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I, Too, Have a Dream:

Prosperous New Egypt on the Horizon:

When Will The BRICS Become The EBRICS?

By

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Organised by the Petroleum Economist, London. In my capacity as
Founder & Patron of the British- Egyptian Society, UK, as well as
BEPAC, I present this paper.**

“The lessons of the past will not be forgotten, but it is our hope for the future that we celebrate today”, Alexander Aris Myint San Aung, 1973.

“Man, therefore, was not made for himself alone. No, he was made for his country”, John Quincy Adams, 22 December 1802

“ ...let us determine to meet the call of patriotic duty in every time of our country’s danger or need”, Stephen Grover Cleveland, 19 September 1901.

“Let there be justice for all”, Nelson R. Mandela, 10 May 1994

Unless otherwise stated, these above quotations, and some other theme quotes in the text, are taken from a recent book by Terry Breverton, Quereus, 2011. The title of this paper, and section I, are both adaptations of the title of Breverton’s book, but ultimately are taken from Martin Luther King’s speech on 28th August 1963. Other theme quotes were taken from Francis Gay's book "The Friendship Book", 2011.

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Abstract

A dream for a New Egypt, post the 25th January 2011 Revolution is first outlined, envisaging a Modern, Democratic, Civil, Pivotal and Prosperous Country. A question is then addressed as to whether prosperous Egypt was on the horizon, based on prevailing pre-revolutionary conditions. A theoretical framework of growth and investment is selected and available empirical evidence and projections are examined. Post- revolutionary changes and putting forward proposals for future changes are analysed, using the adopted framework. Based on the results of this analysis, an attempt is made to evaluate the likely impact on the available projections, and a new prediction is made for Egypt's Economy by the year 2050, based on a proposed program of reforms having been completed by 2020. Last, based on this evaluation, it is argued that a prosperous New Egypt is on the horizon, and, the question of when will the BRICS become the EBRICS is, then, addressed.

While acknowledging, with gratitude, references and sources used in this paper, I, alone, take full responsibility for its contents, in its entirety.

“I have a dream that one day this nation will rise up and live out the true meaning of its creed”. Martin Luther King JR, 28 August 1963.

And

I, too, have a dream

In participating in this discussion I decided to be unreservedly and optimistically positive, starting by saying that I, too, have a Dream. One about a Country, that:

- I love with an obsession, despite the fact that I have lived away from her for almost half a century,
- I continue to see her in a rosier picture, despite the floods of tears that come to my eyes every time I visit my parents’ graves, watching the little ones increasingly starving, begging and sharing digs side-by-side with the dead,
- I continue to adore her beauty, despite the mountains of rubbish which litter all her streets, without exception,
- I never stopped to think about her pivotal leader’s position, despite her continuing deliberate marginalization in playing the shameful role of an endorser,
- I never ceased to see her unlimited capabilities to become prosperous remembering, always, that one, amongst many, of the investments made more than 7000 years ago, must have produced the highest rate of return ever achieved in history and, still, is continuing to do so; namely the Pyramids,
- And a **“unique gambler”** (a win he wins, a loss, a people’s loss) deliberately made her people suffer the worst ever defeat in history in 1967. His aim was to force them to lose confidence in themselves. This gamble, which he dared to call just a “setback”, was deliberate and sinister.

- And another “**acrobat**” managed to deprive them from gaining the rewards of their victory in 1973. This happened when the acrobat accepted, de facto, the nuclear arms singularity of Israel as a base for the Camp David so-called peace Accord. This, in addition to many unilateral concessions which were unilaterally given away, some of which represented partial surrender of sovereign rights over parts of Sinai,
- And with the death of the gambler, and the assassination of the acrobat, then came the turn of the “**mentally retarded**”. He became surrounded by a gang of criminals and allowed himself to be run by a “**false iron lady**”. As a result, the total body of Egypt was almost completely disfigured. To list but a few, an economy littered with bubble projects was created.
- A Cap-corruptionism version of a so-called free-market economy was invented, and was hailed as a remarkable innovation. Continuing marginalization of a pivotal country reduced her to a shamefully low level, both regionally and internationally. Total suppression of freedom and unbelievable cruelty and torture became the inevitable destiny of whoever whispered a word of opposition. In summary, this mentally retarded dictator nearly destroyed Egypt, after his more than thirty years of iron-fist dictatorship.
- Despite all this suffering, caused by sixty years of being ruled by two of the main founders of the school of dictatorship (the unique gambler and the acrobat), and one of its graduates (the mentally-retarded), more recently this unique nation of unbelievable people managed to achieve an unmatched miracle in 18 days only, after being treated as slaves since July 1952,
- Moreover, they managed to stun the world by emerging as the most well-trained nation in practicing democratic voting impressively and in an unmatched way, as if they have been practicing democracy for a long time, and
- Last, but not least, the people of Egypt remained confident and determined to achieve their Revolutionary objectives. This, despite the avalanche of the most depressing and pessimistic media

assessment and projections, which included, surprisingly, the public government-controlled media.

Yes, I, too, dream of a New Egypt; that is (El-Mokadem, 2011):

- **Modern**, a country that is marked by the celebration of the powers of human reason, where man has essential autonomy, is responsible for himself, to his rational interest, to his self-development, and by inescapable extension to the welfare of his fellow men. Also, it is marked by a keen interest in science, the promotion of religious harmony, and a desire to construct a government, based on modernity and free of tyranny,
- **Democratic**, where freedom is regarded as indivisible, guaranteed for all individuals, irrespective of their gender, race or religion, but with responsibility. The democratic system must ensure freedom of expression, exercise of political rights, separation of powers, and the enforcement of law and order,
- **Civil**, that is based on a civil state, recognizing the composition of Egypt's population, of a significant Coptic minority, and a Muslim majority. This must not ignore the Egyptian population's religiosity, and the relationship between religion, the state, nationalism and law,
- **Pivotal**, that is based on an explicit recognition of Egypt's unique geopolitical pivotal status, both regionally and internationally, which, when exercised rationally and effectively, should contribute to world peace, stability and welfare in a meaningful way, and
- **Prosperous**, given that Egypt is well endowed with variety of ample resources, New Egypt's economy could become one of the leading economies in the world, provided that certain conditions are satisfied, as will be explained later on in detail.

The highest-level aim is an Egyptian Society that should follow a "**Middle Path**", as advocated by The Buddha in the fifth century, and by Aristotle two centuries later, and, more recently, elegantly emphasized by Sachs (2011,p.162). As stated by Sachs, such a Path would need to "achieve a new Mindfulness regarding our needs as individuals and as a society, to find a more solid path to well-being". **Mindfulness**, said The Buddha, is one of the eight steps on the way to self-awakening, which Sachs (p.165) "suggested as crucial **in eight dimensions**" of our lives:

- **Mindfulness of self:** personal moderation to escape mass consumerism,
- **Mindfulness of work:** the balancing of work and leisure,
- **Mindfulness of knowledge:** the cultivation of education,
- **Mindfulness of nature:** the conservation of the world's ecosystem,
- **Mindfulness of the future:** the responsibility to save for the future,
- **Mindfulness of politics:** the cultivation of public deliberation and shared values for collective action through political institutions, and,
- **Mindfulness of the world:** the acceptance of diversity as a path to peace.”

