resistance of the employees in the Delta for fertilisers.

### **Concluding Remarks**

The resistance of the employees in the Delta for fertilisers was a very strong resistance. In response to the resistance of the Delta employees, all the offers to buy the company were refused. In addition, the head of the chemical public enterprises blocked the efforts to privatize the company because his reputation was at stake. The privatization expert assessment stated, “the workers accused him of selling a successful company that earns profits for his personal interest. Thus, he submitted a memo at which he asked to cancel the privatization decision because it started to be an issue that touches his dignity and honor” (annex 6). Although it was a local resistance, it succeeded at changing the state plans to privatize the company. Obviously, the workers’ resistance changed the national agenda.

At last, the too many highly intensified reasons for resistance gave the workers in the Delta a strong motive to actively resist the privatization decision. The deployed tactics of resistance were intelligent enough to address the Parliament or the formal channels and arouse public opinion (through media) as well. In addition, the well-organized visible and clear mode of resistance played a strong role in the success of the resistance. The three factors helped shaping the resistance to privatization in the Delta for fertilisers.

## CHAPTER IV

### THE SECOND CASE STUDY: THE CASE OF CEMEX

#### **Introduction**

This chapter investigates the reactions of the workers in Asiut Cement Company when they heard that their company is going to be privatized. The chapter starts with an introduction about the two companies, Asiut Cement Company and Cemex. Then, the chapter explains the reasons behind the workers' resistance. The less the number and influence of these reasons are, the weaker the resistance is.

The chapter also reviews the tactics that they used in order to make their resistance effective and the factors that affected their choice of the tactics. They could have chosen between one or more of the resistance tactics (media, direct actions, and legal or formal channels). They actually utilized one tactic, which referred to direct actions.

Finally, the chapter explains the modes of resistance that Cemex represents. This means it may represent collective or non-collective mode of resistance, global or domestic mode of resistance, political or public mode of resistance, etc...

### **The Privatization of Aslut Cement Company**

Aslut Cement Company is one of nine Egyptian Cement Companies that exist in Egypt. Before the privatization plans of the government, eight companies out of the nine were owned by the Egyptian public sector<sup>178</sup>. However, the eight cement companies came among the 314 firms slated for divesture under law 203<sup>179</sup>.

The decision to privatize Aslut Cement Company along with the seven other cement companies was due to many things. The demand of cement was outstandingly rising in Egypt while the supply of cement was not rising with the same rate. The national production of cement was actually falling. The demand was rising due to the “infrastructure demands for the mega-projects being undertaken by the government as well as growth in construction activities in the private sector”<sup>180</sup>. Thus, while the consumption of cement was 25 million tons in 1998 and increased to 34 million tons in 1999, the national production of cement was only 21 millions tons<sup>181</sup>. This led to the import of millions of tons of cement, which was unacceptable solution to the Egyptian government.

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<sup>178</sup>“Investing in Cement”, *Al Ahrum Weekly*, (August 8-11) [Journal on-line], from [www.sis.gov.eg/public/letter/html/text321.htm](http://www.sis.gov.eg/public/letter/html/text321.htm), accessed at 10 September 2004.

<sup>179</sup>Ibid.

<sup>180</sup>Ibid.

<sup>181</sup>Ibid.

In order for the government to solve the problem of low cement production, it decided to sell the eight public cement companies. This should bring new administrations and new work principles based on competition and efficiency to the workplaces. Hence, although cement industry is flourishing and is profitable in Egypt since it enjoys low operating costs<sup>182</sup>, cement companies were slated for divestiture. In 1999, Asiut Cement Company was sold to the private sector.

### **Background about Cemex Company**

Cemex is a Mexican international worldwide Company. The merger of two Mexican companies, Cementos Hidalgo and Cementos Portland Monterrey, in 1931 created Cementos Mexicanos or Cemex. It is one of three largest cement companies in the world<sup>183</sup>. It has branches in more than 30 countries around the world<sup>184</sup>. It is also responsible of producing, distributing, marketing, and selling cement.

In November 1999, Cemex took over Asiut Company. At the beginning, it acquired 77% of Asiut Cement Company<sup>185</sup>. In June 2000, it acquired 13% more of the Company and by January 2001, they acquired 5.8% more of the company<sup>186</sup>. The remaining 4.2% of the company was left to the Employees Shareholder Association

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<sup>182</sup>Ibid.

<sup>183</sup>Cemex, 2001, [database on-line] from [www.bigpicturemallworld.com/Global%20Inc%202/pgs/repcorp/cmex](http://www.bigpicturemallworld.com/Global%20Inc%202/pgs/repcorp/cmex), accessed at 22 September 2004.

<sup>184</sup>Ibid.

<sup>185</sup>*Cemex Egypt at Glance*, [database on-line] from [www.cemex.com.eg/cc/cc\\_was2.asp](http://www.cemex.com.eg/cc/cc_was2.asp), accessed at 22 September 2004.

<sup>186</sup>Ibid.



(ESA). However, the employees were unable of paying the installments: thus, their share was returned back to the holding company<sup>187</sup>.

Cemex has been in control of the company for five years now. In these five years, capital injection has increased, the management of the company has improved, and the production was boosted<sup>188</sup>. In addition, Cemex “increased efficiency, promoted environmental soundness, opened new local and export markets, and attracted hundreds of new clients”<sup>189</sup>.

Cemex has succeeded at maximizing the company’s sale of Cement. It has upgraded some lines of production and is currently upgrading three more lines of production<sup>190</sup>. This helped building a new commercial structure that reaches all parts of Egypt. It also raised the company’s customer base from 80 before privatization to 800 after privatization<sup>191</sup>. With all its achievements, Cemex did not jeopardize the environmental safety. On contrary, it succeeded at “reducing bypass dust emission levels to 120-180 mg/m<sup>3</sup> from 900 mg/m<sup>3</sup>. It also succeeded at reducing suspended dust inside plant from 20 mg/m<sup>3</sup> to 5 mg/m<sup>3</sup>”<sup>192</sup>.

### **The Reasons of Resistance to Privatization in Cemex**

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<sup>187</sup>Ibid.

<sup>188</sup>Dalia Merzaban, *Business monthly*, (January 2004) [Journal on-line], from <http://www.amcham.org.eg/bic>, accessed at 22 September 2004.

<sup>189</sup>Ibid.

<sup>190</sup>*Cemex Egypt at Glance*, [www.cemex.com.eg/cc/cc\\_was2.asp](http://www.cemex.com.eg/cc/cc_was2.asp).

<sup>191</sup>Ibid.

<sup>192</sup>Ibid.

A face-to-face questionnaire was conducted with the employees in Cemex. However, it was limited to the employees who were initially working in the factory since it was a public ownership (before it was privatized). The face to face questionnaire attempted to reveal some of the factors that irritated the workers in Asiut Cement when they knew their company is going to be privatized. Such factors are:

1) The fear of losing jobs through dismissal or early retirement:

The face-to-face questionnaire revealed a unanimous fear among the workers of being dismissed or forced to early retire. They were afraid that the investor would release a big number of employees especially that their company was overstaffed in administration and in fieldwork. The only option in front of the investor would be releasing as much employees as possible.

