Behind the news:2

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Crisis in Egypt: Structural Adjustment, Food Security and the Politics of USAID

Egypt has just experienced a very traumatic two years. The struggle between the Egyptian state's forces of law and order led by President Mubarak, and militant islamicists belonging to *Gama'a al-Islamiyya* (the Islamic Group) has spread panic among Egypt's tourist industry. Violent attacks on foreign visitors, including the death of a Briton in October 1992, has cost the country £490 million in lost revenue in 1983 alone.[1] Clashes between islamicists and the state following Mubarak's call to 'exterminate sedition in its cradle' has led to hundreds of deaths, thousands of arrests and the intensification of authoritarian measures by heavily armed police and para-military to root out *el-Gamaat* supporters.

These upheavals were aggravated by the October 1992 earthquake—the country's worst ever recorded which took more than 350 lives and injured 4,000. Those affected lived mainly in Cairo's sub-standard and overcrowded slum areas. And it has been there that the Moslem Brotherhood has been busy mobilising support for an islamic state at the same time as providing social and economic help to the needy, offering services which the ailing Egyptian state can no longer provide.

An additional dynamic underpinning recent troubles in Egypt has been the structural adjustment programme (SAP) agreed in November 1991 between Mubarak and the International Financial Institutions (IFIs). It was an agreement necessitated by Egypt's worsening balance of payments crisis and budget deficit. The agreement was hailed by the IFIs as a major achievement which would turn the economy around and has led to the removal of many state subsidies and an increase in charges on energy, transport and food.

This article examines the character of the SAP in Egypt and focusses on the role of the United States Agency for International Development (USAID)—a most aggressive protagonist for economic reform in Egypt. We situate USAID's strategy within the historical context of US grain exports to Egypt and we trace the changing fortunes of that relationship, of Egypt's dependence upon food imports and the leverage it has given the US in exacting policy reforms and the liberalisation of the Egyptian economy. That is particularly important for the 90s, and the shape that the 'new world order' might take in the Middle East with Egypt a major actor following Mubarak's complicity in the US-led Gulf war; and his willingness to court the geostrategic interests of Washington. Mubarak's room for manoeuvre is lessened by Egypt's worsening economic crisis, which has generated a stronger willingness than ever before in the country's history to comply with the zealots of the IMF and World Bank. We look below at the dimensions to Egypt's current economic crisis and the Egyptian state's responses to it since the mid-70s. We conclude that the current prescription for reform will not redress rural poverty; and neither will it avoid the continuation of dependence upon the US for Egypt's food security, and mounting political opposition to the Mubarak government.

1. Egypt's Economic Crisis

There was a doubling of per capita income, from $334 in 1974 to $700 in 1984 and current account receipts rose from just $3 billion in the mid-70s to $13 billion in the mid-80s. The Egyptian economy grew by around 8 per cent per annum between 1974–85.[2] The 70s were boom years. Growth was mainly due to its ability to generate foreign exchange from oil exports, workers remittances, earnings from the Suez Canal, tourism and foreign aid.

Economic success was relatively short-lived. The oil based boom ended in the mid-80s and led to domestic and regional unemployment and the reduction in the numbers of Egyptians employed as labour migrants in neighbouring oil producing states. By late 1985 net return migration occurred and 'open unemployment' reached unprecedented levels of almost 15 per cent, or 2 million out of a labour force of 13.7 million.[3]

The essential weakness of the Egyptian economy was its dependence upon 'windfall profits' which made it susceptible to changes in the international demand for oil and global recession. By the mid-80s foreign exchange from rents and remittances accounted 'for three quarters of current account receipts and for more than 40 per cent of GDP (compared to about 6 per cent in 1974)'.[4] Yet in 1987 total foreign exchange receipts, expressed in current 1989 US dollars, were 2 per cent lower than they had been in 1981.[5]

The dramatic fall in the real value of windfall profits after 1982 left substantial external and local account imbalances. The deficit on balance of payments current account reached a high of $5.3 billion in 1986 (15 per cent of GDP) and the budget deficit reached £E8.8 billion (23 per cent of GDP).[6] The recession that followed was prompted by a fall in the price of petroleum and a worsening in the terms of trade which cost Egypt 11 per cent of its GDP. Between 1981/82 and 1986/87 Egypt's share of petroleum exports fell from US$3.3 billion to US$1.4 billion.[7]

Nevertheless, the state managed to sustain rates of growth in GDP of 6–7 per cent 1983–85. It did that by running a balance of payments deficit and an increased foreign debt. By 1987 total foreign debt was more than 100 per cent of GDP, debt servicing for the period 1981/82 to 1986/87 rose from US$1.3 billion to US$4.4 billion. Egypt was in arrears on its payments and was forced to engage in a major rescheduling exercise with the IFIs.

By 1990 Egypt's total external debt was almost US$49 billion, down from US$50 billion in 1989, and represented 126.5 per cent of its GNP: down from 159 per cent in 1989 but up from 95 per cent in 1980.[8] While the Gulf War did adversely effect tourism and receipts from the Suez Canal, which alone account for more than 35 per cent of Egypt's exports of goods and services, Egypt was spared an even worse financial crisis because it was bailed out by the US.

US military debt forgiveness of US$6.7 billion saved Egypt an additional US$1.6 billion in interest and arrears due in the financial year 1991 and a further US$700 million–US$1 billion in yearly debt service for several years to come. In total, the US and Arab creditors wrote off at least US$13 billion of debts and under US guidance the Paris Club of official creditors wiped off half of the US$20.2 billion owed to them.[9]

There has still been real hardship resulting from the Gulf war. One aspect of this was the effect of returning migrants. Probably more than half a million Egyptians were forced to return home following Iraq's invasion of Kuwait. They had remitted something like US$50 million in 1989 and those remittances stopped, monies in Iraqi banks were frozen and migrants returned to both rural and urban areas of Egypt already experiencing economic recession and unemployment. The total financial losses suffered by returning migrants, including loss of property and bank deposits may have been as high as US$18 billion. Foreign exchange losses, including remittances have been estimated at US$3.4 billion—equal to 35 per cent of export receipts.[10]

2. Crisis in Agriculture

The 70s and 80s were decades of agricultural neglect. Egypt has experienced a food crisis: too little local production of food grains to feed a growing population. Like other countries in the middle east a demand for food has been fuelled by population increase and growth in incomes following the oil boom years of the 70s. The trouble was that at the time that happened 'natural and social constraints (sometimes exacerbated by state policies) limited the domestic supply response' and food deficits led to the emergence of increasing levels of imports.[11]

2.i Food security

Egypt currently imports 50 per cent of its food needs and was dependent upon the US in 1992 for more than half of its wheat and wheat flour. One estimate in 1992 put the cost to Egypt of importing food at $10 million a day.[12] As long as revenue can be generated to offset the cost of such import dependency there is in many ways no *a priori* reason why reliance upon food imports should have a necessarily negative impact. The problem for Egypt is that while the country could temporarily pay for the cost of increased imports from oil rents, the long term ability to generate sustained income for grain imports has dwindled. Agriculture's share of GDP has fallen from 29 per cent in 1965 to 17 per cent in 1990.[13] While it still remains an important economic sector, accounting for almost 40 per cent of total employment, the rate of growth for agricultural production has fallen behind that for the economy as a whole at times by as much as 4 per cent'.[14]