Given the above background, **some pertinent questions arise, such as:**

- **Will my dream come true, for a New Egypt with a Mindful, Modern, Democratic, Civil, Pivotal and Prosperous?**
- **What are the socioeconomic, political and demographic conditions, which must be satisfied for my dream to become a reality?**
- **Assuming these conditions are satisfied, when could the dream be realized? And if not satisfied, what would be the most likely repercussions? and,**
- **What and how growth (and hence investment) could contribute to the fulfilment of my “Dream For a New Egypt”, which I passionately aspire to and remember always in my daily prayers?**

The key to answering the above questions, and others related, is to address the last question first, dealing with growth (and investment which falls well-within the subject matter of this session of the Conference). This will be the focus of the rest of the paper.

“Duty, Honour, Country. Those three hallowed words reverently dictate what you ought to be, what you can be, what you will be.” Douglas MacArthur, 12th May 1962.

II

Was Prosperous Egypt on The Horizon? Theoretical Frameworks, Empirical Evidence, and Projections?

A Revolution is, by definition, a structural change. The extent, degree and nature of such a structural change depend, to a very great extent, on the specific characteristics of the revolutionary event. However, irrespective of this factor, forecasts and projections of endogenous economic variables cannot be made by either extrapolation techniques or econometric models that assume other things being equal, when structural changes have taken place.

Applied to the projection of investment, forecasts that are based on extrapolation would be inappropriate under revolutionary conditions, representing a structural change, irrespective of the degree, magnitude and nature of such a change. In addition, available empirical evidence showed, in the case of investment models, a tendency for extrapolative techniques to overstate growth under normal economic circumstances, and, hence, would be totally inappropriate in the event of structural changes having taken place.

An alternative approach in the case of investment is to build forecasting models that focus on structural factors, which would “mean people want to invest”, (Ward, 2010). Such an approach adopts extended versions of Neoclassical Growth Theories and models. On the basis of these growth models empirical frameworks that embody the idea of conditional convergence could be derived. In these models, both growth and investment are treated as endogenous variables, amongst other endogenously determined variables. In the context of encompassing structural factors that affect growth and investment, and other relevant variables, a system of simultaneous equations is specified, estimated, and solved on the basis of what might be regarded as a quasi general, rather than partial, equilibrium framework. This framework would allow the incorporation of non-economic variables, such as socio-political, legal, demographic, health, and geographical variables and the like. To this

extent, long-term forecasts are more likely to capture the long-term influences on growth and investment and to quantify their effects, far better than would be the case in relying on single-equation predictions.

Based on the above approach, this section aims to review models of growth and investment, empirical evidence derived from these models, and their forecasts. The models chosen for review are those that have been developed, estimated and applied, and have included Egypt's data up to 2010, and/or are likely to be relevant to Egypt, in particular, and, thus, they lend themselves to application, for forecasting purposes, to post-revolutionary Egypt (post the transitional stage).

In this section, more specifically, attention is focussed on three such models, which seemed to satisfy the chosen criterion referred to above, in terms of relevance to Egypt, past, and future (present Egypt is regarded as part of the intermediate transitional stage, and will be dealt with separately later in this paper).

A fourth relevant model, the "BRIC", will be examined later on, for two reasons; one, the theoretical framework upon which its forecasts were made is not explicitly clear, and the other is that the substance of this fourth model represents the basis of the substance of the section dealing with the question; will the "E," (for Egypt), be added to the BRICS, to become the EBRICS?

The first model to be reviewed in this section was developed by Barro in 1991 (Barro, 1991). It adopts a modified version of neoclassical growth models. On the basis of these models the data supports the "convergence hypothesis", confirming that "A poor country tends to grow faster than a rich country, but only for a given quantity of human capital". (Barro, 1991, page 409).

Barro's 1991 model consisted of three simultaneous equations, which treated per capita growth, fertility, and investment as endogenous variables. Two main exogenous variables were identified; namely initial per capita income and human capital. In addition, a number of other exogenous variables were included. The latter were proxies for: government expenditure (consumption and investment), political instability, market distortions, rule of law, in addition to accounting for Africa and Latin America.

The model was tested on a cross-section of data for the period 1965-1985. The results showed "the growth rate of real per capita GDP is positively

related to initial human capital (proxied by 1960 school-enrolment rates) and negatively related to the initial (1960) level of real per capita GDP. Countries with higher human capital also have lower fertility rates and higher ratios of physical investment to GDP. Growth is inversely related to the share of government consumption to GDP, but insignificantly related to the share of public investment. Growth rates are positively related to measures of political stability and inversely related to a proxy for market distortions". (Barro, 1991, p 407). The cross-section included data from Egypt in a sample of 76 countries (p 440). However, it seems that the purpose of the empirical testing was primarily analytical, since no forecasts were made.

In a follow up article in 1996, Barro presented the second model of growth and investment as the first essay amongst three essays. After reviewing a sketch of old and new growth theories, in this first model, an empirical framework that "embodies the idea of conditional convergence is then derived from an extended version of the neoclassical growth model". The second essay focussed on the "interplay between economic development and a measure of political freedom or democracy". The third essay examined the "link between inflation/monetary policy and economic growth. (Barro, 1996, page 2)

Based on the extended version of the neoclassical growth model, the growth rate of per capita output is assumed to be a function of: the current level of per capita output, and the long-run or steady state level of per capita output (or target output). It is hypothesized to be diminishing in relation to the former variable for a given level of the latter variable, while it is rising with respect to the latter for a given level of the former.

According to Barro "the target output depends on an array of choice and environmental variables. The private sector's choices include saving rates, labour supply, and fertility rates, each of which depend on preferences and costs. The government's choices involve spending in various categories, tax rates, the extent of distortions of markets and business decisions, maintenance of the rule of law and property rights, and the degree of political freedom. Also relevant for an open economy are the terms of trade, typically given to a small country by external conditions". (Barro, 1996, p 9)

It is worth-noting that the empirical testing of the growth/investment model was based on cross-sectional data in Barro's previous growth model (Barro 1991), while the testing of the follow-up growth model (Barro, 1996) for a panel of around 100 countries adopted a cross-

section/time-series approach for the period 1960 to 1990. Both Three-
Stages Least Squares (3SLS) and Seemingly Unrelated Regression (SUR)
and Instrumental Variables (IV) estimation techniques were used. The
endogenous variables were per capita growth rates, and the investment
ratios.

As to the exogenous variables, these included, seven variables, based on
the first Essay. These were: initial level of GDP, initial level of human
capital, fertility rate, government consumption, the rule-of-law index,
terms of trade, and regional variables. Other exogenous variables were
added on the basis of the analysis from the second essay, focussing on
democracy, and from the third essay, focussing on inflation.

The empirical findings for the cross-section/time series estimates for the
sample and the period referred to above supports the conditional
convergence hypothesis. “For a given starting level of per capita GDP,
the growth rate is enhanced by higher initial schooling and life
expectancy, lower fertility, lower government consumption, better
maintenance of the rule of law, lower inflation, and improvements in the
terms of trade. For given values of these and other variables, growth is
negatively related to the initial level of per capita income.” (Barro, 1996,
p 2).

Turning to the interplay between economic and political development in
Barro’s second essay, the empirical findings are not that definitive.
Although they showed evidence of the statistical influence of democracy
on growth, there appeared the possibility of a “nonlinear relation”. Thus,
“at low levels of political rights, an expansion of these rights stimulates
economic growth. However, once a moderate amount of democracy has
been attained, further expansion reduces growth.”