However, a high degree of awareness existed among the workers. They were aware that only inefficient workers and uncompetitive ones would be dismissed or forced to early retire. Thus, most of the workers in the interviews combined their statements about their fear of dismissal with a sentence stating “However, I was not worried because I am an efficient employee and my record is excellent” (annex 10). Although many employees were afraid of being dismissed or forced to early retire, it was not a strong reason behind resistance for all of them since many employees trusted their abilities and their excellent records.

2) The fear of losing privileges and social securities:

The employees in the company were also afraid of losing their privileges and social security. The employees in Asiut Cement Company used to enjoy health care covering half their families for free. In addition, they were all members in Asiut Cement

club. They also enjoyed other privileges. Thus, they were afraid of losing them or their social securities if the investor attempted to minimize his costs.

3) The fear of low promotions and reduced wages:

The greatest fear of the employees who would stay in the company after its privatization was having their wages and promotions reduced. They were afraid that the investor while trying to minimize his costs and maximizing his profit would reduce their salaries and promotions. They knew they would not afford to quit their jobs (since other cement companies exist in far distance villages and placed) and in this case, they would continue working in the company however feeling very marginalized and exploited.

4) Working for a foreign investor instead of working for the country:

Some of the employees were afraid of working in a private company. Their sense of insecurity and non-safety increased. Huwaida Abdelgaber, the accountant in the financial department in Cemex, stated, “We were angry because we felt that a part of us and a part of our country is being sold. It really differs when the one works for his/her country and when he/she works for a foreign investor. Transferring the ownership of our company to a single investor meant that some one would be controlling us, which made us feel some how unsecured and unsafe. He could dismiss us or manipulate our wages or working hours. All the profit at last would go to him instead of going to our country” (annex 10).

5) The company has been successful and there is no need to privatize it:

The employees in Asiut Cement Company were surprised of the privatization of their company because it was not a loss making enterprise. Most of the employees in Asiut Cement Company stated, “We were astonished to know that our company is going

to be sold although it was very successful and thus should not be put to sale” (annex 10). They were also afraid that the investor would not keep the company at the same level especially that the company was very successful and used to earn high profit.

The face-to-face questionnaire conducted with Cemex employees revealed that the employees and the workers in Cemex were not quite provoked and irritated by the privatization decision, unlike the Workers in the Delta for fertilisers, for two reasons. The first reason is related to the previous or past experiences in selling cement companies. The second reason is related to the preliminary steps that the foreign investor took. Such steps helped at relieving the workers in Cemex. The questionnaire proved that the two factors really helped removing the tension between the employees and the investor. They decreased the intensity of the reasons of resistance.

1) The previous experiences in selling cement companies:

If the past experiences in the case of the Delta for fertilisers aroused the fear of the workers in the Delta, the case of Cemex was quite different. Past experiences in selling cement companies suggested the success of their privatization experience (except Helwan Cement). Mr. Badra Mustafa, who was working in Asiut Cement before it was privatized and is currently the head of the human resources department in Cemex, stated that privatized cement companies succeeded at raising the incomes of their employees (annex 10). He continued to say that the employees’ salaries in these companies became equal to the employees in the private sector, which is a great shift for the public sector employees. However their privileges did not decrease; instead, the previous experiences of privatized cement companies suggested that they increased. Furthermore, the

efficiency and the rate of production increased. Examples to such successful privatized cement companies are the Suez Cement Company and Alexandria Cement Company.

While in the case of the Delta for fertilisers the bad experiences of privatization, which the employees heard of, aggravated their resistance, the good experiences of privatization that the employees in Cemex heard of had a different impact. Such good experiences made the workers of Asiut Cement hesitate thousand times before thinking in resistance. Thus, resistance was not the first thing that came to the employees' minds when they knew their company was going to be privatized unlike what happened in the case of the Delta.

2) The encouraging preliminary steps taken by the investor:

The package that the investor approved and signed was the first act of good intentions provided by the foreign investor. In the package, the investor approved to keep the employees' social securities and also approved not to reduce their salaries. This actually destroyed some of the employees' fears to lose their social securities or have their salaries reduced.

The package also included the early retirement scheme of payments. This was the real surprise in the selling deal. The investor provided high amounts of money to the employees in return to their retirement. The sums of money were the double and the triple of the amounts of money approved by the government.

When the list of the sums of money planned to be paid for early retirement was shown to the Asiut Cement employees, the employees were pleased and relieved. As Mr. Badra Mustafa stated:

The early retirement sums of money ranged between 90,000 pound and 150,000 pound for workers and in cases of high rank employees and senior

managers, it reached 250,000 pound. No employee has ever held such sums of money. Workers and employees found themselves not only able to work separately and own their own jobs, but rather, able to own their own ‘companies’. Two of our employees actually took their early retirement payments and bought the buses of the Asiut Cement Company. They their own business: their own Company (annex 10).

The package actually provided the retired employees with direct compensation scheme, which directly compensate the losers or the victims of the reform<sup>193</sup>. The overall amount of money that Cemex spent on the early retirement program was more than \$50 million<sup>194</sup>. The number of employees was thus reduced from 3,774 employees to 1,161 employees<sup>195</sup>.

Such a package was more than enough to prove the good intentions of the investor. Most of the employees decided to wait and see what this investor and his new company were going to do. Especially that the previous experiences of privatizing cement companies were promising, the idea of resistance was not widely accepted between Asiut Cement employees.

### **The Tactics of Resistance**

The tactics of resistance that were deployed in the case of Cemex were very few, limited, and weak. They reflected the employees’ hesitance to resist. The workers in Cemex performed two strikes or demonstrations when they knew their company was going to be privatized. They were actually motivated by the workers fear to lose their

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<sup>193</sup> S.J. Burki, and G.P. Perry, “Beyond the Washington Consensus: Institutions Matter”, *World Bank Latin American and Caribbean studies* (Washington, D.C: The World Bank, 1998), 28.

<sup>194</sup>Merzaban, *Business monthly*.

<sup>195</sup>Ibid.

jobs. However, the first demonstration lasted for few hours and was not heard outside the zone of the cement company. As Mr. Badra stated:

Only few interruptions happened when the worker knew of the privatization decision. For instance, 200 workers made a demonstration demanding the investor not to dismiss a certain employee. It was their fear of the wave of dismissals that pushed them to make this demonstration. It was a weak demonstration and lasted for two hours only (annex 10).

Another employee in Cemex spoke about the other strike. He stated, “There has been a strike by less than a thousand workers who were very afraid of being forced to early retire. However, after they knew of the sums of money they were going to take, they were very satisfied” (annex 10). The compensation scheme played role in comforting the resistance to the new investor.

However, an important reason behind the weakness and limitation of the workers’ resistance is the fact that their representatives in the labor union were not real activists. They did not cooperate with the employees or advise them with a specific tactic. Normally, the workers’ strikes came out unorganized and again lasted for few hours since their labor union representatives, who were supposed to plan, organize, and help in performing the resistance, did not collaborate with the workers .

Not having collaboration between the workers and the labor union representatives also led to the deployment of a single tactic. The workers deployed direct actions and left other tactics such as media and legal or formal channels although such tactics spread and legalize their case more than direct actions. Obviously, they did not find any one that can guide them or direct their efforts and resources to a better tactic.

However, the responsibility does not all fall on the labor union and labor syndicate representatives. It also falls on the workers and the employees in Asiut Cement.