The twenty years to the end of the 80s has been marked by the substitution of locally produced foodstuffs by imports. Expressed in per-capita terms, imports of basic food grains and pulses rose by just under eight times between 1970 and 1980. Consequently, the overall trade balance for the agricultural sector—previously in surplus (US$300m) in 1970—had become a deficit of US$800 million by 1977 and US$2.5 billion by 1980/81. That was accompanied by a fall in the share of agriculture in total value added from 25per cent of total exports to 9 per cent in the same period.[15] Although there was a slight improvement in the self sufficiency ratio of some crops in the 80s, agricultural exports in the early 90s only covered a fifth of the costs of agricultural imports and the agricultural deficit constituted more than a third of the total trade deficit.[16]

Since 1974 Egypt has become the world's third largest importer of grain. Imports quadrupled in the 70s to fill the gap between wheat production which grew at less than 2 per cent per annum and consumption which grew at almost 9 per cent. Between 1966 and 1988 imports grew by 5.9 metric tons and non-food consumption of grain (mostly animal feed) increased by 5.3 million tons—268 per cent.[17]

Egypt currently consumes 9 million tons of wheat and flour per annum. It needs to import two thirds of the grain it consumes at a cost of US$1.4 billion per annum and in 1991 a Government of Egypt report noted that the annual production-consumption gap in wheat was 5.5 million tonnes projected to 7 million tonnes in 1995 and 8.7 million tonnes by the year 2000. The area of wheat cultivation in 1990/91 was 1.96 million *feddans* (1 *feddan* = 0.42 ha = 1.03 acres), compared with 1.1 million *feddans* in 1985. Yet in the mid-60s, when the population of Egypt was just 30 million, compared with 57 million in 1991, the area under wheat production was 1.4 million *feddans.*[18]

2.ii Cotton

As Egypt has become more dependent upon food imports revenue to pay for them has dwindled. Between 1975 and 1980/81 the import prices of agricultural commodities rose by about 60 per cent while export prices for cotton and other agricultural commodities rose by only 38 and 48 per cent.[19] Not only did the price of cotton fall, relative to agricultural prices in that period, but output also fell. The latter resulted from the unsuitability of local cotton varieties for national use and a fall in Egypt's competitive position relative to other producers: Egypt's share of world exports fell from 8.2 per cent in 1969/70 to 3.7 per cent in 1978/79.

In 1990 the Egyptian government appointed a committee to investigate poor levels of cotton production. It was already clear that its low procurement price had made many farmers abandon third and fourth pickings. Cotton continued to be seen as a 'government crop' and many farmers found the eight months that the crop occupies in the ground could be better spent growing two vegetable crops. Nevertheless, the state practice continued whereby farmers who lived more than 12 kilometres from Cairo, and in a designated cotton growing area, were forced by law to grow cotton on one third of their acreage. That has continued despite government relaxation of other 'strategic crops'. Clover, for example, used as animal feed, has now been completely freed of government interference and restrictions on wheat and maize are much less than they were three years ago.

There are many reasons why successive regimes have been reluctant to improve the farmgate price of cotton. Most notably because the state has been used to generate surplus from the peasantry for investment elsewhere. Since the 1952 revolution, the state has used its role in the two broad agricultural areas as land owner and co-ordinator of irrigation to manipulate pricing, management and appropriation of surpluses for largely urban and industrial growth.[20] As Egypt's first export crop, cotton has been the single most important agricultural commodity for generating foreign exchange.

Cotton has also had another important role: as a raw material input into more than three thousand Egyptian cotton producing factories. Hence the low farmgate prices paid to cotton producers has served to subsidise Egyptian capitalist producers of finished goods. Recent increases in the producer price have raised raw material costs for these entrepreneurs. They have already complained to government that their industrial growth is limited by restrictive state policy. In particular they cannot take advantage of value added which accrues with the sale of finished products. For example, the export of yarn for £E2,500/ton at the 1989 world market price failed to take advantage of the value that could have been realised for cotton goods: shirts realised the equivalent of US$8,000/t. In 1989 the world market price for Egyptian raw cotton was US$4000 a ton while the local market price was just $1,500 a ton.[21]

3. Explaining Egypt's Crisis

3.i The Egyptian Government

There have been four recurrent themes in Egyptian state policy since 1952 which relate to both a characterisation of the country's agricultural crises and the response. In broad terms these have been; the need to increase the agricultural land area by land reclamation, to redistribute existing land holdings, to open the economy to foreign investment and to manipulate farm gate prices.

3.i.a Land reclamation

Between 1952 and 1990 Egypt reclaimed more than one and a half million *feddans* of desert land and between 1965 and 1980, 63 per cent of the agricultural investment budget was used for reclamation.[22] However, only about one third of reclaimed land is productive, one third marginally productive and one third has almost totally reverted back to desert. The reclaimed area is about 13 per cent of the total cultivated and accounts for 2 per cent of total agricultural production.

Land reclamation, as a possible solution to Egypt's woes, is currently gaining a new lease of life among planners. There is hope to recapture the excitement, and relative success, of the early Nasser period in the Tahrir province and it is seen as a vehicle to absorb surplus labour and raise productivity. Yet it is unlikely to provide the solution to Egypt's agricultural crises. Settlers on new lands complain bitterly of poor services and neglect from central government and while the state, in 1991, declared incentives to private investors to get involved in the new lands, private capital has not been forth-coming: the risks are too high even with government subsidies.

3.i.b Land reform

There were three dimensions to Nasser's 1952 and subsequent land reforms: the redistribution of rural resources; the attempt to shift the balance of political power in the countryside and the desire to drain surplus from agriculture to subsidise urban growth and industrialisation.

The thrust for redistribution was to reduce the numbers of landless peasants and rural poverty and it was done by placing a ceiling on individual land holdings of 200 *feddans*: an additional 100 *feddans* was allowed if the owner had two or more children. The confiscated land was redis-tributed to *fellahin* in amounts of 2-5 *feddans.*

The effect of the land reform was to reduce the power of Egypt's landed aristocracy, the *pashas,* although that class did find ways to reduce the effectiveness of the reform by passing their land to relatives. Such a tactic led to additional reforms in 1958 limiting the size per family holding to 300 *feddan* which was further reduced to 100 in July 1961.

The reforms meant that those owning five *feddans* or less gained from redistribution: in 1952 they represented 94 per cent of all owners and controlled 35 per cent of cultivated surface. After the first reforms they owned 52 per cent of cultivated acreage. Those who probably gained most were the middle peasants—those owning 11–50 *feddans.* The reforms led to this class representing 3 per cent of all land owners and owning 24 per cent of the cultivated area. Middle peasants strengthened their position by purchasing land sold as a result of the 1952 reforms and they were also able to shape the character, and control the benefits, derived from the post 1952 system of agricultural cooperatives.[23]

The system of co-operatives dominated the lives of the *fellahin.* They provided farming inputs and the allocation of tractors, the supply of credit and the purchase of crops through marketing agencies. In addition to breaking the power of the *pashas* the land reforms for the first time provided a legal and institutional framework within which the peasantry gained access to farming implements and fixed minimum wages, land rents and improved tenancy agreements. These gains, as we will see below, are currently threatened by Mubarak's embrace of the recent SAP.

