Egypt's President Mubarak appoints new prime minister to speed up privatisation

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President Hosni Mubarak has appointed a new prime minister, Atef Ebeid. Following his fourth, unopposed, re-election to office, he also outlined a series of measures aimed at promoting foreign investment, free market reforms, a market-driven exchange rate and a more business-friendly environment. Privatisation of Egypt's public sector, which accounts for nearly 70 percent of Gross Domestic Product (GDP), will be speeded up. The measures are an attempt to get the country out of its economic crisis and appease international bankers.

It was Ebeid who, in 1991, implemented the International Monetary Fund/World Bank Structural Adjustment Programme in return for a $300 million stand-by loan, a $28 billion loan from the Paris Club and $15 billion in debt restructuring, and inaugurated Egypt's privatisation programme.

Ebeid has brought 13 new people into the government. Those ministers who opposed the privatisation of industries such as telecommunications and banking have been sacked, whilst economic "reformists", under Economy Minister Youssef Boutros-Ghali, have been strengthened. The 16 state-owned holding companies, which were to prepare all 314 public sector enterprises for privatisation, are to be removed from the prime minister's office and allowed to operate independently.

The Cairo stock market leapt by 10 percent at the news. The British financial journal, the *Economist*, noted that "Investors will also have been cheered by the comment of one opposition editor from the Islamist left, who described the shake-up as nothing less than an 'IMF-sponsored *coup d'etat* '".

The stock market was cheering the prospect of job cuts, wage reductions and the super-profits it hopes will result. The government's economic programme will widen the social chasm between rich and poor. In Cairo, a city of appalling poverty, squalor and misery, there are riverside apartments selling from for $1.7 million to $20 million. Suburbs are springing up around the city with names like Beverly Hills and Mayfair, with prices to match. Roads and bridges are clogged with Mercedes, alongside donkey-drawn carts and camels.

Millions of peasants have left the rural areas to seek work in Cairo, a city of more than 15 million people. The lack of affordable housing means 1 million have been forced to squat in the cemetery. It is named the City of the Dead.

Unemployment is officially 9 percent, but is in reality nearer 20 percent. Underemployment is estimated at 30-50 percent. In the Cairo district of Imbaba, some families scrape together a living from the garbage heaps, feeding their animals and themselves on discarded food waste.

According to a recent report written by two leading Egyptian academics for the Ford Foundation, per-capita income has nearly doubled in the last five years to about $1,500, but income inequality has grown. At least one-quarter of Egypt's population is poor by any standards and another quarter lives on the margins of poverty.

Only 14 percent of pregnant women receive ante-natal care. Some 54 percent of births are unattended by a physician or midwife, rising to 67 percent in rural areas. Fifty-one percent of pupils drop out of basic education, both because of their own poverty and because of the poor quality of the education they receive. According to a UNICEF report, there are 45 children per primary school class and up to 100 children per class in the densely populated urban poor areas. Female illiteracy is 76 percent in rural areas and

45 percent in urban areas.

Despite the poverty, in the 20 years since signing the peace deal with Israel, Egypt has spent $41 billion in arms out of the $57.4 billion it has received in US aid. It has just completed the largest multinational military exercises in the world, held every two years. Egypt contributed 36,000 out of the 70,000 troops participating, as part of the price of securing further US aid and becoming a regional power broker.

However, international bankers are getting increasingly impatient with Mubarak and his military-backed government. Mubarak, taking his cue from the IMF, has issued the now standard directives to the government to modernise, get rid of corruption and mismanagement, become more open, and make token concessions to democratic niceties.

Egypt's financial position has deteriorated as a result of the IMF's Structural Adjustment Programme. There is little foreign exchange left to pay the mounting trade deficit that has followed the Asian economic crisis, the fall in the price of crude oil and a massive drop in the number of tourists visiting the country. Tourism, Egypt's key foreign currency earner, was cut in half after a terrorist attack killed 57 tourists at Luxor in 1997.

The HSBC investment bank recently published a report calling for devaluation of the Egyptian pound, which it says is overvalued, having appreciated by 50 percent since 1990 in inflation-adjusted terms. As the *Financial Times* stated, "Such a blunt challenge to the government was clearly timed to test the declared commitment of the new cabinet to what has been promised will be a market-driven exchange rate."