A possible interpretation is that, in an extreme “dictatorship an increase
in political rights tends to raise growth because the limitations on
governmental authority are critical. However, in places that have already
achieved some political rights, further democratization may retard growth
because of the heightened concern with social programs and income
redistribution”. (Barro, 1996, p 2-3 & 38). But, this adverse
interpretation of the relationship between inequality and growth are
doubtful. Using the Gini Coefficient, as a proxy of inequality, Barro
(1996, p 44) asserts “The finding that inequality is unimportant for
democracy may reflect the poor quality of the data on income
distribution, rather than the irrelevance of inequality for democracy”.

As to the relationship between growth and inflation, the basic findings in the third essay in Barro's 1996 article, provide evidence that higher inflation goes along with a lower rate of growth, and that the "effect of inflation on growth is significantly negative when some plausible instruments are used in the statistical procedures. Thus, there is some reason to believe that the relations reflect causation from higher long-term inflation to reduced growth". (Barro 1996, p 68).

The finding further emphasizes the quantitative importance of such an adverse effect. The pattern showed up clearly for inflation rates in excess of 15-20% annually, "but cannot be isolated statistically for the more moderate experience. However, there is no evidence in any range of a positive relation between inflation and growth. The analysis, also, suggests that the estimates isolate the direction of the causation from inflation to growth, rather than the reverse". (Barro, 1996, p 3 & 68).

Based on the empirical evidence, long-term forecasts of economic growth for individual countries were estimated, using available data at the time the article was written:

- They showed the 20 predicted best and worst performers from 1996 to 2000 out of the 86 countries which have the necessary data required to make these projections,
- Egypt was included amongst the group of 20 best performing countries. However, it was in the lowest five countries in this group, with a predicted rate of growth of real per capita GDP, 1996-2000, of 3.8%, as compared with a growth rate of above 5% for the top five countries in this winners' group.
- In the same group with Egypt of the five countries at the bottom of the list of winners, Guyana and Pakistan came at the top of this list, with rates of 4.2% and 3.9% respectively, while Taiwan, Ecuador and Egypt showed the same rate of 3.8%.
- For all 86 countries, the average prediction of per capita growth was 2.4%, with a breakdown by region of: 3.7% for 18 Asian countries, 2.9% for 22 Latin American countries, 2.4% for 21 OECD countries (not including Japan, Turkey and Mexico), and 0.5% for 18 Sub-Saharan African countries, but,

- There is, however, a “Substantial margin of error (of as much as two percentage points) in the prediction for an individual country” (Barro,1996, p 28), and
- These predictions should be considered with a great deal of caution. The possibility of “omitted variables” is high, which might have affected the analysis, the estimation, and, accordingly, the prediction. For example, only variables were included for which researchers have been able to measure in a consistent and accurate manner for a large number of countries.

In a recent HSBC Report, “The World in 2050” by Karen Ward (HSBC January 2011), Barro’s Model was used in the prediction of per capita growth rate for the top 30 economies in the world in 2050. Using Barro’s model would establish how economic conditions could be likely to affect how much an individual will produce. Ward regards this as “only part of the story. The number of people will vary substantially across economies in the coming years. Demographics matter but are often ignored”. (Ward. 2011, p 18). Accordingly, Ward proceeded to develop forecasts using demographic predictions, also.

Combining the outlook for per capita income to demographic predictions, total growth rates are calculated, upon which country projections and ranking in 2050 are obtained. Thus the HSBC Report should be regarded as being based on a Barro-Ward framework.

Starting with the prediction of the Barro-based per capita income, Ward started by testing the reliability of Barro’s Model that was based on an end period of 1996. Taking the economic infrastructure in 2000, projections were produced for 2000-2010, and, “with some few exceptions, the results were satisfactory”, according to Ward.

Proceeding to the prediction of per capita income growth, using Barro’s 1996 estimated model, his proposed three pertinent groups of factors were examined; namely Economic Governance, Human Capital, and the starting level of Income per Capita. Following Barro, savings or investments were not included, on the basis they are endogenous to the system, and that the emphasis was (and is) on the structural factors that would mean “people want to invest”. Investment extrapolation was, also, ruled out, as it is inappropriate to use in the case of structural changes, in addition to its tendency to overstate growth.

With reference to these three groups of variables, Ward noted, over the relevant period, the following:

- With respect to the variables identified by Barro as relating to Economic Governance, this was “one area where there has been significant changes over the past couple of decades and which plays a major role in the recent progress from a number of these emerging economies” (for details see Ward, pages 6-9)
- With respect to Human Capital, Ward emphasized the importance of the level of education in its significant impact on productivity. She, interestingly, asserts, “It is all very well having the latest technology, but if a workforce has not been sufficiently trained it won’t be able to use it. And once “copy and paste” growth is complete, it seems likely the most educated workforce will be the one able to innovate and drive technological progress” (Ward, p 10). In addition, she confirmed the continuing relevance of the variables in this group, such as health, life expectancy, fertility and mortality, and
- The starting Level of Income per Capita is highlighted. The model included the current level of GDP on the basis that “if a country has the right economic infrastructure, growth in low-income economies will be amplified in the short-run as additional investment produces high returns. These fade when the law of diminishing return kicks in”. (Ward page 11)

For the purpose of making the base case projection for per capita growth, two scenarios were considered: one assumes that the “economic infrastructure” is fixed at that available at the time, while the other assumes that over the next 40 years, all economies reach the ‘optimal’ economic infrastructure. Projections were made under both scenarios, as shown in Ward’s Appendix 1, page 32. However, the scenario that was chosen ultimately “sits between these two options. Essentially, each country gets half way there in improving its infrastructures”. Based on this ‘in-between’ scenario, projections were made for per capita growth for 40 countries, as shown in Table 23.

In order to reach the combined final prediction, and country ranking, UN projections were used of how each country’s working population is expected to grow on average in each decade. These predictions are shown in Table 25, page 18 (Ward).

One of the most interesting results show that:

- Saudi Arabia, with the highest fertility rate, has the highest level of the working population, which is expected to grow by more than 70%, and,
- Egypt is not very far behind, and with expected growth rate of approximately 63%.

Adding the outlook for income per capita to the demographic projections, total growth rates are obtained. Focussing attention on Egypt, the following is noted:

- Total growth rates will change from 4.7% for 2010-2020, to 5.6%, for 2020-2030, to 5.2% for 2030-2040, and 4.8% for 2040-2050,
- Examining the global leader- board in 2050 and comparing it to how it stood at the end of 2010 shows that Egypt might be ranked by that date as number 19, compared with a rank of 35 in 2010. This represents an improvement of 16 places ahead between 2010 and 2050,
- This improvement in rank would make Egypt by 2050 ahead of 11 countries in the 30-league table. Surprisingly, it would make Egypt ahead of some current advanced economies, such as the Netherlands, Switzerland and Hong Kong, and other countries, such as Malaysia, Saudi Arabia, Poland, Iran, Colombia, Venezuela and South Africa.
- The size of Egypt's economy in 2050 is predicted to reach (Bn, constant 2000 USD) 1165. Income per capita (constant 2000 USD) will reach 8996 in 2050, compared with 3002 in 2010.
- Egypt 's population could reach 130 million by 2050, and,
- These projections for Egypt have been made assuming an economic infrastructure in which Egypt ranked: 34 in Income per Capita (constant 2000 USD) with a level of 3002, 31 in average years of Male Schooling with a level of 8.76, 36 in Life Expectancy, with a level of 70.3 in Fertility Rate with a level of 2.8, 31 in Rule of Law with a level of 0,58, 36 in Government

Expenditure with an approximate 20% of GDP, 34 in Democracy Index, with a level 0.17, and 3 in Inflation Rate% of 13.