3.i.c Al-infitah al-iqtisadi

The 'economic opening' was the cornerstone of Anwar Sadat's de-Nasserisation. It began with optimism and ended with the food riots of January 1977. Sadat set about reversing Nasser's heritage including the legal framework of security set in place for Egypt's *fellahin* since the early 50s. Specifically Sadat sought to break links with the Soviet Union; end any notion of socialist policies and rhetoric and the Israeli occupation of Sinai. Sadat neglected the interests of the *fellahin:* the 'economic opening' was mainly. concerned with the push to industrialisation.

Sadat's strategy was to bring together Arab capital, western technology and Egyptian resources.[24] It was an attempt to remove the Nasserist 'statist shackles' seen as restrictive of incentive and economic growth. Sadat's policies though, based as they were on liberalisation of trade, led to a dramatic fourfold increase in Egypt's level of imports between 1972 and 1975 and a significant element of these imports was food.

Sadat tried to extend his authority by developing a social base among land owners. He did that by promoting the de-sequestration of land acquired in the Nasser years. And after 1975, he pushed for the end of a rents freeze on agricultural land, frozen since 1952; the abolition of the disputes committee that handled conflicts between landowners and tenants; the erosion of any political functions of the agrarian reform cooperatives in 1976-77, (whose board members had been elected by peasants) and an increase in the reconsolidation of 'agricultural land in the hands of wealthy landowners through purchase and court action'.[25]

The erosion of peasant gains has continued since Sadat's assassination in 1981. Mubarak is attacking the benefits to tenants from the reforms which in particular means addressing the huge disparity between official rents, on average £E80 per *feddan,* and land values, where the market value is closer to £E20,000 per *feddan.*

3.i.d Price incentives

The final and most recent state characterisation of why Egypt is so dependent upon grain imports relates to perceived poor productivity resulting from low farm gate prices. This view is closely linked to the IFI explanation for Egypt's agricultural decline: pricing policy has not provided enough incentives to producers. For successive governments since 1952, the ability to determine what crops are grown, where, and at what farmgate price, and even with what type of technology, has been a major vehicle for generating an agricultural surplus by taxing producers. State pricing policy of agriculture has also been a major way of providing cheap food for a rapidly urbanising economy with an expanding proletariat and urban poor. Yet that policy has led to peasant resistance, and the adoption of cropping patterns which have neglected crops like wheat and rice for *berseem* (Egyptian clover) as animal fodder.

3.ii The International Agencies

For the IFIs Egypt's agricultural crisis has two components: insufficient arable land to sustain rapid and continuing population growth and repeated failure of government policies relating to excessive intervention and inadequate price incentive.[26] There is a popular image among international policy makers that Egypt is both over-populated and has insufficient arable land with which to produce enough food to sustain itself. Herein lies many of the essential contradictions of Egyptian agriculture and many misconceptions. The use of intensive cropping patterns, some of the world's highest applications of fertiliser and perennial irrigation has made Egypt's agriculture one of the most productive in the world. Yet the problem for many is that these successes, especially in the production of lentils, sesame and sorghum, cannot continue indefinitely as the limits of land availability and population pressure erode them.

Egypt's agricultural successes have been based on improved seed and increased access to land as the cultivated area has risen from about 3 million *feddans* in 1813 to 6.5 million in 1991—yet this still only represents 3 per cent of the country's total area. In addition to difficulties seen to emanate from restrictions on the size of arable land, the IFIs stress the problems caused by population size and growth. In 1992 there were about 53 million Egyptians—97 per cent of whom it was asserted lived in the fertile and permanently irrigated area along the Nile Valley and the Delta.[27] Yet the distribution of that population is in fact very uneven: there is more than 50 per cent urbanisation of which more than 40 per cent live in the two densely populated cities Cairo and Alexandria. Egypt's demographic problem is seen to be close to a 'population explosion' making it necessary for the government to create four and a half million new jobs in the next ten years: population growth is seen to underpin all other problems in Egypt.[28]

Despite the rhetoric that Egypt's population is too big and population growth needs to be curtailed, care needs to be exercised not to elevate it as *the* cause of the agricultural crisis. It is significant that for the last 25 years agricultural growth has been greater than the rate of growth of population. Using the World Bank's own tables of economic and population growth for the period 1965–80 and 1980–89 agricultural production grew at 2.7 and 2.6 per cent compared with population growth for the same periods of 2.1 and 2.5 per cent.[29] There is also a projected fall in the rate of increase in population growth to a possible 1.8 per cent for the period 1989–2000.

While population growth clearly places a burden on limited available land and the whole range of social services, it is the context within which these broader provisions are managed and resources allocated, that also needs to be examined. In a paradoxical way the biggest worry for the future of Egyptian agriculture is precisely its past success. Within the prevailing mix of agricultural techniques it is unlikely that productivity will increase simply by raising farmgate prices.

4. The International Environment

4.i USAID

USAID is the major protagonist for a market oriented strategy in agriculture and its influence in Egypt is second to none among the international agencies. It is also probably the most aggressive and still most wedded to neo-liberal ideas of linking market relaxation with the reduction of state activities.[30] USAID has advisers in most government ministries; between 1974 and 1989 it dispensed $US17 billion and in the years 1985–88 US aid to Egypt per capita, per annum, equalled $US22.82.[31]

USAID began its Egypt operations in 1974 dividing its assistance between project and programme aid as shown in *Table 1.* It was particularly critical of continued state controls on prices and allocation of resources which were seen to inhibit foreign investment. As Egypt's economy went into decline in the 80s, and as a serious balance of payments deficit emerged, USAID shifted its commitment from project assistance to policy based programme and sector assistance. That shift notably happened after 1986 when Mubarak indicated willingness to embrace reform of the economy and a SAP.

USAID's declared strategy in Egypt, is to support long-term economic growth and to improve the lives of its 53 million people. To achieve these objectives it supports 'economic policy reform and free market development necessary to achieve broad based economic growth, sustainable improvements in the quality of life and the promotion of democratic pluralism'.[32]

Agriculture has historically been relatively neglected by USAID, accounting for just 12 per cent of the total project assistance, US$990 million to the agricultural sector over 14 years. Recently, however, it has been very influential in promoting a 'policy reform dialogue with the Government of Egypt to encourage removal of production controls, reform of farm output and input prices and an increased role for the private sector'. USAID is now promoting the development of high value fruit and vegetable crops and the use of green revolution technology. It is also arguing for the removal of price controls and 'remaining price distortions' which discourage 'farmers from adopting many of the improved varieties'. 'Effective support to farmers in a deregulated agricultural sector depends on efficient access to credit at market rates and sound advice through the extension services'.[33]

In its major Agricultural Production and Credit Project, USAID has made clear its continuing faith in 'the market' to solve what are seen to be Egypt's agricultural problems of lack of incentives to producers and bureaucratisation of the supply of farm inputs. USAID is now actively promoting support for the free market and market incentives, the removal of price controls on 13 major food crops.[34] It is a policy which favours peasant producers with large holdings of land and those with the collateral against which to acquire credit for farm development. It follows too that USAID's concern is to provide financial security that privatisation of land tenure is supposed to bring; the consolidation of land holdings into commercially viable sizes and a reform of the tenant-landlord relationship to ensure that commercially viable rents are paid.

