

From the Bottom Up: How Community Development Can Save Egypt

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The field of development economics has struggled with finding the correct formula to achieve success in fostering stability and increased access to social, political and economic opportunities in an increasingly globalized world. Prominent institutions such as the International Monetary Fund have been universally reproached for its neoclassical, market driven theories and its inability to understand the real world dynamics and internal complications of developing nations. These repeated failures led leading economist Joseph Stiglitz to declare, “They [free market policies] were never based on solid empirical and theoretical foundations, and even as many of these policies were being pushed, academic economists were explaining the limitations of markets — for instance, whenever information is imperfect, which is to say always” (Stiglitz, par 6). Here was one of the world’s leading development economists declaring that the entire model for international development aid was fundamentally flawed and that it had almost universally failed to incorporate the specific economic, political and social considerations of the very countries that it was attempting to ameliorate. Faced with continual failure, and a drastically reduced world image, some have argued that developmental economics is a lost cause and that no amount of money can solve the problems of foreign nations.

In such an environment as this, why is it important for the U.S. to continue to give aid to Egypt, especially considering its own current economic predicament? First and foremost, it is precisely because of the unique and difficult economic, political and social considerations that

Egypt is such a vital investment. Egypt is the largest Arab nation in the Middle East with a massive population and a relationship with the United States that stretches back to the 1970s and the end of the October War. Historically Egypt has been a leader of the Arab world, particularly in the twentieth century. Since the Egyptian Revolution in 1952, political and economic currents in Egypt have been an example to numerous other Arab nations. Egypt's constantly growing population, often viewed as a stumbling block to economic development could be a boon to the development of Egypt. It is not economic aid itself that has been failure in Egypt, but it has been the implementation and direction of that aid that has been the failure. Bureaucratic corruption, seemingly endemic to the Egyptian system, helped to divert money to an economy of import substitution. The early government of Gamal Abdul Nasser sought to modernize at a break neck pace and failed miserably. The military dictators following Nasser then used specious reasoning to hoard aid for itself and divert money to a state-directed, quasi free-market economy dominated by monopolies and controlled by military and bureaucratic elites. The top-down aid approach, though important in maintaining stability, did little to solve the overwhelming problems of unemployment, under-employment, poverty and equal and fair political representation. Aid development in Egypt is so important precisely because aid performance has been so ineffectual and produced many dismal returns. If a new approach with bottom-up goals in mind, and with community development as its centerpiece, a new path can be forged in Egypt. With a focus on long-term goals and the gradual political empowerment of the masses of the Egyptian underprivileged, aid can once again make Egypt the example to follow in the Middle East.

Money Down a Black Hole

Poverty is a conspicuous and pervasive concern for Egypt. While positive growth has occurred over the last several years due to the influx of American capital, and the transfer of some public industries to the private sphere, this growth has continually failed to reach the wider Egyptian public. Officially, unemployment statistics continue to hover at approximately 9 percent. However, studies also show that youth unemployment remains extremely high. For a country suffering from a youth bulge, the unemployment rate for the young remains at close to 17 percent” (Ramadan, par 2). Many of those who are employed must supplement their income with second and sometimes even third jobs. Even more shocking than the unemployment statistics, are the statistics regarding the distribution of wealth in Egypt. While GDP has experienced a 7 % growth rate per year, 20 % of the population continues to live under the poverty line and more than 40 % of the population lives on less than 2 dollars a day according to the Human Development Index (HDR factsheet). This grave disparity in wealth has led a UN study to declare, “One in every five Egyptians cannot meet their basic living needs” (Wright, par 3). This paradoxical outcome –increased poverty coupled with continual growth in GDP- has been caused by the continual misappropriation of aid by the Egyptian government.

Since 1975 Egypt has received more than 50 billion dollars in economic assistance from the United States. This figure does not even include military aid that accounts for more than a billion dollars a year for an already bloated Egyptian Military budget. This massive amount of aid, only surpassed by Israel and now Iraq, begs the question; where is all of this money going if it is not producing economic results? Economic experts describe the aid process as anarchic, and riddled with corruption. A pay to play economic system discourages Egyptian corporations and government officials to avoid making economic changes and attempting to use the aid for new investment projects to benefit the Egyptian masses. Corporations and officials operate under the

assumption that the American aid will never dry up and that the U.S. will never enforce penalties for economic mismanagement –an assumption that has so far proved correct- and so aid has done little to effectively modernize Egypt’s economic system and end economic stagnation. Faced with these seemingly insurmountable challenges to effective aid appropriation, how and why should the U.S. continue to give billions of dollars to Egypt?

Power to the People

While there is much to disagree with in Samuel Huntington’s theories, one thing that cannot be disagreed with is the following theory of economic development: "The primary problem of politics is the lag in the development of political institutions behind social and economic change" (Huntington 149). The uneven distribution of aid in Egyptian society has created a lopsided economic situation. Concurrently, there exists with this uneven economic system, a political system rampant with corruption, operating under emergency laws that allow the government to severely limit opposition and political participation. This system makes governance the prerogative of a very limited economic and military elite in the country. That is why American investment in community development is so vitally important. Community development in Egypt offers a chance for real change in Egypt and a fundamental shift in the distribution of aid to community development projects instead of having the money filtered through the government could create real and lasting benefits for Egypt, the Middle East, and the U.S.

Commenting on American aid to Egypt, former U.S. ambassador to Egypt Edward Walker said, “Aid offers an easy way out for Egypt to avoid reform, [...] They use the money to support antiquated programs and to resist reforms” (Levinson, par 4). This is the fundamental

problem with aid. It gets filtered through the established systems of power that seek to protect their own interests and preserve their monopoly on political and economic control. However, by simply reorienting and tying incremental percentages of the American aid packages to community development, real change can happen. On average, the U.S. provides 815 million dollars of economic aid to Egypt. If the U.S. insisted that a measly 10 percent of that aid is devoted to community development, such as agricultural reform, educational outreach, or local industrial development programs, it could have a major impact on the future of Egypt and the region as a whole.