However, the scale of economic expansion forecast in this HSBC Report draws attention to a number of limitations, such as:

- There are inevitable questions about the environment. However, the Report asserts that Energy availability need not hinder the path of global development, “so long as there is major investment in efficiency and low carbon alternatives”,
- Meeting food demand may prove more of a challenge, but “improvements in yield and diet could fill the gap”,
- The contest of the coming decade is not a Keynes versus Friedman on how to generate growth, but is most likely to be between Malthus’s economics of scarcity, and Stern’s economics of green growth.
- The Report’s projections are based on a rosy assumption that policymakers are making good decisions, but we should bear in mind that the “most pressing risk is that open borders, which have played such a key role in development, may close”,
- The projections were made on the basis of a structural model of “potential supply, and therefore ignores cyclical factors and whether there are ebbs and flows in demand”,
- In this Barro/Ward model, natural disasters are not, and cannot be allowed for. These, when they occur, can send economies in a totally different direction with different priorities,
- The model used, like any other model, cannot be perfect. In the adopted model there are many other variables that have not been included. One of such important variables, which was not included, is the economy’s natural resources endowment,
- In addition, the supply-side advances, which delivered growth without inflation in both developed and emerging markets, “could go into reverse”, according to Ward.

Allowing for these concerns, the question that needs addressing head-on regarding Egypt is to what extent the changes that took place, and many others which must follow, could affect the projection in the HSBC Report. The next section deals with the changes first.

“I consider that our present sufferings are not worth comparing with the glory that will be revealed” Holy Bible-Romans 8-18

“We must dare, dare again, always dare...” George Jacques Danton, 2nd September 1792

“It is the moment for Action”. King Albert I of Belgium, 4th August 1914.

III

Egypt Post- Revolution’s Changes: Just a start, and many more to follow.

Although this paper is primarily concerned with the long-term economic prospects of Egypt following the 25th January 2011 Revolution, one cannot ignore the short-term entirely. This is the case, given the relationship between the short-term and the long-term. However, since analysing the short-term is not the main focus of this paper, and given that our focus is on structural changes, the short-term will be dealt with in a very brief way.

Short-term is defined in this paper, not in terms of the length of time, but, primarily in connection with specific events. The main reason for this definition is twofold. One relates to the choice made to distinguish between the “Transitional Stage”, and the “Follow-Up Path”. In this respect the short-term refers to the “Transitional Stage”.

The other reason is that it is extremely hard to determine with any degree of precision the period such a Transitional Stage is likely to take, time-wise. All that can be said in this case is that the Transitional Stage started

with the removal of Mubarak on the 11th February 2011; with a period going back to the beginning of the Revolution on the 25th January 2011. Hopefully, it is to end with the adoption of a new Constitution, and completion of the follow-up election of a new Parliament and a new President.

It is to be noted that part of this “time horizon” is currently known to be ending by the latest (?) June 2012, when a new Parliament is elected (the First House is already elected as this paper is being written) and a new President is also elected, both on the basis of the temporary so-called Constitutional Declaration,

Again, hopefully, power would be handed over from the military- SCAF- to a civil democratically elected power. Other things being equal, this part of the Transitional Stage is known. However, given recent experience of “ad hoc” decision-making, it is hard to predict the length of the period from June 2012 to the end of the second phase of a New Permanent Constitution, a New Elected Parliament, and a New President, based on this New Constitution.

Similar ambiguity applies to what is meant by the long-term. Empirically there was no option but to define a time horizon, otherwise it would have been difficult to estimate and make quantitative forecasts. Thus, the end period is defined as terminating in 2050, with interval forecasts as availability of data permits. However, analytically, it has been virtually impossible to attach specific occurrences to specific dates. For this reason, the version of analytical long-term approach adopted, in this paper, has been one that focused on structural factors, adopting the Barro-Ward framework for analysis, estimation and projections.

Focussing now on the short-term, as defined above as referring to the Transitional Stage in its two parts. Analysis will begin by addressing the first part. In this respect, academic integrity requires me to warn you, that, for many reasons (some which relate to my personal faith), you might find my views are, to some extent, biased, or even not strictly scientific. I happen to take a positive optimistic assessment of the current situation, and most what has been happening up until now.

- Yes, there has been a worrying atmosphere of insecurity, in some cases even anarchy. Yes, there have been some very sad catastrophic occurrences, which resulted in many innocent people killed.

- Yes, there has been a great deal of ad hoc illogical decision-making, partly placing the cart before the horse, so-to-speak, and on the basis of which policies were pursued - if you can call them policies.
- Yes, there have been unbelievable chaotic strikes, the economic machinery coming to a halt, the country's foreign reserves continuing to be drained, the Government deficit mounting, tourism virtually stopping, the balance of payment deteriorating, the Egyptian Pound virtually crashing,

to list but a few, on the one hand.

But, on the other hand, any correct scientific approach dictates to us to conduct, at least, a comparative analysis, taking into consideration the magnitude and nature of the history, and, also, the time period since the Transitional Stage started. Comparatively, one can consider many revolutions throughout history, which changed the world totally, such as the French Revolution or the Russian Revolution.

This comparison would show the 25th January 2011 Revolution as a less damaging one, with relatively very minor costs, and as a miracle, in every sense of the word, in terms of its achievements. Compare it to Russia after the collapse of the Soviet Union. All government institutions virtually disappeared, perhaps apart from the Army. Every aspect of economic life nearly came to a complete halt. Armed gangs were everywhere. Life for millions became a misery, despite continuing to celebrate their revolution, on the surface. A minority of unqualified individuals managed to control many important resources, by force and corruption, such as in the case of the oil industry and other industries. Many similar examples can be quoted of similar experiences in the old Eastern bloc states, after the collapse of the Soviet Union.

In contrast, since the Revolution, Egypt has not witnessed anything like these experiences. To the contrary, we observed, with respect and admiration, so-called "Popular Committees", protecting public properties, with very few sad exceptions, with the total absence of security forces. Medical clinics were established in the streets and squares and dealt with the injured on the spot. In addition, the youth took it upon themselves the responsibility of cleaning the streets.

As mentioned above, despite admitting many very worrying features of the first part of the Transitional Stage, most Government institutions

continued to function; though less efficiently. But, more surprisingly, the Egyptian people stunned the world.