Table 1: US Economic Assistance to Egypt 1975–1990

	($million)	%
Projects	6,696	42
Cash Transfer	1,320	8
Public Law 480*	3,484	22
Commodity Import Programme	4,577	28
Total	16,077	100

* Includes food aid and concessional grants for the purchase of US agricultural commodities by Egypt.

Source: adopted from US Assistance to Egypt: Status Report, Dec 1990, (Washington USAID).

Most of the money for project aid, in which agriculture is included, comes in the form of grants made through the US Economic Support Fund (ESF). That fund is earmarked specifically for countries that are strategically and politically important to the US. ESF also finances commodity imports from the US which account for about one third of assistance and gives a clear bias to US companies: it sits very uneasily alongside Washington's so called free market ideology. Funding since 1975 to Egypt's public sector, now being run down, has been US$3.81 billion but has financed the import of US$3.71 billion in US commodities like machinery, equipment, spare parts and raw materials. According to one observer 'American engineering firms are almost always engaged and at least 10 per cent of capital project costs go for engineering services'.[35]

Another dimension to the programme assistance has been direct cash transfers. These account for just 10 per cent of US assistance and have been a major source of criticism by Egyptians. While Egypt, for example, is only second to Israel in the quantity of US foreign assistance, Israel has just 10 per cent of Egypt's population size and almost all the aid received by the Israeli government is in the form of cash transfer compared with just 12 per cent received by Cairo in that form.

4.i.a The Politics of PL480 and USAID's strategy

The final dimension to USAID's programme assistance is food aid. That has taken the form of PL480, or to give it the full title, Agricultural Trade Development and Assistance Act—known also as 'food for peace'. This provision has been an important economic lever to promote the political compliance of states over which Washington has wanted to exert influence. Indeed, US agricultural trade policy and its food aid programme after World War II, has shaped the character of the 'international' food system.

PL480 is divided into three sections or titles.[36] Two of these titles, II and III have been completed in the case of Egypt. Title II involved a programme of selected food commodities on a grant basis to improve the nutritional status of targetted groups and title III provided wheat and flour on concessional terms which were then 'forgiven'—as long as the Egyptian government could show that receipts from the sale of those foodstuffs locally were used to improve local services.

It is title I, which is the most important and most contentious. This is a programme for financing US agricultural commodity imports to Egypt at concessional rates. It does not involve free or subsidised food but balance of payments support to finance the import of US agricultural commodities through loans given at cheap rates. In the early 90s, title I assistance accounted for at least 20 per cent of Egypt's wheat imports. In 1991, credit offered to cover these imports equalled US$150 million and since its inception, in 1975, total funding has equalled US$2.87 billion.

PL480 has become a vehicle for promoting US foreign policy interests under the guise of aid and trade. It was initially a vehicle to dispose of surplus US food commodities on concessionary terms to client states, or states over which Washington sought to exercise control. It was not always effective in the leverage it sought to exact, and Egypt is an interesting case in point, at least during the Nasser years. Yet the policy has, nevertheless, throughout the third world, *inter alia* undermined the viability of local agricultural systems by promoting cheap food imports and created political clients.[37]

PL480 has also been promoted within the US as an important means to offset the economic hardship of US farmers that may result from food surpluses and overproduction. Indeed, the 'champion' of Food For Peace, was Senator Hubert Humphrey who represented Minnesota, populated by small scale farmers most vulnerable to the processes of concentration and centralisation of US capitalist farming.

Ultimately PL480 failed to address the structural crises of US farming: it could only ever be a pressure valve which was periodically used by Washington to placate the strong domestic farming lobby in agricultural surplus years, and discipline food deficit states in lean years. Probably the most rosy view of PL480 was conveyed by President Eisenhower as it became law on 10 July 1954. He noted that it would 'lay the basis for a permanent expansion of our exports of agricultural products, with lasting benefits and to people of other lands'.[38] In sharp contrast with that perspective, and one that has become more determinant in shaping the character of PL480, a leaked CIA report argued that:

> …[world grain shortages] could give the US a measure of power it had never had before, possibly an economic and political dominance greater than that of the immediate post World War II years. In bad years when the US could not meet the demand for food of most would be importers, Washington would acquire virtual life-and-death power over the fate of millions of the needy. Without indulging in blackmail in any sense, the US would gain extraordinary political and economic influence. For not only the poor LDCs but also the major powers would be at least partially dependent on food imports from the US.[39]

USAID and within this, PL480 is focused on a particular group of countries. They are strategically located and account for the vast proportion of US assistance. Among these in the middle east are especially Turkey, Israel, Egypt and Jordan. In the case of Egypt it is very clear, when looking at the changes in the timing of aid, that it has been inextricably linked with the political character of the regime in Cairo and the leverage that Washington has been able to exert.[40]

4.i.b US-Egypt relations

Between 1955-1964 US food aid shipments equalled $690 million or 11.7 per cent of its total food aid.[41] Food aid to Egypt has taken many different turns and fluctuations. In brief, the volume and speed of aid depended upon the inter-relationship between the character of the political regimes in Washington and Cairo, and how well they coexisted. It also depended upon the particular foreign policies of the US and Egypt and the willingness of third states, notably the Soviet Union, to act as a catalyst in providing for regional middle east stability.

The refusal of the US to assist with the building of the Aswan Dam in 1956, and thus its reluctance to help Egypt in its ability to promote a degree of autonomous growth, led to closer ties between Nasser and the Soviet Union. The Kennedy administration was weary of those Egyptian-Soviet links, and as a result Washington approved a US$390 million three year PL480 agreement in 1962. It was part of the Kennedy administrations general foreign policy initiative to promote limited economic development in countries like Egypt and notably Brazil, in the hope of defusing any revolutionary (ie. nationalist) forces in the third world.[42]

To that end, Kennedy sent Harvard economist Edward S. Mason to Egypt in 1962 to assess the prospects for economic growth and by extension, political stability. His visit followed Syria's withdrawal from the union with Egypt—a mistaken sign in Washington that Nasser was moderating his foreign policy. Indeed, no sooner had Egypt signed a PL480 agreement with the US than Nasser committed Egyptian forces to intervene in the revolutionary overthrow of the royal family in Yemen. There was also an accompanying military buildup in Egypt and a threat to dynastic rule in Saudi Arabia.

Food shipments were renewed in 1965 after Kennedy's assassination and Johnston became US President. They were restarted having been held up by Washington in response to Nasser's militancy in 1963 and 1964, and they followed the observation by the US Secretary of State that Egypt only had three weeks supply of grain. Washington repeatedly kept Nasser hanging onto the promise of aid and then delayed its delivery. The US would also not agree to the length of PL480 agreements that would give a breathing space to enable successful planning in Cairo. Uncertainty about the agreements also made it difficult for Cairo to divert money saved from food payments to industrial development.