Aish not khubz

One of the greatest mistakes made in any plan for economic development has been coordination failure. The Egyptian government's emphasis on industrialization without modernizing its agricultural sector and building a base of labor has been disastrous for the country. The result has been few economically viable industries that produce goods many Egyptians themselves can not afford to buy. The government needs to work for what Paul Rosenstein-Rodan called the "big push." It needs to coordinate an economy-wide plan that will link agricultural and urban development together. As leading development economist Steven Smith writes, "The big push is a model of how the presence of market failures can lead to a need for a concerted economywide and probably public-policy-led effort to get the long process of economic development under way [...]" (Todaro 154). This process has to start with community development as its base to be truly effective and have any hope of changing Egypt's economic situation.

Perhaps the area where community development could have the greatest impact is in the field of agriculture. Aid filtered through the government often centers on new technologies that benefit a few major industrialists, but in Egypt, where 40 percent of the population lives on less than two dollars a day, a change in agricultural practices could yield real benefits. Egypt has historically been known for its great production of bread. It is so important to the Egyptian agricultural community that it is referred to as “aish”, Arabic for life, instead of the more common Arabic term, khubz. The tragic irony of this situation is that the Egyptian government has to subsidize the price of bread to make it widely affordable, and is forced to import over half the wheat required to make this bread (Slackman, pars9-12). Agricultural communities could take development aid and use it to modernize its harvesting techniques, irrigate new fields, and open up previously unusable lands to cultivation. Community development could create a new dynamic among small to mid-sized farmers increasing their effectiveness and stopping massive flight from rural areas to already overcrowded cities. This development can change the economic dynamic of import substitution for Egypt, allowing it to become more agriculturally self-sufficient and create new jobs for the struggling rural farmers who still account for 30 percent of the population.

Since 2004, the government of Prime Minister Ahmed Nazif has heavily invested in industrial privatization, tax code restructuring, and the development of the information technology sector. While these investments have increased annual GDP, unemployment and widespread poverty have continued to cripple these gains in emerging industries and technologies. Changing agricultural patterns through community development will not only ameliorate the problem of poverty in rural areas, but it will enable the emerging technologies that the Egyptian government is investing in to have an opportunity at real success. With less

emphasis placed on government subsidies to ensure that the poor can eat, and with the threat of rural discontent over agricultural mismanagement eased, the government can devote more money and resources to the technological and service sectors that it desperately wishes to improve. With rural community development, can come urban development, allowing for job creation in these emerging sectors and an alleviation of the massive unemployment that exists in major Egyptian cities. With Egyptians less concerned about eating, they will actually be able to work in these new industries and become a market for these new industrial and information technologies that Egypt is hoping to create. Telecom Egypt will not have to market its services to Europe as a cheap IT area, but it could actually market its products and job opportunities to its own population.

This new approach, led by a “big push” in community development instead of the previously pursued, industry-first model of the Egyptian government, has great potential for success and offers Egypt a viable economic future.

Not Just Good For Egypt, but Good For Everyone

The history of the economic relationship between the U.S. and Egypt has had at best, mixed results. It has failed to create widespread economic development and in general, significantly improve the quality of life of most Egyptians. However, the aid that the U.S. provides has also helped to foster the first true peace between an Arab country and Israel and internationally, it has radically altered the dynamic between Arab States and Israel. The model of peace between Egypt and Israel is seen as the archetype for a new future in the region. Yet, this peace is threatened by poor governance, corruption, and economic mismanagement. All of

these problems could be alleviated with a U.S. commitment and an internal Egyptian commitment to community development.

Foreign policy experts continually decry the encroaching danger of militant political parties like the Muslim Brotherhood in Egypt. These experts correctly point to the fact that groups like the Brotherhood capitalize on widespread economic and political discontent. These groups take the economic hardships and political discontent in the country and tie it to their militant agendas. President Mubarak is right to fear these groups. Through charity and their own communal development services, groups like the Brotherhood often provide the very economic and social services that the government has failed to deliver to Egyptians and in doing so, create sympathy for their movements' militant agendas.

The great tragedy of this situation is that the U.S. (indeed all countries in the region) fear that if the Egyptian regime loses control of the resources the U.S. provides, the country will fall to extremists. They have lost sight of the fact that if the regime was able to adequately provide these resources for community development projects and created a coordinated economic policy across all sectors of the Egyptian economy, it would destroy the foundation that militant extremists stand upon. If widespread community development received adequate funding and the government stopped channeling aid through a corrupt clique of officials, then true development could be achieved. Political power need not be hijacked and tied to Islamist agendas; it could be developed through grassroots movements that would generate independently with the aid of community development programs that would increase economic power and lead to a more politically active and engaged society. When Egyptians no longer constantly fear for

their economic future, they can begin to own their political future. At the heart of all this potential change would be community development.

Community development has vast potential for the Middle East. It offers an opportunity for positive change. Yet in order for this change to occur, the U.S. and Egypt need to alter their approach to aid. With a strong commitment to community development through the use of U.S. aid dollars Egypt can secure a strong and independent economic future. Furthermore, this future can become a shining example to the rest of the Middle East and become a model to follow just as Egypt has historically been a model for the region. To quote Anwar al-Sadat, “He who cannot change the very fabric of his thought will never be able to change reality, and will never, therefore, make any progress” (Sadat 303). In order for Egypt to make progress, it must change its approach from blank checks to the regime, to extensive aid to community development. Then true progress can be achieved for everyone.

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