- They practiced democracy in an amazing manner. They elected whoever they wanted to represent them, even with the unnecessary alarming ridiculous prediction about what the Islamists are likely to do. I say, loud and clear, have no fear. The Islamists governing are different from the Islamists theorising; take the case of Turkey as a recent example.
- Moreover, one should remember the Egyptian people have invented the “Fourth Power”; namely the “Tahrir Square” power. Those elected to govern should bear that in mind. Step-out-of-line and try to change the intrinsic long-inherited nature of unique Egypt, and you will be doomed.
- Furthermore, one can be shocked when one hears all the doom and gloom judgements over a period that became one year only on the 25th January 2012.
- Those advocates of doom and gloom should be asked to give one similar example of what the Egyptian people have achieved in less than a year, and
- Taking into account the fact that they have been subjected to atrocious treatment, and regarded as slaves, over a period of sixty years, and dictatorially governed by a unique gambler, an acrobat and mentally-retarded cruel tyrants, what has been achieved is almost a miracle, or even a dream come true.

A delegation from the Swiss bank, UBS, paid a visit recently to Egypt (UBS, 9 December 2011), and held talks with a variety of institutions, both private and public, both Egyptians and international. Their focus was to assess, first hand, both the extent of the macroeconomic challenges and the political outlook. They came to conclusions similar to the one expressed above.

- On the situation on the ground, they stated that they found the conditions “surprisingly orderly, in contrast to our (their) expectations based on the European Media”.

- However, this should not be interpreted that they did find the economic situation rather worrying.
- They noted the concern over the perceived lack of leadership, the questionable effective governance and transparency
- With the strong showing of the Islamists, the reaction was not that worrying from the majority of the people they met with. The consensus was that the Islamists would be under pressure to generate growth and employment as their highest priorities. However, they became aware of the concern over how to reduce the impact of the Islamists on the new constitution.
- As to monetary policy, they recognized the great difficulties and pressure under which the Central Bank of Egypt (CBE) had to operate. Supplying liquidity and FX was a key challenge; the CBE was counting on an IMF programme, while SCAF showed strong reluctance, after refusal first, to the return to borrowing.
- This, in addition to observing, with concern: the alarming loss in FX reserves, the capital account facing significant pressure, FX depreciation reflecting partly weakening confidence, and the increased possibility of higher inflation.
- Furthermore, issuance of government debt, at a very high cost, became crucially dependent on local banks.
- Last, but not least, low transparency of government funding, and difficulties in the future in fiscal reform, all these problems meant further challenging complications to the already difficult political situation.

Before we move to discuss the long-term prospects, it is important to qualify our optimism regarding the Transitional Stage,

- This optimism is neither to be underestimated nor expected to resolve itself by itself, nor is it an unconditional optimism.
- While admitting that dealing with such problems is not an easy task, however most of these problems are solvable and for which there are well known and well tested policies to deal with them.

- But, there are two challenging issues that can have very serious repercussions in the long run.
- One relates to the sinister attempts to turn the Coptic-Muslim incidents into a major confrontational dispute, which with likely foreign intervention could raise the possibility of civil war.
- The other is the continuing deterioration of economic conditions, particularly amongst the poor majority segment of the community, which could result in what is frequently repeated in the poor districts of Egypt as the possible revolt by the starving.
- Nevertheless, wise handling of the former, and compassionate urgent policies vis-à-vis the latter, could prevent the possibility of either civil war or the revolt by the starving from occurring, and, thus,
- In the analysis to follow, dealing with the long-term, these two dangers are ruled out.

Although the changes which have taken place during the first part of the Transitional Stage are only a few, and in some cases, were associated with hefty prices (including martyrdom), nevertheless, they were significant.

- A freely elected Parliament has already met on the 22nd January 2012, a new President is due to be elected by June 2012, and, hopefully, power will then be transferred from the Military to Civil authority
- Assuming other things being equal, the second part of the Transitional Stage will hopefully end altogether the “Constitutional Declaration Stage”, and
- Replace it with a modern permanent New Constitution, on the basis of which a New Parliament and a New President will be freely elected and instituted.

Given the above, it is now appropriate to turn attention to the long-term, as defined before, and to ask:

What more changes are needed, and what road map is required for a Prosperous New Egypt to become a reality?

In addressing this question, analysis will be based on the Barro-Ward framework, as follows:

1-Economic Governance:

At the outset, it is worth-noting that it is conceptually and practically inappropriate to separate economic governance from governance in general. This is particularly important when discussing restructuring of government, part of which relates to restructuring the governance of the economy. This does not imply criticism of the Barro-Ward models, as it is appropriate in model building to account for the most relevant variables. But this does not apply analytically, as it is the case in this part of the paper, where attention will cover governance, in general, and economic governance in particular, as detailed below.

1.1 Government Size; The Egyptian number of Ministries has been, unusually, large in size, and has been increasing over time. For example, it has become more than double the size and portfolios of the British Cabinet, and many of the ministries cover areas which are best dealt with by one authority. It is well known that the largeness of the size of governmental positions, the greater the bureaucracy, the greater the duplicity, and, as a result, the lower the productivity. It is absolutely critical that the size of the Egyptian Government is rationally reduced.

1.2 Government of the “Youth”: it is time that proper recognition is given to the fact that it was the Youth who triggered the Revolution on the 25th January 2012. That, the demography of Egypt gives an estimate of more than 45 million young Egyptians, who are under thirty-five years of age, including the largest group of adolescents in the country’s history. They represent more than fifty per cent of the population, and amongst them there are a significant percentage of highly qualified people. It is really sad to watch the Egyptian TV going around the Cabinet table to notice but a group of elderly people, with all due respect to them personally and to their qualifications and experience.

The question is why we do not allow the young to form governments, with a maximum age of 45 years old? Are the Egyptian young that inferior, compared with, say, Cameron and Osborne?

Is it not time to recognise what Sachs (Sachs 2011, p 162) calls the “Millennial Generation”, those between the ages of eighteen and twenty-nine in 2010, amongst others? As Sachs describes them, “they are socially connected, Internet-savvy, and searching for a new model of social involvement and political engagement?” As to experience, could not a Cabinet of Youth have an Advisory Committee from experts with long experience? What prevents that from happening? Yes, they will make mistakes, but who does not? And let them learn-by-doing, so these mistakes are not repeated.

1.3 Government Guidance (management) of the Economy: At present there are many ministries dealing with the economy. It is essential to review these ministries, and to abolish those that only add to bureaucracy and duplicity. Dealing with the economy, two ministries’ should be sufficient; namely, a reformed Ministry of Finance and a new Ministry of Business, The former should be responsible for Fiscal Policy, and together with an efficient independent Central Bank responsible for Monetary Policy, both would be responsible for Economic policy.

As to the Ministry of Business, it would deal primarily with business guidance to all sectors of the economy, such as Commerce, Industry, Agriculture, Tourism, Investment, Planning, International Economic Cooperation and partly banking matters jointly with the Central Bank. All existing ministries, which deal with these sectors, are to be dissolved.

1.4 Societalism: A Regulated Market Economy. Yes, but with a Social Conscience. If Smith, Friedman and Hayek are to get out of their graves, so-to-speak, and look at Egypt’s so-called Free Market Capitalism, they will be the first to totally disassociate themselves from what they vehemently believed in and strongly advocated with conviction.

Gamal Mubarak/Ahmed Ezz so-called capitalism is an incestuous marriage between some disfigured form of free market and an obscene form of corruption (El-Mokadem, February 2011). Plastic surgery is not sufficient to correct it, even if the proper authorized implant material is used, which is unlikely.

What is needed are major surgical operations to change the existing structure totally, as that structure did turn the majority of Egypt’s population to live below the poverty line, with a minority of greedy criminals, who made their wealth from excessive practicing of corruption.