Although they had knowledge about privatization (its side effects, its positive sides, whom it will harm mostly, etc...), they were not aware of the possibility of fighting it. Most of the workers in the face-to-face questionnaire stated, “We knew it was a presidential decree, which meant it was impossible to change it” (annex 10). Thus, many workers had limited knowledge of the ways to reach decision makers and change agendas. Their statement might also reflect a tone of despair of the current regime, as they think there is no hope to change presidential or governmental decisions.

### **The Modes of Resistance**

The mode of resistance deployed in the case of Cemex is a public mode of resistance. It was not performed by politicians, decision makers, or people who acquired power or authority. Rather, it was purely and solely performed by the workers in the Asiut cement factory.

The mode of resistance is also domestic very local mode of resistance. It was performed on the local level and not the global one. It was a nationally located resistance performed by simple ordinary workers. Such workers did not think of targeting the international decision makers; instead, they targeted the decision makers inside their company since their strikes or demonstrations were actually addressing them. They did not target the global decision makers or the decision makers on the state level. They were narrow-minded in the sense that they thought it was impossible for national decision makers to change their decisions.

The resistance of the employees in Cemex was a mixture of infrapolitics and explicit modes of resistance. It was explicit in the sense that it took the form of direct



actions, which were visible and publicly performed. However, it also took the form of infrapolitics since the employees there were discussing the issue every day and discussing its side effects however, without taking any action. They all decided to “wait and see” (annex 10).

In addition, the resistance in Cemex was not organized. The labor union and their representatives who usually give resistance the sense of organization and planning did not exist. As Tarrow states, “collective action is a resource that social movement organizers use in place”<sup>196</sup> Thus, Cemex resistance lost a vital factor in their resistance. If such factor had existed, resistance tactics would have increased and have become more efficient. In addition, organization and collaboration between workers and each other would have increased and between workers and labor union activists would also have increased.

To conclude, the modes of resistance in the case of Asiut Cement were public, domestic or local, and mixture of visible and infrapolitics resistance. However, most importantly, it was not very collective or professionally organized. Rather, it was based individualism, which reflected each individual’s fears and his personal reactions to such fears.

### **Conclusion**

The reasons behind the employees’ resistance in Asiut Cement were not quite important in number or in influence. They were only five reasons. In addition, those reasons were coupled with high workers’ awareness to the fact that only unproductive

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<sup>196</sup>Tarrow, *Power in Movement: Social Power and Continuous Politics*, 17.

and poor record employees are the ones that would be mostly injured with the privatization decision. This minimized the effect of the first three reasons of resistance. The rest of the reasons were weakened with the emergence of the compensation scheme and the package that the investor approved.

The resistance of the employees in Asuit cement was weakened due to other factors. Firstly, it was unorganized resistance because the activists who were supposed to guide and organize resistance as well as increase the awareness of the workers were not did not do their job. In addition, the resistance was not explicit and visible all the way. It was actually silent most of the times. Moreover, although the resistance was a local resistance, it did not target the national decision makers on the state level. They were not aware enough that they could pressure decision makers to change their decisions. Thus, they only addressed the decision makers inside their country who practically can not take the decision of canceling privatization.

## CHAPTER V

### CONCLUSION

#### **Introduction**

This chapter concludes the implications of the workers' resistance in each case, the Delta and Asiut Cement, on privatization. Each case bears different reasons of resistance, tactics of reactance, and modes of resistance on privatization. The research seeks to know the implications of all this on the track of privatization for each company.

Resistance to privatization in the case of the Delta was different to the one in the case of Cemex. The workers' resistance to the privatization decision of their company was quite strong and intensified in the case of the delta. On the other hand, it was weak and limited in the case of Cemex. The difference between the two depends on each case's reasons of resistance, tactics of resistance, and modes of resistance.

#### **Summary of Findings**

The reasons of resistance in each case determined and constituted the motive for each agent of resistance to resist. Thus, the stronger the reasons of resistance were, the

more intensified and determined the resistance was. In the case of the Delta, there were many reasons for resistance. Such reasons of resistance were backed with many previous experiences that showed the impact of privatization in exploiting and excluding employees. On the other hand, the employees in Cemex did not have the same reasons for resistance. They had fewer reasons for resistance. In addition, the previous experiences in privatizing cement companies encouraged them to wait instead of resisting. In addition, the investor in the case of Cemex offered a package that proved his good intentions unlike the investor in the Delta case who was going to monopolize Urea.

The tactics of resistance also play an essential role in shaping the impact of resistance. The use of one tactic of resistance limits the effect of resistance. In the case of Cemex, only direct actions were deployed. By deploying one tactic, the workers limited the effect of resistance to a large extent because the resistance was not accompanied with media or press that could turn their case to a public opinion case. In addition, it was not accompanied with the use of legal or formal channels that could have legalized their position and directly connected them with national decision makers. On the contrary to Cemex, the workers in the case of the Delta deployed the three tactics, which made their case spread and reach people as well as national decision makers.

At last, the mode of resistance also shapes the impact of resistance on privatization. Although in Cemex and Delta the modes of resistance were some how similar, the few differences between the two were fatal. Both of them entailed public, local, and clear or visible modes of resistance. However, the Delta case presented an organized mode of resistance that depended on the labor union and labor syndicate to organize, prepare, and plan the tactics of resistance while Cemex did not. In the case of

Cemex, the resistance was much individualistic and the choice of their tactic of resistance came purely from the minds of the workers, who did not find some one to guide them.

The difference between the two modes of resistance is obvious in Tarrow's analysis of the repertoires of resistance. He hypothesises the repertoire of protest in a circle that increases and then declines after the use of the disruptive actions. On the other hand, he hypothesises the repertoire of a much organized resistance in a circle that proceed and the collective action starts to be diffused on public and then starts to shrink once the demands are met. The difference is clear, at the first repertoire, which refers to the case of Cemex, the collective action is not diffused on public and the demands are not necessarily met in order for the cycle to decrease. At the second repertoire, which refers to the case of the Delta, the collective action is diffused and the demands are met in order for the cycle to decrease.