Strains in the relations between the US and Egypt ultimately led to the ending of aid in 1967. There were several reasons for that cessation of assistance. Among these, as we have noted, was Nasser's earlier support for the revolution in Yemen and two years later in 1964, anti-American demonstrations in Alexandria, against US compliance with French intervention in Congo. Egyptian military also shot down a plane which belonged to a US oil company after it had strayed into a military zone near Alexandria: the owner was a friend of US President Johnson. The combination of these incidents led for heightened calls in Congress for US assistance to stop. And it did cease following the break of diplomatic relations after the 1967 Israeli war. At that time the Egyptian food reserve was enough for just 15 days: wheat production of 1.5 million tons left a deficit of 2.5 million tons.[43]

PL480 recommenced alongside much stronger links between Egypt and the US after the 1973 war with Israel. That was the result of the economic power which the Arab oil embargo (albeit partial and brief) presented the US, and also the increased recognition by the US that Sadat was very different from Nasser. US shipments of grain began in the winter of 1973-74 after US Secretary of State Kissinger visited the region. The US wanted Sadat's acceptance of Washington, rather than Moscow, as broker for peace in the middle east. It is soon after the restart of the PL480 shipments in 1974 that USAID began its Egypt operation.

In the first periods of US aid, the political context within Egypt, the strength of the regime nationally, and the respect it gained for its role in the politics of non-alignment, were determining factors shaping when and how much assistance was delivered by the US. That is not to say that US food power was without influence: the US did use the timing, quantity and character of PL480 to shape its links with Egypt.

The death of Nasser was an obvious landmark. Nasser had recognised that the domestic political costs of reflexive compliance with US foreign policy over Yemen, Egypt's military buildup, and confrontation with Israel, outweighed any possibility of maintaining his albeit increasingly fragile social base. Yet he was not always able to hold off US food power. That was illustrated in 1963 when Egypt was unable to prevent the US from stopping supplies and slowing down delivery after the October 1962 agreement.

Political considerations were always a part of US-Egyptian relations and Washington's attempt to gain a stronger foothold in the Middle East. When aid started flowing again in 1974 it was at a level far greater than the original request from the US Embassy in Cairo. It led one commentator to note that 'From the outset, the aid program was over-financed and the level of funding was politically determined'.[44] It came to a head with the 1978 Camp David Peace agreement.

Camp David highlighted Egyptian compliance with US geostrategic interests, and ensured that the most populous Arab state no longer posed a threat to Israel. The US had promised Sadat that funding for Egypt would be roughly equal to US support for Israel but that has never been the case either in volume or in the type of support. And it is significant that President Carter refused to endorse Sadat's call for a 'Marshall Plan' for economic recovery and growth in Egypt.[45]

Since Camp David. US aid has been much more closely (and openly) tied to the promotion of economic reform. In both 1988 and 1989 for example, the cash element of ESF representing some $115 million a year was held back awaiting compliance with economic policy changes in Cairo.[46] Yet it is the inter-relationship between political and economic conditionality, geostrategic interest and fear of political Islam—the continued need for Egypt's role of moderation in the region—which underpins US policy. This view is best summarised in USAID's own words:

> US economic assistance is crucial to support Egypt's moderating role in the Middle East and to help Egypt confront political and economic problems which could endanger Egyptian stability. The rationale for substantial assistance to Egypt in recognition of Egypt's role in maintaining stability in the Middle East has been reinforced by the current Persian Gulf crisis and by Egypt's leadership role in trying to resolve it. The US national interest is well served by an Egypt which is strong enough to play this constructive role.[47]

USAID's current strategy is to promote the implementation of the May 1991 Egyptian state agreement with the IFIs. And in that, the lever of PL480 continues to be considerable and criticised in Egypt. In particular there is a view that dependence upon wheat flour is inappropriate given Egypt's capacity to produce 80 per cent of its requirements. Moreover, one estimate is that the price of Egypt's wheat imports are 10–15 per cent higher than standard international prices.[48]

USAID's strategy for economic recovery in Egypt is closely interwoven with the policies promoted by the global international financial institutions. The victory by the IFIs in getting the Mubarak government to accept a SAP has given the green light for USAID to push for its policies for market reform which will further enmesh the Egyptian economy into the global capitalist system without properly addressing the country's problems of food security.

4.ii The IFIs and Structural Adjustment in Egypt

Egypt's SAP, agreed in November 1991 took three years to negotiate. In that time Mubarak had become an experienced negotiator with the IMF and the World Bank. He had earlier, in May 1987, won agreement from the IMF to help Egypt get out of its so called 'debt trap', built up over the preceding decade by Sadat's anti-Nasserist policies of *al-infitah al-iqtisadi* (economic opening). Yet that 1987 agreement collapsed, as did later negotiations in 1988 for a replacement, when the IMF called for 'shock treatment' to open up Egypt's economy. While Mubarak did make some concessions with the liberalisation of the exchange rate system, he was adamant that more radical action proposed by the IMF to increase interest rates to 20—25 per cent, and increase energy costs, would undermine the stability of his regime. Mubarak kept a weary eye on the social costs that compliance with the IFIs was likely to create. He was particularly mindful of the bread riots in 1977 which accompanied his predecessor, Anwar Sadat's, price rises on bread and services in the attempt to control public spending. The irony is that the protracted negotiations, which culminated in 1991 with the IFIs trumpeting Cairo's success in grasping the nettle of reform, go much further than any previous government affirmation of intent.[49] We also need to ask why it was in 1991 that Mubarak felt compelled to move ahead with 'rolling back the state' in a way that was previously unheard of?

The 1991 agreement involved significant reductions in state subsidies; the liberalisation of interest rates; the restoration of private currency dealing; a 10 per cent sales tax; relaxation of the licensing system for trade; introduction of a single unified exchange rate and commitment to reduce the budget deficit from 20 per cent of GDP in 1990–91 to 9.5 per cent in 1991–2 and 3.5 per cent in 1994–5.[50] Like adjustment policies elsewhere, the measures in Egypt were intended to open up the economy: 'to deal with macro-economic imbalances in the economy—to correct inflation and to allow interest and exchange rates to respond to market forces'.[51]

Egypt has fulfilled many of its macro-economic targets: an improved current account position resulting from increases in exports of goods and services and a slight reduction in imports.[52] Just how long the squeeze on imports can be maintained however, is not clear. Economic recovery and liberalisation of tariffs is likely to push the current account back into the red. Moreover, despite the US$800 million social fund, established by international donors to lessen the pain of SAP, there has been little help for the unemployed or poor.

Unemployment remains close to 20 per cent of the 14 million work force and government strategy of ending subsidies on food items and agricultural inputs have exacerbated problems for the urban and rural poor. Price rises in 1992 included transport, petroleum and cigarettes and while the price of the essential bread loaf remained the same its size was reduced. A consumer price bulletin issued by the Central Agency for Mobilisation and Statistics put interim price rises for 1992 as averaging 15.7% on food and drink; 22.5% on transportation and 32.4% on rents, electricity and fuel.[53] There have been additional price increases in 1992/93 and President Mubarak now openly speaks about the bad effects of subsidies which have been a centre-piece of state policy since Nasser. It is still likely though that subsidies will continue to account for a large part of Egypt's annual budget. That is because while Mubarak has embraced the politics of reform, state and IFI officials both recognise the importance of applying the strategy slowly so they are not seen to be carelessly removing what little safety net there may be for Egypt's poor.