What is, also, needed is a new system of a Mixed Economy, theoretically based on Paul Samuelsson's ideas primarily, which even Smith, Friedman and Hayek would not disagree with. It is a Market Economy, but with balance. Such an economic system would have triple objectives (Sachs, 2011, p 46). These are: Efficiency, Fairness and Sustainability - the latter implies guaranteeing future efficiency.

In this system a regulated free market economy would be the prime achiever of efficiency. But, it must be complemented with government institutions that accomplish three things, "provide public goods such as infrastructure, scientific research, and market regulations; ensure the basic fairness of income distribution and long-term help for the poor to escape from poverty, and to promote sustainability of the earth's fragile resources for the benefit of future generations".

Sachs, then, adds "these are not simple or static tasks; they require the ingenuity and creativity of each generation to respond to the challenges of the times". In short, Egypt's aim should be a system, based on the triple objective as stated above, which I call "Societalism"; as distinct from socialism, a system which accepts the spirit of regulated capitalism, not just its mechanics, but has a social conscience.

1.5 Long-Term Economic Strategy: It is proposed that a Supreme Council might be established, which would be independent and could consist of economic experts. It might be called the "**Egyptian Supreme Economic Council, ESEC**". It should have the prime responsibility of drawing a long-term Economic Strategy for Egypt, and become a reference to which all economic institutions would seek guidance. Similarly an "**Egyptian Supreme National Security Council**" might, also, be established, with responsibility for National Security matters.

1.6 The Military Economic Segment; Some estimate the segment of the economy under the control of the Egyptian Army as representing between one-third and 40% of the Egyptian Economy (Business Report, IOL Business, 20th February 2011). Some commentators vehemently object to this phenomena (Jadaliyya, Mohamed Al-Khalsan, 23 December 2011), and regard it as a very serious type of market distortion.

Due to being rather an unusual situation, which to the best of my knowledge, might be the only exception from normal army practices, and as it includes both civil and military economic activities, I was, initially, inclined to adopt a very negative stand.

My first reaction had, absolutely, nothing to do with assuming bad faith, or infringement on patriotism. To the very contrary, I am more inclined to assume good faith and the highest level of patriotism, when it comes to the Egyptian Army. But part of my concern is related primarily to issues to do with a significant part of the Egyptian economy that lies outside the nominated control of government mechanism.

However, revisiting the subject, within the framework of advocating a mixed Economy, it is now possible to accept this significant segment of the economy under the auspices (which is narrower than control) of the Egyptian Military, but with certain conditions, which must be satisfied. These conditions could be perceived to include a number of requirements:

- Efficiency of all economic projects must be satisfied, except in the case where national security is involved.
- Transparency, accountability and compliance with the overall Economic Strategy must all be ensured.
- Involvement in economic activity must not interfere with the Army's main responsibility of protecting the country's sovereignty, and,
- To ensure compliance with these conditions, this segment should be subject to the normal regulatory institutions, with the exception of matters related to national security.

1.7 Establishing the “Egyptian Sovereign Investment Fund” (ESIF);

It has been, implicitly, proposed above that the Investment Authority (Ministry) should be dissolved. From a theoretical point of view, both Consumption and Investment form parts of the level of effective demand, and, hence, should be regarded as “two faces of the same coin”, so-to-speak. Thus, again theoretically, if one establishes an Investment Authority, one should, also, establish a Consumption Authority, which is not only illogical, but, also, with no precedents, except under communism!! Moreover, Investment is mainly influenced by two factors; namely confidence and return, and has no nationality.

Examining the track record of the Egyptian Investment Authority, and others, shows that it has been a bureaucratic hindrance to investment, rather than the other way round. One potential investor in Egypt, who did not disclose his identity, stated “It (the Investment Authority) usually

complicates and makes things cost more, with few or no advantages, let alone the set-up cost. They have what they call “the one stop shop”, they should rename it the “dead end”.

Given the importance of investment, what is needed is a “hands-on” investment entity. A new “Investment Sovereign Fund”, should be considered, in place of the failed bureaucratic Investment Authority. This fund should focus on two main tasks. One task is to “Lead the investment in the Egyptian domestic economy”, while the other is to assist in “Funding the Government Budget” relying on novel advanced investment instruments, such as Capital Protected Notes based on zero-interest bonds.

The Egyptian Sovereign Investment Fund, ESIF, could act as a special type of investment fund, offering, primarily, Bonds and Capital Protected Instrument to Ex-patriot Egyptians, and invest the funds received in major investment projects, on their behalf. Later on it could act as a “Private Equity” fund, inviting ex-patriot Egyptians, and maybe others, to subscribe to these funds. In performing this function, it would be contributing to the development of the Egyptian Economy. (El-Mokadem 2009)

By supporting the funding of the Government Budget in novel ways, it could help in the saving of significant payments in the form of interest, in foreign currency, relating to government’s borrowing. Servicing the debt accounts for a significant percentage of the Budget revenues.

Needless to say, the ESIF should be independent and might consider partnership with a relevant investment entity (national or international or both), or, at least, obtain advice from such an entity.

1.8 A New Fiscal Policy Strategy: The prime objective of fiscal policy in Egypt has been focusing for a long time on one question, which predominated any others. The bureaucracy of this ministry has regarded the issue of balancing the budget, or funding the budget, as their main concern, regardless of whoever was the Minister at any particular time. We saw evidence of this attitude in a very apparent way in recent ministerial changes. A new Fiscal Policy strategy is urgently needed:

- Fiscal Policy, at least should be structurally linked to two of the triple objectives of the proposed economic system, referred to above.

- It should aim to serve the “Fairness and Sustainability” objectives, as they have relatively greater impact on growth and inequality of income and wealth
- The persistent slogan of “reducing government expenditure” should be replaced by the serious intention of “rationalizing government expenditure”, and not by replacing an old “cliché” by a new one,
- This means that each item of expenditure has to be reviewed in relation to fairness and sustainability. Thus, some items might have to be cancelled, others to be reduced or increased, and some more to be possibly added.

The same approach should be applied to taxation, which should be so linked and, also, rationalized. This should not be confined, simply, to tax rates only, but to tax definitions, rules and regulations.

- In a country with a very unfair degree of inequality, progressive taxation should replace regressive taxation, at least partly. Foreign employees working and residing in Egypt, who earn multiple times what an average tax-paying Egyptian earns, should be taxed, as Egyptians working and residing abroad are made to pay in taxation.
- Ex-patriot Egyptians could now participate in elections, as a matter of right and not as a gift from any court ruling, also, have duties to correspond with their rights. In most countries, the right of vote is linked to being a taxpayer. Why are they exempt from paying any tax to their motherland, particularly in cases where there are double-taxation treaties in place?
- In this latter case, paying tax (at relatively lower rates) in Egypt would enable them to set it against their tax liability (normally at a higher rate) in their country of residence. In this specific case both parties stand to benefit, and,
- This does not imply denial of appreciation of their significant transfers to Egypt. But, one should remember that these transfers go to their own personal accounts in Egypt, and the accounts of their relatives, which if spent or invested they increase the level of

effective demand, and, thus, raising employment, income and output.

1.9 A New Monetary Policy Strategy: The Egyptian Central Bank has been performing their mandate under very difficult circumstances, and to that extent its performance has been relatively better than other policy-involved government organizations.