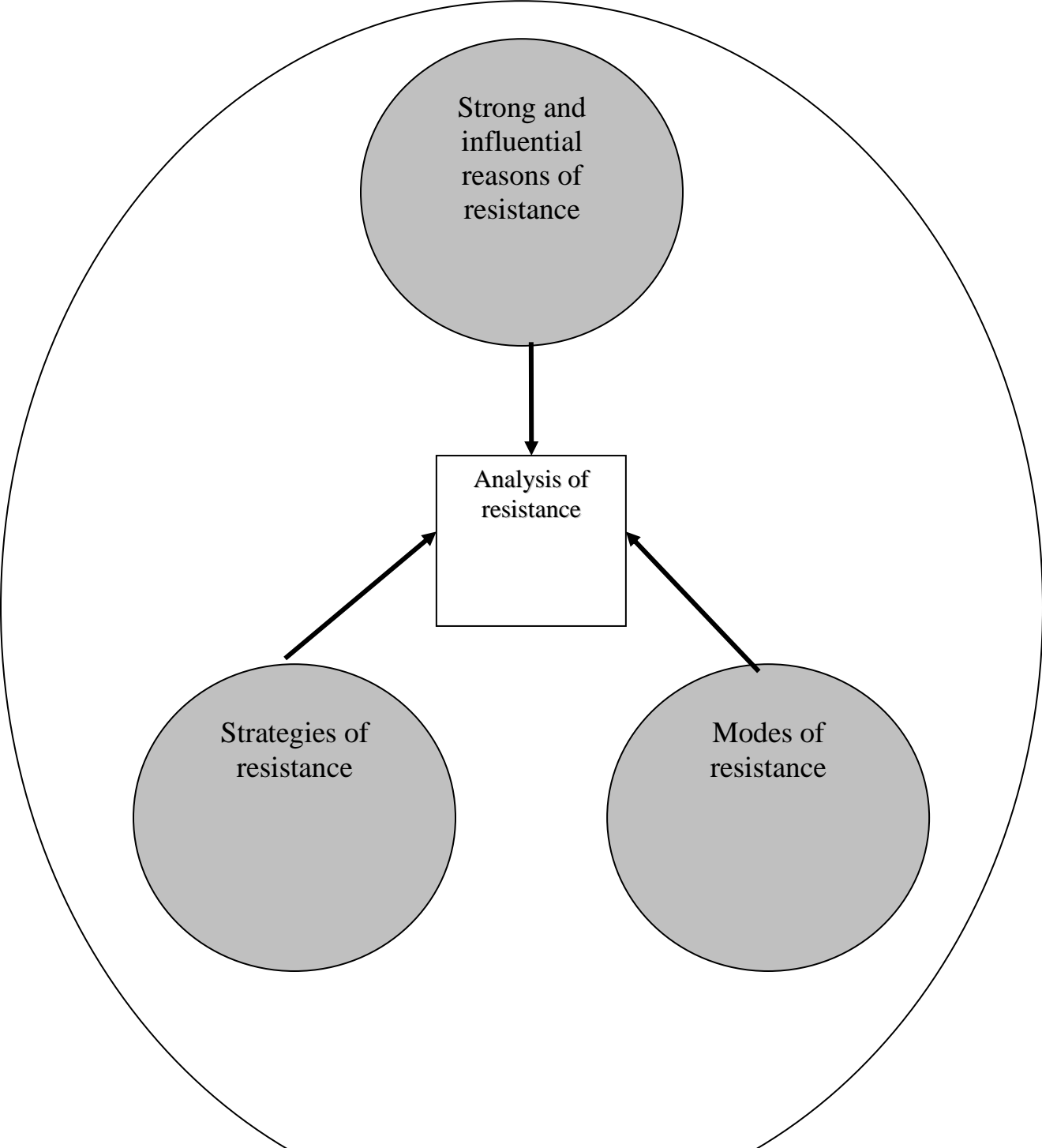
Moreover, the modes of resistance represented in the Delta for fertilisers and Cemex were not the same with regard to the explicitly of resistance. While the resistance in the Delta for fertilisers was explicit, clear, and performed on public, the resistance in Cemex was not explicit all the time. Part of the workers resistance in Cemex was silent and was not interpreted into explicit resistance.

At last, the two resistances were different with regard to their local mode of resistance. Though the two cases represented local modes of resistance and not global ones, the resistance of the Delta targeted the local and national decision makers (through media and parliament) while the resistance of Cemex targeted the decision makers inside their company (through direct actions). Thus, the two resistances were actually different.

The outcome of the two resistances is logical. The one that had stronger motive, depended on variety of tactics that target variety of actors, and was much organized and explicit in terms of modes of resistance will be much effective. Thus, the resistance of the employees of the Delta for fertilisers was stronger and much effective. It succeeded at blocking the efforts to privatize their company and also succeeded at convincing the decision makers to cancel the decision.

This changed the privatization track on the micro level or on the level of the company. However, in future, this can have a macro level effect or a spread over effect to other companies. The new Egyptian ministry that was selected in 2004, out of its recognition of the existence of resistance and its comprehension of such resistance's nature, it started a new policy that consider privatization one option from tens of other options and not an obligation.

Finally, it is worth saying that the combination of the three factors that exist in figure 5: reasons of resistance, tactics of resistance, and modes of resistance affects resistance and its success or failure. The right combination of the three factors is most likely to bring successful resistance. However, this combination actually depends on a wider circle as clear in Figure 5. This circle represents the awareness of the people, their culture, their acquisition of recourses, their access to power and resources, their ability to monitor their collective action, the resisting group size and assets (two among different factors mentioned and defined by Mancur Olson), etc... If there is any possibility of continuing this research in the future, my primary concern will be to stress on this circle that actually shapes and profiles the three factors of the analysis.



Strong and influential reasons of resistance

Analysis of resistance

Strategies of resistance

Modes of resistance

Figure 5. The analysis of resistance

Annex 1:

**An interview with a personnel who worked in the Privatization Program until 1998:**

The interviewee, who worked in designing the privatization programs according to each company's financial and structural status under the Ministry of Public Enterprise, was asked to speak about sources of resistance and the implications of such resistance on decision making.

He stated:

Sources of resistance to privatization are not limited to the workers or employees resistance. It is true that they constitute major resistance to privatization; however, they still represent one dimension of the resistance. Decision-makers in Egypt represent the other dimension of resistance.

Egypt is one of the countries where policy makers are not satisfied with privatization. The reason behind this is that they do not conceive privatizing State Owned Enterprises the solution to the problems that Egyptian economy faces and, at the same time, they are not willing to give up some of the state strategic or security-touching fields to the private sector. In addition, some of them are actually aware of the



social problems and the effects of privatization on workers and they are some how keen on keeping the workers and employees' jobs.

Decision makers resisting privatization can actually change the path of privatization and its speed. They can delay the decisions of privatizing companies when they find it against workers and employees. They can actually constitute a real threat on the discourse of privatization. Their resistance is dangerous and very direct.

Before joining the ministry, Moukhtar Khattab was very much known as a decision maker that does not accept to have privatization as the solution to all problems. He was also known for his sympathy with workers and employees issues. Khattab was actually chosen as the Minister of Public Business Sector (in the previous ministry) in an attempt to accommodate resistance to privatization and deal with an issue of high sensitivity like the workers and the employees' issue.

He and his staff were all very reasonable in dealing with those sensitive issues; however, at the same time, they had to work hard on the privatization program to prove their eligibility to their positions and their efficiency as well. Choosing Khattab as a minister for Minister of Public Business Sector was actually an investment to his sensitivity to employees' issues and his commitment to success. This was a solution that was found accommodative to workers and even policy-maker's resistance because you are actually putting one of the decision makers who resist privatization and like to keep the employees' jobs in power.

However, in my point of view, it is necessary to sell some companies even if this will lead to the dismissal of some workers while privatizing their company because even

if the company is winning now it will not continue winning in the future.

#### Annex 2:

##### **An interview with a personnel in the technical office of the investment ministry:**

In this interview, the personnel, whose job is detecting the financial status of the company and specifying the suitable form of privatization, was asked to speak about his experience with resistance that aroused when the decision of privatization was taken.