Mubarak now has the confidence and the ability to impose a SAP. That is because of the coincidence of international and local economic and geo-strategic processes which have given the IFIs, and also USAID more leverage than before. These reasons in particular relate to the success of Mubarak's leadership in explaining Egyptian support for the US led war against Iraq. That 'success', though little reported, was aided by considerable repressive state apparatus which deflected criticism of him. It also created a media image of his government being capable of 'courageous' reforms. Mubarak's position in the war also led to the economic underwriting of his regime. As we have seen that was led by the US which promoted similar actions by the IFIs on condition that radical economic reforms detailed by USAID and the IFIs were implemented.

Domestically, Mubarak's call for rolling back the state is an attempt to secure his social and economic base of support from amongst those classes which were blocked by the Nasserist years and which were not entirely provided for by Sadat. These are the interests located in finance capital, construction and services, those likely to benefit from economic liberalisation as long as blanket imposition of SAP does not 'crowd them out' with foreign competition. Despite these favourable conditions for reform in the 90's and Mubarak's confidence to restructure the Egyptian economy, many of the hardest decisions, relating to the privatisation of the state sector, removal of subsidies and increases in local charges, have still to be made. The IMF, moreover, will only condone pay rises in the public sector, necessary to lessen the hardship of reform, if they are offset by additional cuts in subsidies.[54] While many, although not all, state actors are convinced by the importance of economic restructuring, there remains the need to convince Egypt's rural and urban poor of the efficacy of SAP. Even authoritarian regimes are based on a degree of 'political management'. In the Egyptian case the coalition of class forces in the state bureaucracy, of public sector managers, private importers and the military need placating when they feel that their interests are being challenged.[55] So too do workers and peasants and the increasingly vociferous islamicist opposition. In addition to the increased military presence in upper Egypt to counter *el-Gamaat* strongholds, and to protect minority Christian areas, a draft law in February 1993 seeks to undermine the influence of the Muslim Brotherhood. The state now wants to restrict sources of fund-raising for the professional unions like the doctors and lawyers, which are dominated by the Muslim Brotherhood—a banned though tolerated islamist organisation. The law will prevent the unions from receiving funds for anything other than official business.

Egypt may not have the most repressive of regimes in the region but it is guilty of many human rights abuses. Emergency law has been imposed since 1967 (except for the period May 1980 to October 1981) and it was extended for a further three years in May 1991. Egypt's democracy is in many ways only formal: a democracy by newspapers which may be scathing of the President; yet grass-root political mobilisation is restricted.[56] It remains unclear just how long the IFIs will be able to keep quiet about the gagging of opposition in Egypt at a time that elsewhere it is promoting 'good governance' and multi-partism.[57] It seems the case in Cairo that strong state power and *de facto* single party dominance by Mubarak's National Democratic Party are tolerated by the international agencies to maintain stability and guarantee the reform process. President Mubarak alluded to this in a speech in 1992. Commenting on constitutional changes called for by opposition parties which might lessen the ruling party's stranglehold on power he said they would not 'realise people's hopes for more jobs, more production, more income, and better services'.[58]

Mubarak's difficulty is that there is no guarantee that the IFI adjustment programme and the strident parallel reforms called for by USAID will deliver the goods either. While there is now more agreement than in the past about the unsustainability of Egypt's economic structure, namely the dependence upon rents and ineffective organisation of commodity producing sectors, it remains uncertain that the market orientation of reforms will structurally transform the economy in a way that there will no longer be the need for the continuation and centrality of state intervention. That is because current measures in SAP will not serve to bolster, but will rather undermine manufacturing industry. These policy measures include higher energy prices and transport costs, increasing interest rates and import liberalisation. There is also very little in the SAP which will redress the difficulties facing Egypt's agricultural sector and dependence upon grain imports.

4.iii The IFI's and USAID's strategy for the 90s

USAID's policy-based assistance programme has the declared aim, 'to achieve a more dynamic and efficient market economy, (by) reducing controls that produce wasteful distortions, stifle incentives and discourage private sector expansion'.[59] It is also a major thrust of the IFI package to reduce state intervention in the economy. One outcome of that drive has been the new Public Sector Business Enterprise Law. It is a law aimed at thinning out Egypt's 374 public sector enterprises, selling off many of them and pruning back employment levels. Another major area of reform is the ending of state subsidies. One estimate is that this might save £E3 billion yet just how quickly these measures can be enforced and to what extent is still unclear.

Egypt has now agreed the second phase of the SAP with the World Bank—which under Paris Club guidelines will write off another 15 per cent of the country's debt. Yet there continue signs of tension between the IFIs and the Egyptian state. These relate to the character of the reform process and the pace of change. According to Caio Koch-Weser, the World Bank's vice-president for the region, the IFIs were frustrated at the slowness of the privatisation process and, 'The momentum should have been more pronounced and more progress should have been made'. On the Egyptian side, government ministers were keen to stress that the SAP was more the reflection of decisions made by local political leaders than it was about decisions made in Washington.[60]

Deregulation of the agricultural sector is a key element of both the World Bank and USAID packages and the argument for reform has been won in the Egyptian bureaucracy. When USAID began its recent policy based reform programme in agriculture in 1986 the Agricultural Ministry's response was extremely hostile to suggestions of reducing subsidies on inputs —seeds and fertilisers, and also on raising farmgate prices. Indeed, when USAID officials had negotiations with representatives from the Ministry of Agriculture they did not fully reveal either the extent, or the pace of the reforms that they were pushing for: they simply did not come clean about that part of the programme. They stressed instead USAID's intention to increase the level of inputs into the agricultural sector.[61] Now that Mubarak's government has fully embraced the reform programme USAID officials talk openly about the need for rolling back the state and in Yussef Wali, the deputy Prime Minister and long serving Minister of Agriculture they clearly have an ally. There are seven parts or tranches to USAID's current strategy which in early 1992 was in tranche five and US$120 million, of the US$250 million programme budget had been dispensed.

USAID's programme is primarily concerned with removing price controls, and the removal of these on eleven crops had already taken place by early 1992, the only remaining being on cotton and sugar. These market deregulations are part of a broader strategy which has four dimensions. Two of these involve funding improvements in the processing and marketing of agricultural produce and increasing the exports of rice and citrus products. The other two dimensions relate directly to deregulation of the agricultural sector.

The first of these is to divest the Principal Bank for Development and Agricultural Credit (PBDAC) of its monopoly on inputs. Established in 1930 the bank operates in 17 Governates as the Bank for Development and Agricultural Credit with 160 outlets, 800 village banks and 3500 input distribution outlets. PBDAC had already by 1992 been encouraged to relinquish its monopoly on input provision. The private sector increased its role in the allocation of fertiliser to 90 per cent by 1994 and there has also been the decontrol of livestock feed: the bank now accounts for less than 30 per cent of imports compared with 100 per cent in 1990.