Similar to the case with fiscal policy, monetary policy has been very poorly linked to stability, in the short-run, and to growth, in the long run due to the impact of inflation on growth. With the currency being managed, first, on a fixed exchange rate, and then on a mixed-system rate, the Central Bank faced many crises.

- With the banking sector partly in public ownership, and partly but insignificantly in private hands, and trivially in international hands, this hybrid picture added to their burden.
- Also, their independence has been for a long time theoretical. Continuous political intervention, particularly with the banking sector and especially with lending on favouritism grounds, rendered the authority of the Central Bank next to nothing. This resulted in creating many market imperfections, particularly in the real estate market. All this has to change soon, starting with the publicly owned banks, and
- The lid has to be lifted soon, so-to-speak, and the financial viability of these banks should be ascertained, once and for all, with total transparency. Then the decision has to be taken as to whether these banks will remain publically owned or what.

1.10 Regulation and Ombudsmen: As the proposed new Ministry of Business would be responsible principally with aspects of the “efficiency” aim of the economic system, out of the triple aims referred to above, some regulatory independent entities should be created. Their sole purpose would be to ensure strict compliance of laws, rules and regulations concerning the different sectors of the economy. This should, apply to professional services too, adopting international standards, adapted to Egypt’s circumstances. Also, positions of ombudsman should be created in order to provide avenues for complaints to be fairly and professionally addressed.

1.11 Maximizing the economics of Pivotalism: Based on political theory, Egypt is classified as a Pivotal State geopolitically (El-Mokadem 2008). Such a position not only has important political ramifications, which are not the subject of this paper, but have important economic implications as well. Egypt's important location, as part of Africa, Asia, and the front door to Europe, and as a key Arab, Islamic and Middle Eastern country, this optimal position makes it possible for Egypt to benefit economically in a significant way.

The earning from the Suez Canal in foreign currency has been, and remains, considerable. However, neither Egypt's location nor what could be further developed on the basis of the Suez Canal have been sufficiently exploited, in terms of transit trade, or special trade zones.

A comparison with, say, Singapore, where its economy depends virtually solely on its geographical location, show how far Egypt is behind? For example, although in 2010, Singapore's population is 4.7 million, compared with Egypt's 83 million, and Singapore's area is 639 sq km, while Egypt's is 1,000,200 sq km, Egypt's per capita income is USD2270, while that of Singapore is USD36,540. Most of Singapore's income comes for being in an ideal location to import crude oil, refine and export products and petrochemical.

Turning to Tourism, Egypt is in an unmatched unique position, with many options to offer to tourists. However, Egypt's earning from Tourism in a year by the end of 2010 equals that of France in three weeks, and that of Spain in five weeks. One of the main reasons for this disappointing situation can be attributed to the bureaucracy and corruption of the Ministry of Tourism.

For example, for an investor to establish a new Tourism business in Egypt it could take more than a whole year. Also, it costs significant sums of money, some of which remain dormant, earning nothing, in the form of meaningless bank guarantees. This, in addition, to the insistence by the Tourism Board of receiving a "bag of cash" amounting to USD 60,000, serving no particular purpose.

The abolition of this useless Ministry, and reforming the Tourism Board, would encourage more investment in this important sector. Replacing the Ministry by a "hands-on Tourism Offices", home and abroad could boost this business, also.

1.12 Recovering Smuggled Corrupt Wealth: Although there are no accurate estimates of this wealth, not entirely in cash form, there is no doubt they run in billions of US Dollars, Swiss Francs, and others. In my considered opinion the approach that has been adopted by the authorities, so far, needs to be supplemented with another type of action. This is necessary, particularly in relation to corrupt wealth acquired through Egyptian transactions with foreign entities, whether with Foreign Governments or Foreign Corporations.

The Egyptian authorities should make formal requests to governments of countries which have in place Laws relating to Corrupt Practices. In this respect, the US has had in place for a long time the “Foreign Corrupt Practice Act and the Bird’s Amendment”, and Europe has similar Laws under the “OECD Anti-corruption Act”.

Those Laws treat all involved in corrupt practices as guilty, once their guilt is proven, whether they gave bribes, took bribes, or even were aware of corrupt practices. Thus, Egypt’s attempts for recovery should try and take advantage of these laws, which would mean “throwing the ball in these countries’ courts”, so-to-speak.

1.13 Strengthening the Rule of Law: Since 1952 and up to the Revolution, the Rule of Law meant an almost total lack of respect for individual ‘freedom, dignity and humanity”, particularly with the introduction of the disgraceful “Emergency Laws”. Following the Revolution, and during the first part of the Transitional Stage, a state of anarchy almost prevailed, and enforcement of the Rules of Law became a very challenging task.

There are many reasons for that, which cannot presently be discussed, as they do not form part of the subject matter of this paper. Suffice to say that, sadly, what has been happening recently has its roots in the cruel past that made the people of Egypt distrust the security forces and to have, hardly, any respect for them.

Given the trust and confidence the people have for the Egyptian Armed Forces, it might have been wise to assign the total responsibility of internal and external security to the Army. But what happened has already happened and there is no point in “crying over spilt milk”, as the saying goes.

Moving forward, there are a number of actions that need to be considered without delay:

- High on the agenda should be a real radical restructuring of the security forces to restore people’s confidence in them, and to give assurances that human rights would be unreservedly observed.
- Fighting the widespread corrupt practices is another top priority. New strict Anti-Corruption Laws should be enacted and applied to all, with no exception. It might be wise to link it with the relevant International Laws, also, and other similar laws.
- New specific Laws relating to discrimination, of any type, must be put in place and enforced. A way must be found to deal with what we might call “implicit discriminations”, such as the clear explicit and implicit discrimination against the Egyptian Copts.
- Similarly, laws must be drawn and enforced to stop discrimination against Egyptian women. The rights of minorities must be protected and,
- Last, but not least, all Egyptians must be treated as equal before the law.

1.14 Societalizing the Publicly-owned Media: One would note that when I dealt with the Economic System I chose the name “Societalism” in order not to confuse it with Socialism. In relation to the publicly-owned media, I have chosen a new word, Societalizing, in order to avoid using the word Privatizing. However, I need to emphasize that this choice should not be misinterpreted as being against privatisation. Certainly, in principle, this is not the case, provided that privatization can be justified in relation to the triple objectives of efficiency, fairness and sustainability.

Societalizing the publicly-owned media involves two specific actions, both sharing one common objective of removing government control over the media, whether read, viewed or listened to:

- One action would be to adopt a model similar to the BBC’s status and style of management, in so far as the non-privately-owned Egyptian Radios and Televisions are concerned,
- The other action could be to transfer the ownership, and the management, of the publicly owned Newspapers to the ownership, primarily, of those who work in them, and to float part to the public at large, subject to very strict conditions, aiming to prevent monopoly or oligopoly

- It is to be noted in this connection that, in general, public ownership of some of the Egyptian Newspapers is very ambiguous, and particularly has been the case since the time the Second House (Maglis Al-Shoura) was dissolved, and,
- As to the privately-owned media, a new Code of Conduct should be put in place, to avoid misleading the public, to say the least. There are many examples worldwide which could be of help in drawing up such a Code of Conduct, which should be consistent with Egypt's circumstances.