He stated:

There have been different forms of resistance that clearly expressed the workers dissatisfaction. For example, when the decision was taken to privatize the Delta for Fertilizers Company, the workers refused to accept the decision. Therefore, they gathered and demonstrated. The decision of privatization was a sign of exploitation and exclusion to the workers because the company was actually winning and they had percentages of the profits at the end of each year in addition to their salaries and promotions. Privatizing meant for them giving up their shares of profits because there are no guarantees the investor will keep the company winning and even if he did, he will certainly prefer to buy more capital and keep the profit for himself rather than sharing it with the employees. The workers' demonstrations succeeded in scaring the investor who felt the whole

environment is unsecured and threatens of trouble. Thus, he refused of going on in the deal.

Another company whose decision of privatization was met with resistance is the Egyptian Springs Company. At this company, the workers were afraid of joining the private sector. They felt threatened in their wages and careers. Thus, they gathered themselves and offered an alternative with the help of the Labor Union. This alternative was to sell the company to the workers and the employees as an Employee Share Holder Association.

Another similar example is the Alex Cooling Company. This company owns 15 big size refrigerators that were very old and not efficiently working. The investor was actually going to buy other refrigerators with more capabilities that will mostly use less workers. Feeling threatened in their living, the workers showed resistance and offered the same past alternative of buying the company. The alternative or the offer itself is a resistance to the official orders of privatizing the company through an anchor investor. However, although the Employee Share Holder Association succeeded in the first case and the employees managed in their terms to “save” the company, they failed to provide the needed amount of money in the case of Alex Cooling. Thus, the company was sold afterwards as assets.

The last case is for the Upper Egypt (Sohag) Spinning and Weaving. At this case, the workers were able to reach their voice to the minister of investment. The minister personally visited them and was very touched by their demands in a way that he himself cancelled the decision of privatizing the company.

I personally find from my experience that investors definitely prefer quit

environments where there is no disruptions or resistance. Therefore, in the instances where they find demonstrations, strikes, media troubles, or any other form of resistance, the best and most easy solution for them is to refuse to go on the deal or claim that they are facing financial problems and will not be able to continue with buying.

### Annex 3:

#### **An interview with the Privatization assessment expert in the Ministry of Investment:**

The interviewee, who holds a high post in the investment ministry, is authorized to deal with the resistant groups and unsatisfied workers. He is also responsible of assessing and evaluating the ongoing company's privatization plans. He was asked to speak about his experience with such groups.

He stated:

There are many forms of resistance in Egypt. I shall draw examples on such resistance in order to understand it better. In Helwan Cement for example, the investor dismissed many workers; thus, the workers, the labor union and labor syndicates started to resist this investor. They started to suit him and arouse public opinion against him. This investor is an example to rigid inventors who do not know how to deal with social forces and formal channels.

Another example to resistance is the Workers resistance to the privatization attempt in Qaha's company for food. At this company, the Workers and the Labor union headed by Ms. Gamalat made demonstrations and strikes against the investor. They create an unstable environment for the investor. Thus, the investor refused to pay the rest of the payment and the

company returned to the public enterprise sector.

It is worth noting that the resistance of many workers led to the change of the type of privatization that was supposed to be applied to their company. They shifted it to Employee Share Holders instead of selling the company to private investors.

Although this shift is a success for the resistance of the workers, I see that it can lead to a total destruction of the company. An Employee Share Holder is successful only when the company does not need more money to be pumped into it and, at the same time, there is no outside competition with it. In general, Employee Share Holders do not have resources that can create money like an investor. In addition, they are incapable of managing an administration and making plans and strategies that will allow them to face completion may be because they lack experience, they lack courage, they lack the capability of scientific analysis.

Thus, I find that although changing the type of privatization to Employee Share Holders is a real achievement to resistance, it is not always a wise decision. For example, in Alex Cooling, the employees refused to accept selling their company to a foreign investor and they insisted on forming an Employee Share Holder; however, after the decision was taken to transform the company to Employee Share Holder, Workers faced many financial problems that inhibited them from paying their shares on time. In addition, they could not renew the old cooling refrigerators to face market competition.

The decision to transform a company to an Employee Share Holder should be restrained with the company's status and the present and future market competition.

At last, one should not think of all privatization efforts as being faced with resistance because some companies did not meet any workers resistance, like Bisco Misr Company and

Elahram for Drinks Company. The two companies welcomed the private investor because they found themselves going to enjoy all the privileges of the private sector (salaries, promotions...)

#### Annex 4:

##### **An interview with a founding member and an activist in the anti-globalization movement in Egypt.**

At this interview, the interviewee was asked to speak about the perspective of the anti-globalization movement in Egypt regarding resistance.

The interviewee stated:

The anti-globalization movement in Egypt is a movement directed towards globalization in general. Thus, our fields of activities are different. We actually resist the attempts to westernize or to be accurate the attempts to Americanize our identity. Globalization as we observe it and identify it is Americanization and Westernization; it is more of MacDonalidization.

Hence, we resist the war on Iraq as a manifestation of the American Power. We also resist opening borders, liberalizing, deregulating, and other components of the IMF and the World Bank adjustment packages. They are other manifestations of the Western intervention and means to accelerate globalization.

Privatization is one of the themes that we resist (although not the only one). It is

very much connected to liberalization and is one of the themes of the International Monetary Fund and the World Bank, which are two of the three major international institutions pushing globalization.

However, our approach of resistance to privatization and liberalization is not a local. We are actually not convinced that local resistance can bring out outcomes in the short run. We are actually much convinced that global and international resistance is the most effective way to resist globalization and liberalization. In that way, we fight globalization using globalization. Hence, we hold international conferences and attend NGOs' conferences representing Egypt instead of working locally in one case or few cases. Working globally spreads our point of view and gathers international support on such point, which sounds much effective and threatening to big powers and major international institutions (WTO, IMF, and the World Bank). We actually believe that if want to penetrate major decision makers in the world, we should do this directly and in a pressuring manner. Global resistance achieves this and offers a good possibility to reach international decision makers.

On the other hand, the anti-globalization movement in Egypt has limited time, resources and finance. So, what can we choose: to spend our resources and waste our time in local resistance that will not bring out tangible outcomes on the macro level or mobilize our resources in strategy that can bring out national outcomes (or outcomes on the macro level)?

The answer was simple and we have chosen to resist globally and negotiate directly with financial institutions and international decision makers.

However, this does not mean that we did not work locally at all. We actually

helped some workers in few cases against the investor. Nevertheless, it was never our approach in dealing with globalization, liberalization, or privatization.

#### Annex 5:

##### **An interview with three personals in the Privatization unit in the investment ministry:**

The interviewees whose jobs directly involve them with workers as they investigate the numbers, the jobs, and the responsibilities of the workers and mind their status after privatization

They said:

The status of the Egyptian workers is extremely behind their counterparts in developing countries. They do not have the same salaries, promotions, or privileges. The Egyptian worker is treated very unjustly. However, the culture of the Egyptian Workers and their lack of awareness contribute to the continuation of such status. The Egyptian workers resist change in general. They are like normal Egyptians who prefer what they know on what they do not know or as they say “Elly ne3rafoh ahsan men elly mane3rafoosh”. They do not guarantee that this change will benefit them. They do not like to risk. If ever there are losers in the game, every worker is thinking himself that loser that will be dismissed or his salary will be cut to the half.