The final area in USAID's programme of reform for Egypt's agricultural sector is in promoting the increase in the procurement price of cotton. In early 1992 the farmgate price of cotton was just 58 per cent of the world price and by the end of the fifth tranche it is intended to be 66 per cent, USAID seem confident that an increase in incentives to farmers will help Egypt regain its international market share. But there is also, according to USAID, a structural crisis in the industry which suggests that more than just tinkering with prices is needed. The structural crisis relates to the effectiveness of the spinning and weaving sector which uses premium cotton—extra long staple and long cotton for the production of low quality cotton and cloth. The failure to make the most of value added in the production of finished cotton goods also restricts Egypt's opportunity to generate foreign exchange which could be used to support the agricultural sector and improve food security. Yet Egypt's cotton industry faces increased foreign competition and improved production techniques, notably in Japan, which lessen further Egypt's opportunity to use revenue from the cotton industry to generate economic development. While Egyptian extra long staple and Giza 70, 77 and 76 produces a '30 count'—an international measure of length and weight—Japan uses the same cotton and produces a count of 80 plus.[62]

5. Egypt's Agricultural Strategy in the 90s

USAID and the IFIs seem to have now won over any effective opposition to both their characterisation of the crisis in Egyptian agriculture, and the strategy for recovery that follows from it.[63] There are several reasons why the IFIs have won that battle of ideas. There has been in recent years the recognition of what is seen to be the unsustainability in the economic programmes of subsidies and state intervention. State intervention is now seen as the cause of falls in real income, increases in unemployment and dependence upon food imports.

Mounting international pressure for economic reform, and the coercive character of the Egyptian state, has tipped the balance away from any significant and effective opposition to Mubarak's complicity with the IFIs. There does, nevertheless, remain criticism of the conversion to free markets and this has often become a thorn in the side of Mubarak and a catalyst for political, especially islamic opposition to the state.[64]

In February 1992, as part of the state's promotion of its new conversion to IFI ideology and practice, the Ministry of Agriculture organised a prestigious three day conference on Egypt's strategy, objectives and constraints for agriculture in the nineties. *Al Ahram,* Egypt's influential daily, declared that agricultural *perestroika* was taking place, and that the reform package promoted by USAID and the IMF would be fully in place by 1995. That conference agreed with all the main tenets of the IFI characterisation of Egypt's agricultural crisis. It was a conference to celebrate a new strategy centred around a 'better balance of supply and demand'—although what exactly that meant was never clear.

The heart of the new strategy was to view agriculture as no longer a mechanism to extract surplus for industry but to confront the continuing problems of population growth, land scarcity and limitations on water supply. These difficulties were to be overcome by private investors who would receive incentives to invest in newly reclaimed lands—although the state would continue to bear the burden of many infrastructural costs. Private interests, rather than those of the state, were seen to be the only legitimate vehicles for taking up the challenge of agriculture. The state may act to encourage or facilitate private capitalist involvement, as in the review of the law which currently prevents individual landholdings of more than 50 *feddans* in the reclaimed lands. The agricultural strategy for the 90s also intends to reform the system of cooperatives, to make them more effective providers of inputs and not the long arm of the public sector.

5.i Reforming landlord-tenant relations

There is a perfect fit between the Egyptian state's proposed agricultural policy for the 90s and the imposed set of conditionalities which have accompanied IFI and USAID reforms. Indeed, in many respects the planners in the Ministry of Agriculture are proposing to go further than the conditions set out for them by the IFIs.

The state proposes to go further, and in so doing has an eye on consolidating its own social base, by laying the ground for contentious decisions about changes in the landlord-tenant relationship: a fundamental dimension of Egypt's agricultural reform process since the 1950s.

The change in the landlord tenant relationship is in many ways the key to Mubarak's overall agreement with the IFIs. That is because of the clamour to facilitate greater monetary incentive to rural entrepreneurs to promote agricultural growth. While land reclamation remains a dimension to agricultural policy, and is viewed by USAID as a means of creating opportunities for private agribusiness—and thus US interests—changing the legal arrangements in the countryside is a prerequisite to the promotion of the market as Egypt's rural salvation.

Accompanying these reform suggestions, which would restructure critical dimensions of life in the countryside away from relative security for poorer *fellahin*, has been the drive for greater cash crop and agricultural export production. That is not entirely new. It has been a time-weary solution proffered by the IFIs to third world agriculture for many years: that comparative advantage should be seized by tropical countries in the production of generally low nutritious, high in value, fruit and vegetable production for export markets.

In the early 80s, conclusions from a major conference on the development of Egyptian agriculture argued that Egypt should use its 'considerable natural advantage' in the increased promotion of non-traditional exports like vegetables and fruit. Indeed, it went further by suggesting that the 'new strategy for achieving food security in Egypt should be based on the promotion of Egyptian agricultural exports rather than that of self sufficiency'. The rationale for this recommendation was that the move from traditional crops to horticulture would reduce the food gap by raising the value of domestic food output and generate foreign exchange earnings. The newly generated foreign exchange could then be used for debt repayment and to cover the costs of essential food imports but this latter would continue, rather than reduce, dependency upon the US. There was also in 1992 a call by the Central Administration for Agricultural Economics, attached to the Ministry of Agriculture in Cairo, to revise production structures and the marketing of Egyptian export crops.[65]

Export-led growth in agricultural cash crops, notably fruits like oranges, lemons, mangoes and guava which account for 90 per cent of the country's fruit exports are now a major concern of the Ministry of Agriculture—yet just where it leaves Egypt's poor *fellahin* is not discussed. Central to the Ministry's concerns, and those of the IFIs, is that this strategy of export led growth will be promoted by Egypt's modernising agricultural class of *kulak* farmers.

6. Conclusion

It is not only the bureaucracy and the IFIs who are currently peddling the benefits of the market, liberalisation and rolling back the interventionist Egyptian state. The characterisation of Egypt's economic crisis as rooted in inefficient state-led policies has also spread among academic commentators. They have looked to the market and private entrepreneurial initiative as the major saviours of economic and agricultural ruin in Egypt.[66] While we might concede state corruption and inefficiencies and the difficulty to imagine a country like Egypt ever being self sufficient in food, given its particular mix of geographical and demographic constraints, it is equally difficult to imagine that the prescription now being taken to open the economy to international market pressures, and domestic liberalisation, will promote sustainable and universal growth. It is equally unlikely that the reforms targeted for the rural sector will redress the levels of poverty and hardship that have become an increasing feature of the Egyptian countryside.

Continued dependence upon the US for food security gives the US, and the IFIs which take the lead from Washington, a considerable leverage over policy making in Egypt. Despite Egyptian ministerial denials, it is increasingly obvious that 'success' of the current adjustment process is due not only to Mubarak's concern to enhance his own social base, among industrialists and large land owners, but to US pressure to link reduction of Egypt's external debt to a reform process. What is not recognised by the IFIs however, in their naive juxtaposition of *either* the state *or* market, is that it remains very unlikely Egyptian social and class forces will be able to respond to market pressures in the way that they are expected to. There is simply too much faith in the view that competing local interests will respond to market signals and where they may not, there is too much confidence that investment will be provided by international capital. As a recent study of the link between economic liberalisation and foreign investment in the region has stressed, the factors which determine direct foreign investment lie outside the control of nation states.[67] Another critique of the IFI strategy is the reluctance to confront the increased levels of economic inequality that will result from a market only approach. Indeed, it is the view of the IFIs that it is precisely that inequality which will provide the incentive for the impoverished to transform their position.