They like the public or governmental job. It provides them with a constant salary and most probably without needing him to work at all. From our experience, we see companies that are loaded with ten times the number of employees needed to operate it. Kafr Eldawar Spinning and Weaving, for example, is loaded with more than 250,000 employees. They come on the morning and sit without jobs. There are no machines that can ever cover their numbers. In Alexandria Public Printers also, workers were used to go and sit without work at all. It is not only about the fact that they do not work but it is also about the fact that they do not care about the quality of their work, the amount of products, or the sale. So, in the Spinning and Weavings, it is very common to see workers working on a machine that produce cloth with high defaults without them or their supervisor reporting it. In Omar Effendi and Hanon, for example, the employees are not willing to stand up from their places and show you the goods they just point out with their fingers. Moreover, they can tell you from where to buy it from outside with a better price. They do not care about the production decreasing or increasing, sold or unsold because their salaries go on any way. They enjoy the salary. They enjoy the social securities. In addition, they go out from their jobs after two hours of starting it to work in other places. What can they find better?!

Thus, we find that it is not about resisting privatization itself. Workers are not aware of the meaning of privatization. They are just resisting change and they are defending their interests.

## Annex 6:

### **An interview with the Privatization assessment expert in the Ministry of**

#### **Investment:**

The interviewee, who is authorized to deal with the resistant groups and unsatisfied workers, was asked to speak about the experience of the privatization unit regarding the Delta for fertilisers.

He stated:

The Delta for fertilisers is one of the companies that witnessed high resistance to their privatization decision. For me there is a very important triangle that when all its corners are reached, any decision to privatize can be cancelled or changed. The three corners of the triangle exist in the case of the Delta for fertilisers.

The three corners, which are media, parliament, and workers activism, were all intelligently deployed in the case of the Delta for fertilisers. The Delta workers were very active spreading their case everywhere. They aroused their case in the newspapers, whether opposition newspapers or national ones. In addition, they reached their members of parliament who aroused their case in the parliament. They even went

to the parliament and distributed a petition on all the members of the parliament.

Furthermore, they took advantage of the minister's visit to their company to gain his sympathy and support. They gathered around him and told him a very sympathetic story about how they built this company, and how the company is successful and not losing at all and they are willing to buy it. The ministry had nothing to do but to agree to their demands.

The resistance of the Delta workers was very organized. They turned their case into a national security case that threatens of instability and public unrest. Thus, decision makers had to accommodate to the situation in order not to jeopardize national security.

In response to the resistance of the Delta workers, the ministry refused the investors' offers to buy the company although one of these offers was very close to the ministry's demands and the real price of the company. In addition, the director of the Delta public enterprise himself backed off the efforts to privatize the company. He had to because the workers accused him of selling a successful company that earns profits for his personal interest. Thus, he submitted a memo at which he asks to cancel the privatization decision because it started to be an issue that touches his dignity and honor.

However, I have to say at the end that the decision to postpone the company's privatization plan may not be the right decision. It is true that the company is earning profits now but its marginal profit is decreasing. This means that the company is not sustaining its competitiveness and thus will not continue earning profits in the future.

## Annex 7:

### **An interview with the Privatization assessment expert in the Ministry of**

#### **Investment:**

The interviewee, who is authorized to deal with the resistant groups and unsatisfied workers, was asked to speak about the experience of the privatization unit regarding the Assiut cement company.

He stated:

The decision to privatize Assiut Cement company was met some resistance at the beginning. However, the investor knew how to deal with this resistance and the resistance was accommodated.

The investor increased and even tripled the early retirement pensions. He introduced new privileges and social securities. In addition, he provided the employees with new and packages of training programs. All such steps accommodated resistance and reversed it.

The investor in the case of Cemex is the ideal investor we always hope to have and deal with. He paid the amounts of payments regularly. He dealt with the workers in

an intelligent way. He knew how to pursue profit and work efficiently without losing the humane sense in dealing with workers and their problems.

#### Annex 8:

##### **Face to face questionnaire with the employees of the Delta for Fertilisers Company:**

1) Nahed Mohamed Abuelnasr, who holds a Bachelor degree in Science and Chemistry and works as the head of the Environment department:

Privatization is the transfer of the public enterprises that do not make profits. The investor is supposed to renew the company and improve its technical and financial standard. However, it leads to more unemployment because the investor dismisses many workers. In addition, there are no guarantees the workers will take all their earnings when they go out. On the other hand, the salaries of the remaining workers may go up because the number of the workers decreased and the production increased (supposedly). I was very sad when I knew my company is going to be privatized because our company is successful and profitable company. I was very worried that our privileges and promotions would be canceled, our salaries would be reduced, and we ourselves could be dismissed. I was thinking to leave the company if the privatization decision was executed.

2) Mohamed Abdel-hakim, who holds a Bachelor degree in commerce and works as a senior supervisor in the computers department:

Privatization to me is selling public enterprises to the private sector. I do not like privatization because it leads to early retirement and dismissal of workers. Dismissal and early retirement are the same because although you hold an amount of money in your hands, you spend it on unneeded things or to have your daughters married or you yourself married, which puts you in a bad position at the end.

There is also a difference between working with the government and working with an investor. I do not feel safe when I work with an investor. My future is not secured and I can be dismissed at any minute. In addition, my health and social securities will be extremely minimized. Thus, I totally refused and opposed the decision to have my company privatized and I expressed my refusal to the labor syndicate and our representative in it.

3) Mohamed Abulkheir, who holds an industrial secondary certificate and works as an electric technician:

Privatization to me is transferring the ownership of a public enterprise to some individuals. I actually hate privatization because it can lead to dismissing many workers unjustly. There are also no guarantees with a private investor that our promotions will continue and our financial rights will be paid regularly. We know the public sector's principles, work requirements, and obligations while the private sector is very new to us. As the verse says, *what we know is certainly better than what we do not know*. Thus, I was very angry when I knew my company will be privatized and I went to our representatives in the labor syndicate. Those representatives lived with us this situation second by second. They knew our demands upon which they behaved.

4) Salah Abdel-Hamid, who only reads and writes and works as a technician:

As I knew and heard, privatization is the "sale of company". I think that such selling

should be in the early days of the company and not in a company that used to a certain system for a long time. Workers came to this company knowing that it works in a certain way (like any other public sector enterprise); thus, it is not the right of any one to change something that we have been used to for a longtime. We went to our representatives in the labor syndicate. We knew they would be able of dealing with the decision and those who took it.

5) Soliman Mohamed Soliman, who holds a Bachelor degree in Medicine and works as the head of the medical department:

Privatization to me is the sale of public enterprises, whether strategic enterprises or not, important enterprises or not, successful enterprises or not. Selling public enterprises threatens the stability of prices, the security of the country, and the continuation of services provision to poor people, which is wrong. If our company was privatized, unemployment would have gone up, incomes or salaries would have been reduced, and prices would have been raised. Raising pricing in a company like ours is very dangerous because our products are very important products that go to the poor people. Raising prices means that farmers will not be able to buy fertilisers to their lands. It also means that some investors will control the only public producer of urea, which is used in many products. I was very angry when I knew that our company will be privatized because it is not only a “change”, it is a “change to the worse”.

6) Abdel-Aziz Khalaf, who holds a Bachelor degree in Engineering and works as a general manager in cars and buses’ operation and maintenance:

Privatization to me is to increase deregulation and liberalization. It is supposed to

lead to the emergence of a new philosophy that gets rid of routine, encourages new blood and new energies, and deploys new technologies. Thus, it ought to increase productivity, raise the quality of the products, employ more workers, and raise the living standards of such workers. However, our case is different. The assessment of the company's prices was wrong. It extremely undermined the value of the company. It counted for 25% of the real value of the company. The price of the land or the city that exists within the land is more than the price that was offered to the company. In addition, the private investor that wanted to buy our company was the only producer of urea beside our company, which would have led to the monopoly of the urea by one investor. What makes the problem worse is that privatizing our company would have led to the dismissal of 200 workers (unnecessary employment) and the increase of unemployment rather than the increase of employment because there are no new fertiliser companies built in order to absorb the dismissed workers. We decided to discuss with labor syndicate the possible means to deal with the privatization decision. We decided not to resort to demonstrations and strikes because of the state's restricted laws that put conditions on any assembly.

7) Elsaied Khaled, who holds the preparatory certificate and works as a bus driver:

To me, privatization means selling public enterprises. It leads to unreasonable dismissal of employees, reduction of wages, loss of social securities and working more hours. I hate privatization. I have heard from many people that worked in companies that were privatized later, like Coca-Cola and Misr for Construction Company, that they were severely harmed. Many workers were dismissed, the employees' salaries were not paid for more than three months, and promotions were highly reduced. Thus, we did not wait until our company is privatized. We went to our representatives in the labor syndicate and asked



for their help.

8) Khaled Ata, who holds an industrial secondary certificate and works as a bus driver:

Privatization to me is selling public enterprises to individuals. It can bring some improvements concerning wages and employment.

9) Saleh Abdelhay, who holds the preparatory certificate and works as a bus driver:

Privatization is the sale of public enterprises. It is very bad and extremely harmful. I say this out of what I hear about the companies that experienced privatization. We heard of what the investors did in many companies. They reduced wages, limited the promotions to a minority and limited the influence of the labor union and labor syndicates. In Misr for artificial gases in Musterd and the 10<sup>th</sup> of Ramadan Cables Company, they dismissed many workers. On the other hand, the investors in Alexandria Detro-chemicals Company and Misr Chemicals Company extremely reduced the workers' privileges, promotions, and health securities. After hearing of such bad privatization experiences, we were highly intimidated. Hence, we went to our representatives in the labor syndicate whom we primarily elected to represent us and represent our wishes and demands.

10) Shehata Elsaied Shawada, who holds a Bachelor degree in Commerce and works as the head of the Training department:

Privatization is the selling of public enterprises to the private sector. It holds the possibility of raising wages and promotions. It also holds the possibility of workers' dismissal or wages' reduction. It represents "Change". However, nobody knows whether it is change for something good or bad. Past experiences in privatization irritated us and suggested that this change will be for worse. Thus, we asked our representatives in the labor syndicate to make anything to cancel the decision to privatize our company.

## Annex 9:

### **Two interviews with the Delta for Fertilisers representatives in the labor syndicate:**

1) Mr. Nabeeh Shafik Shabana, the member in the general syndicate for chemicals and the member in the top management of the syndicate commission in the Delta for Fertilisers:

At the beginning, I would like to say that we all know this privatization is imposed on us from abroad, it is not the sincere wish of the people or even the government, it is a compliance to the global trends and external pressures.

The Delta for Fertilisers is the only producer of urea after Abu-Keer Company. However, Abu-keer company is a private company while the Delta is a public one. As urea is used in many important products, it is dangerous to leave it totally to private firms and unknown investors.

In addition, there are no laws in the country that prohibit monopoly or organize it. Thus, the prices, quantity, and quality of the products will be out of control. This will severely harms and threatens the consumers who are usually the poor farmers and peasants who will possibly will not find the cheap high quality products that the public enterprise

deliver.

On the other hand, having our company privatized arouses many internal problems inside the company. The sense of belonging and loyalty increases when we serve a company we feel we own and our country owns. We give it all what we can because it is part of us and part of our country. We also feel safe and secured when we work in a public company because the system is known and no body can dismiss us unjustly. There is no motive that makes the government dismisses a number of workers without reason while the investor needs to dismiss workers as much as he can to reduce the costs and payments. The investor cares more for his interest and the profits he gains. The investor can go around the laws. According to law, if the employee is employed in three positions in the same workplace and his level was still feeble, the investor can dismiss him. The investor can go around the law and put the employee in three areas that he is not qualified in and proves that he is disqualified, and then dismisses him. According to the old law, if the employee complains he can bring his case in front of a three-members committee. According to the new law (Law no.12 for the Year 2003), he can bring it in front of a five-members committee. However, the two laws can not bring the employee back to his job. Even the court can not bring the employee back to his job. With some luck, it will ask for compensations equivalent to number of years. However, the compensations are calculated according to the nominal employee's salary and not the real one that includes promotions and privileges. Thus, dismissal is unjust to workers. I do not name it dismissal; I name it Butchery.

2) Mr. Reyad Tolba, the head of the syndicate commission in the Delta for fertilisers:

Our opinion of privatization was shaped by the past privatization experiences. We

have heard of many privatized companies dismissing many workers, reducing wages, and reducing privileges. Out of the 196 companies that were privatized I recall five or six companies that actually succeeded. The rest of the companies suffered of the early retirement policies, the drop in the social securities, and the reduction of promotions.

In addition to the un-encouraging previous experiences in privatization, our experience revealed other things. It revealed that the company would be sold with a price based on a bad assessment. The assessment was very old and made 5 years before the date of the selling. In addition, the assessment was made in a time where the dollar exchange rate in Egyptian pounds was different and far below its value at the time of the sale. Five years ago, the dollar was equivalent to 330 piaster. At the time of the sale, the dollar's value increased to 465 piaster. Hence, the company was going to be sold with quarter its real value. Thus, we decided to address the media and the Dakahlia members of parliament. We sent to many newspapers and writers. In addition, we provided a petition to the people's parliament. We were acting as a very active pressure group pressuring for the existence and presence of the company.

## Annex 10:

### **Face to face questionnaire in Cemex (Assiut Cement):**

1) Mr. Badra Mustafa, the head of the human resources department:

When we knew our company is going to be privatized, we were very worried and anxious. We were going into a totally new environment and we were afraid that our salaries may go down. After our company was privatized, many things changed. However, it was change for better. Unexpectedly, our salaries were doubled and our promotions increased. The nature of the work changed. What we were used to manually and by hand, we started to do it through computer and database. Surprisingly, our social securities, which we thought will be mostly affected by privatization, increased and our health securities that used to cover only half of the family started to cover the whole family. Moreover, we were given a lot of training inside Assiut, in Cairo, and outside Egypt (Philippine, and Spain). There has been an increasing concern with the artificial security and workers' safety. For instance, when one of our workers was injured in the workplace, the foreign team came to Assiut and gave us a long lecture that we are much important than the work and we should not endanger our selves. They wrote reports, investigated the

accident, and took preventive procedures to guarantee this will not happen in future.