It is not coincidental that 1992–93 has witnessed the worst recent history of political violence against the state in Egypt. And that violence in Cairo and Upper Egypt especially, should not be dismissed as episodic or promoted merely by communal conflict. For too long the politics of islamic groups in Egypt, and elsewhere in the middle east, have been dismissed as the action of religious fanatics—collectively called fundamentalists—without grass root support. What characterises the support for some islamicist elements in Egypt in the 1990s is a discernable developing social base generated from the ranks of the poor urban and rural classes. Those classes are now struggling to maintain even the previously attained low levels of economic well being that the state was once able to provide.

The Mubarak government now faces a real challenge and something of a conundrum. It's legitimacy, currently maintained by an extensive repressive apparatus and a 300,000 plus military and secret police network, will be further challenged if the pace of economic reform generates a serious exacerbation in the already poor living standards of most Egyptians. Yet the failure to push ahead with the reform package is likely to lead to economic punishment from USAID and the World Bank as already promised if Cairo backslides on privatisation. Mounting prices and rural unemployment may increase support for Islamic groups, which provide real services the state can no longer fulfill in health and education used by moslem zealots as a launching pad for further political mobilisation.

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Notes

1. In 1993 tourist revenue was down 20% compared with record levels in 1992 when Egypt earned $3.2 bn. (*Financial Times*, 23 March 1993).
2. Heba Handoussa (1991a) p.3.
3. International Labour Office (1991) p.3.
4. Heba Handoussa (1991a) p.3.
5. World Bank (1989) p.130.
6. Heba Handoussa (1991a) p.4.
7. ibid.
8. World Bank (1992) pp.258, 264; (1991) pp.244, 250. In fact a subsequent revision of the Bank's figures give a larger external debt for 1989 at US$51.16 bn. See *Economist Intelligence Report* (1992) p.3.
9. US Embassy, Cairo (1991) pp.2–3; Youssef Choueiri (1991) p.92.
10. On the impact of migration see, *inter alia* Adams (1991); Atef Hanna Nada (1991); Refaat *op.cit.*
11. Richards and Waterbury (1990) pp.139–140; Richard Adams Jr. (1985, 1986); Richards (1982).
12. Economist Intelligence Unit (1992) p.19; *Al-Ahram Weekly*,18-24 June 1992
13. World Bank World Development Report (1991) pp.204, 208.
14. For example, while the rate of growth in the economy as a whole was almost 7 per cent 1983–85, agricultural rate of growth 1980–89 was 2.6 per cent. See ibid.
15. Simon Commander (1984) p.5.
16. Richard (1991) p.63.
17. Anne M. Thomson (1983) p.179; Tim Mitchell (1991)
18. *Al-Ahram Weekly* 5 September 1991.
19. Simon Commander (1984) p.6.
20. Vatikiotis (1991); Abdelhakim (1987)
21. Economist Intelligence Unit *op.cit* p.15
22. CAPMAS (1991) p.67.
23. On the agrarian reforms see, J Waterbury (1984) and Abdel-Fadil (1975).
24. Mark Cooper (1992).
25. Robert Springborg (1991) pp.234–235.
26. UNDP/FAO/IBRD Mission Report (1986); World Bank (1989) p.1.
27. Central Agency for Population Mobilisation and Statistics (1991) p.4.
28. International Labour Office (1991) p.6 and Lillian Craig Harris (1988) p.107.
29. World Bank *op.cit* (1991) pp.206, 254.
30. For a strident critique of that inappropriate linkage see Lipton (1991).
31. USAID Congressional Presentation Fiscal Year (1992).
32. ibid p.584.
33. US Economic Assistance to Egypt, Status Report (1990) p.953.
34. USAID Congressional Report 1992.
35. US Economic Assistance to Egypt, Status Report (Dec. 1990) p.7; Weinbaum (n.d.) p.6.

36. For a detailed discussion of PL480 see Wallerstein (1980).
37. There is now a large body of literature which has examined the character of the post World War 2 food regime. See especially, Friedmann (1982, 1992, 1993); Tullis and Hollist (1986), Friedmann and McMichael (1989).
38. Quoted in Wallerstein *op.cit* p.35.
39. Quoted in Wallenstein (1976) pp.287–8
40. On Egypt and PL480 see Morsy (1986); Hussein (1981); Quandt [ed] (1988).
41. Samir Mustapha (nd) p.14.
42. Chomsky (1969).
43. Samir Mustapha *op.cit.*
44. Waterbury *op.cit* p.403.
45. Eilts (1988) p.137.
46. Quandt *op.cit* p.45.
47. USAID Congressional Presentation for Fiscal Year 1992.
48. *Al-Ahram* 18–24 June 1992
49. For the background to previous agreements and a critical assessment of them see, Abdel-Khalek Gouda (1988); Seddon (1990); Niblock (1993) and for the IFI's view of the efficacy of the reform process, World Bank (1991), p.30 and p.129.
50. Butter (26 June 1992); Refaat (1991)
51. US Embassy Foreign Economic Trends (Cairo, April 1991); Middle East Economic Digest (13 March 1992) p.12 and (10 April 1991) p.13.
52. Middle East Economic Digest (13 March 1992) p.12 and (10 April 1992) p.13.
53. Figures quoted in *The Middle East* July 1992, p.36.
54. Middle East Economic Digest (17 January 1992); (13 March 1992); (3 April 1992).
55. See John Waterbury (1989) and his more provocative article (1991); compare, Denis J. Sullivan (1990) and for a detailed debate on the issues around privatisation see Mustafa Kamal Al Sayyid (1990).
56. *Middle East Watch* (1992); *The Independent* (29 March 1993).
57. We do not have the space to expand this discussion but it is clear that what IFIs mean by democratisation and good governance is better management and not sovereignty and empowerment of popular institutions. On good governance see Healey and Robinson (1992) and Gayoso (1991); for a detailed critique Gibbon et al (eds) (1992).
58. Interview with Hosni Mubarak in Cairo's semi official daily *Al-Ahram* (7 February 1992).
59. Foreign Economic Trends *op.cit* (April 1991) p.6.
60. Quoted in *Al-Ahram Weekly,* 10-16 June 1993, p.6.
61. Interview with USAID officials, Cairo, 25 February 1992.
62. ibid.
63. see, *inter alia* 'Special Report on Banking and Finance in Egypt' in *The Middle East* July 1992, pp.34–44.
64. Kamel Al Sayyid (1990) and frequent attacks on government in the two Cairo newspapers from islamicist opposition in *Al Sha'b* and from the left in *Al Ahali.*
65. See El-Shennawy (1982) and *Al-Ahram Weekly* 18–24 June 1992, p.4 and Baroudi *op.cit.*
66. For example, Alan Richards (1993), Waterbury (1992), Baroudi (1993)
67. Joffe (1993) p.140.

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