There has not been any significant resistance to the privatization decision. On the first hand, it is a presidential decision and a decree, which makes it difficult to resist. On the other hand, we saw the early retirement file that the foreign investor approved and the documents that he signed. This was more than a good start to us because the investor approved high sums of money that no domestic investor or public enterprise has ever approved. The early retirement sums of money ranged between 90,000 pound and 150,000 pound for workers and in cases of high ranks and senior managers, it reached 250,000 pound. No employee has ever held such sums of money. The employees were more than satisfied. Workers and employees found themselves not only able to work separately and own their own jobs, but rather, able to own their own 'companies'. Two of our employees actually took their early retirement payments and bought the buses of the Asiut Cement Company. They their own business: their own COMPANY.

Thus, only few interruptions happened when the worker knew of the privatization decision. For instance, 200 workers made a demonstration demanding the investor not to dismiss a certain employee. It was their fear of the wave of dismissals that pushed them to make this demonstration. It was a weak demonstration and lasted for two hours only.

2) Huwaida Abdelgaber Mohamed, an accountant in the financial department:

Privatization is the sale of public enterprises in order to become a private property to an individual or some individuals. We were angry because we felt that a part of us and a part of our country is being sold. It really differs when you work for your country and when you work for a foreign investor. Transferring the ownership of our company to a single investor meant that some one will control us, which made us feel some how

unsecured and unsafe. He could dismiss us or manipulate our wages or working hours. At last, all the profit would go to him and our country would not benefit from it.

We were also afraid of the early retirement policies and we were afraid that our salaries and promotions might be decreased or we get dismissed. However, I was not worried because I am an efficient employee and my record is excellent. On the other hand, we were angry because we felt that a part of us and a part of our country is being sold. The feeling really differs when you work for your country and when you work for a foreigner

The previous reasons in addition to the fact that our company was a successful company and should not be sold made us complain. We were astonished to know that our company is going to be sold although it was very successful and thus should not be put to sale. However, we did not return to our representatives in the labor syndicate and we decided to wait and see the new investor's policies and strategies.

The situation totally changed after the company was privatized. We were treated very well. Our salaries increased. The use of technology and computers increased. We got rid of routine and the old system of patronage and family connections. Everything started to be much organized and classified. In addition, our salaries and system of promotions improved.

3) Abdelnaser Makram, the head of the social securities department and the head of the syndicate commission in Cemex:

When we heard about the decision to privatize our country we were very afraid and anxious because we heard that many workers might be dismissed and our salaries might be reduced as well. However, I was not worried because I am an efficient employee and my record is excellent We also heard we might work more hours and might take fewer

promotions. However, we knew it is a presidential decree, which meant it was impossible to change it. We decided to wait and see what is the new investor is going to do.

In fact, everything changed to the better. The productivity increased. The administration started to be much organized and decisive. The use of time saving technology increased. Our efforts were met with more appreciation and promotion. The salary increased and the privileges increased as well.

4) Mohamed Ali Mohamed, an electric technician:

Privatization is the transfer of a public enterprise to an individual or some individuals. We were afraid and anxious when we knew our company is going to be privatized. We were afraid of being dismissed or released according to the early retirement policy. We were also afraid that our salaries and promotions might be reduced. We decided to wait and see especially that it was a presidential decision and a decree, which makes it impossible to resist I know I am an efficient employee and my record is excellent and thus will not be dismissed.

We were right to wait. Everything changed. Instead of working from 12-14 hours, I started to work only 8 hours after the company was privatized. The production lines were renewed and the production increased. We got rid of the routine. We also became no more over-staffed. Thus, our salaries and promotions increased.

5) Ahmed Abdullah Ahmed, machines' maintenance technician:

When we knew the decision to privatize the company, we were afraid of instability and the possible harm it may bring to us. Thus, we were anxious and afraid. We knew we could be dismissed and our salaries can be reduced. However, we preferred to wait and see



what the new investor is going to do about all this. I was not worried because I am an efficient employee and my record is excellent

Everything changed after the company was privatized. The company became very organized. Instead of working in too many places, the work became very organized and I started to work in specific areas and places. Instead of working 10-12 hours, I started to work 8 hours only. In addition, our wages and promotions increased.

6) Galal Abdelsamiea, the head of the accounting department:

Privatization is the sale of the public enterprises whether through the stock market or to an anchor investor. We were afraid of change when we knew our company is going to be privatized. We were afraid of having our salaries and promotions reduced or being dismissed ourselves but I was not worried because I am an efficient employee and my record is excellent

We decided to wait and see. We were not going to stay quite if we felt we are being abused. However, the early retirement file that the investor approved before the company was privatized relieved us to a great extent as he approved to pay from 90,000 to 250,000 to the worker. After privatization, there has been a revolution in the company. Such revolution turned everything to the better. Our salaries doubled and tripled. Our promotions increased. Our working hours went from 12-14 working hours to only 8 working hours. Thus, the work environment became very encouraging. In addition, our health securities and social securities increased. Our travel and transfer payments also increased and improved. Moreover, the use of technology increased and many training sessions were organized to raise the employees' level.

7) Mohamed Abdelfatah, an employee in the sales department:

Privatization is the sale of public enterprises to individuals. It means that such individuals will be in control of our livings. Thus, we can be dismissed at any minute. Our salaries, promotions and privileges can be reduced.

For the past reasons we were angry when we knew our company is going to be privatized. We were also afraid of the change. However, we decided to wait and see. The work became very organized. Instead of working from 10 to 12 hours, I started to work from 8 to 10 hours maximally. In addition, resources increased. We started to have more telephones, computers and a Fax. Our department also became no more overstaffed. All this saved us a lot of time and the selling and buying orders started to take seconds instead of hours.

8) MS. Mona Boutros, Cemex communications and image director:

In order to reach the international standards of labor per ton in the cement industry, we made the first call for early retirement. However, we did not reach the international standards. Thus, we made the second call for early retirement, which included more privileged and higher sums of money than the first call.

9) An employee in Cemex:

Privatization is the ownership transfer from public sector to private sector. I was worried when I knew my company is going to be privatized. Especially when I knew it is a foreign company. I was afraid of being dismissed or my salary decrease. We decided to wait and see. After privatization, true that many workers went out, but they were very satisfied with their early retirement payments. On the other hand, our salaries increased. The work became very organized and specified because our numbers decreased.

Everything became automated and dependence on technology increased. In my job specifically, it became much easier to know any piece of information and in no time because the database highly improved.

10) An employee in Cemex:

Privatization is the transfer of ownership from the public sector to the private. I was not very worried when I knew my company was privatized because I knew of the big sums of money the investor was offering in his early retirement offer. I actually asked to be early retired but they refused because of my good dedicated work.

After privatization, many things changed. Production increased. The work became very organized. Instead of working 16 hours, I work 8 hours now. The number of hours is a rule in the company. Mr. Ignacio Madrideo, Managing Director, insisted on certain working hours that no worker have to exceed them.

11) An employee in Cemex:

Privatization is the sale of the company. All the employees were worried and anxious when they knew the company was going to be privatized. We were afraid of being dismissed or having their salaries reduced. There has been a strike by a thousand workers who were very afraid of going out in the early retirement. However, after they knew of the sums of money they were going to take, they were very satisfied. Before privatization, I worked more hours (12 h.) and my salary was low. After privatization, I started to work exactly 8 hours and my salary increase.

**Annex 11: An attachment:**

The document used by the employees and labor syndicate representative in the Delta for fertilisers to contact the media and members of Parliament

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