1.15 Consolidating Egypt's Compassionate Society and sustaining Patriotic Zeal; Strict application of the Rule of Law does not mean reverting to the atmosphere of gruesome fear which was the main pillar of the dictatorial regimes that ruled Egypt with an iron-fist since July 1952, and prevailed even in the air Egyptians have been breathing for a long time.

Despite some of the recent unfortunate clashes, during which violence was resorted to, the Egyptian people are known for their friendliness, kindness and genuine compassion. It is time to build further on this true nature of the Egyptian people. Listening to The Buddha in this connection relieves the heart from any hatred or animosity, as we quote him: "Teach these triple truths to all, a generous heart, kind speech and a life of service and compassion are things which re-new humanity".

This places a duty not only on charitable organizations, locally, regionally and internationally, but, also, on every citizen of Egypt, and citizens of other nations, who have no other agenda except to help the poor and the needy. It is time to stop excessive consumerism and showing-off practices, which, contagiously, seemed to have had a grip over the Egyptian society, always known throughout history for its modesty.

As Carnegie (Carnegie) stated there is "a duty of the man of wealth", which is "to set an example of modest, unostentatious living, to provide modestly for the legitimate wants of those dependent on him; and, after doing so, to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgement, is best calculated to produce the best benefits results for the community - the man of wealth thus becoming the mere trustee and agent for his poor brethren, bringing to their service his superior wisdom, experience, and

ability to administer, doing for them better than they would or could do for themselves.”

- As to sustaining the Egyptian Patriotic Zeal: As far back as 1990, I delivered a speech in Cairo (El-Mokadem, 25th March 1990), in which I advocated the desperate need to energise Egyptian patriotism and Egyptian Identity to the boiling point in order for the Egyptian people to regain confidence in themselves, as a start to many more to come, and
- In October 2010, I delivered a talk to the Coptic Medical Society in the United Kingdom, and, again, I repeated the same opinion, and regarded it as the absolute necessary starting point to “The Path to Enlightenment” within “An Alliance of Hope”.

I could not have predicted, not even in a dream, that within a period of three months my dream has come true. Not only that the desperate hope of energizing patriotism did take place, but, did achieve a miracle in only 18 days.

Now I say, Egyptians must continue to sustain their patriotic zeal to conquer the major challenges ahead. However, this does not mean endless sit-ins, or violation of the law”, though I have respect for orderly, legitimate and peaceful sit-ins and the like. Quoting Thomas Merton I repeat, “Say to the darkness, I am not afraid”.

2- Human Capital, per Capita Income and Demographic Factors:

In the Ward-Barro Model, human capital plays a very significant role in determining and projecting the average growth of per capita income for a given initial/steady-state level of per capita income. The inclusion of variables representing human capital proved, empirically, essential in explaining the convergence hypothesis. In their Model, proxies for education/schooling representing human capital showed a positive relationship between per capita growth and these education variables. In considering the case of Egypt, it is important to admit that the education system in Egypt has witnessed a significant continuing deterioration since July 1952, such as:

- Falsification and polluted politicization of history,
- Glorification of gamblers, acrobats and the mentally-retarded,
- Importation, or rather invasion by outside neighbours, of extremist and prejudicial material,
- Ad-hoc continuous changes of curriculums, extremely large classes,
- Absence of motivation amongst teachers, and,

- Shortages of books, very limited access to libraries, to list but a few,

All this led to a system that can hardly be described as an education system. Short-term and long-term structural changes are urgently needed.

2.1 The “Black Market” in Education Must Stop: In public schools, and even at public universities, paid-for private coaching is the main educational vehicle, while classes are simply just a formality. Very low-paid teachers do regard classes as an equivalent to a “market” from which they recruit clients (pupils and students) for private coaching, sometimes at exorbitant rates. Similarly, students perceive classes as a place of gathering, no more.

The result of this is that students from very poor backgrounds, because they cannot afford the private coaching fees, either leave school and go to earn some petty money, or come out as they went in, having learnt nothing. This phenomenon must be stopped, and urgent measures are needed.

The root-cause is the very pathetic pay to teachers, and, hence, as a start their salary scales must be adjusted significantly, in recognition of the importance of human capital as a critical resource. Maybe, we should recognize the need for private coaching as well, and not bury our heads in the sand.

If recognition is accepted, then private coaching can take a different form, possibly to be based, for example, on “group private coaching”, which the government should contribute to significantly. There is no doubt that there are many other measures that could be explored, but what matters is that this “Black Market” must ultimately be closed once and for all.

2.2 The Commercialization of Private Education must, also, stop:

The last 10-15 years witnessed an “invasion” process of many private schools. When they started they were welcome, particularly by the well-off and nouveau-rich, as they offered an alternative to the deteriorating public schools. But in no time they moved, to some degree, partly in the direction of public schools, for example in copying the “Black Market” feature, and partly started to act as pure entrepreneurial businesses.

Maximizing profits, rather than advancing education, became their sole concern:

- With fees escalating, and the need to maximize revenue, class sizes continued to increase, above-average staff were replaced with below-average staff (some of them had no teaching licenses), and

rules were disgracefully relaxed to permit the rich students to pass failed exams, and

- With their connections to the “corrupt elite” that ruled Egypt unchallenged, they were able to “get away with murder”, as the saying goes. Again, it is a matter of urgency to take all appropriate measures necessary to ensure that these privately owned entities perform their educational mission in accordance with acceptable standards.

2.3 A New Modern Education Strategy: Measures such as the ones referred to previously should not be regarded as a substitute to the need for a new modern education strategy. This strategy should not follow the “Standard Procedure”, which Egypt has been accustomed to for a long time. That is, a “Committee, based on the favoured ones”, followed by a “Report based on a Cut and Paste”, then hailed as a “breakthrough”, and ultimately “shelved in the lowest shelf” and “never see the light again”. It is time such important matters are taken seriously, and real experts and specialists (national and international) are engaged, terms of reference are specified, findings are taken seriously, and implementation should be associated with accountability.

In this context it is worth mentioning that an International Conference on Education in Egypt is due to take place both in London and in Cairo next September 2012. The Conference is organised by the British-Egyptian Society, in collaboration with the School of Oriental and African Studies, University of London, and with Cairo University. One hopes that this Conference would contribute to the efforts to design a New Education Strategy for New Egypt, which we hope would be in place by then.

2.4 Expatriate Egyptians Have a Special Duty:

Amongst the Egyptians living abroad are some of the most distinguished scientists and experts in many fields in the world. Those, and many others, have a duty towards their motherland, and are expected to play a pivotal role in building-up New Egypt, in general, and in science, technology, education, and health, in particular.

As I am one of them, I am certain that they are more than willing to contribute to a New Egypt in every way. The problem lies in organisational difficulties, and in forming up an institutional entity, or entities. These would enable them to channel their expertise, in a regular systematic way, toward the areas in Egypt where their expertise is needed. Many examples have been explored, such as arranging regular training programs, serving in appropriate areas regularly, arranging

schemes of overseas training in advanced technology areas for qualified Egyptians, and many other schemes in which they play important roles.

2.5 Per Capita Income has fallen in 2011.

The instability that followed the Revolution resulted in per capita income falling. Since per capita income is negatively related to per capita growth, this is likely to improve the growth projections, other things being equal.

2.6 Demographic Factors:

As mentioned before, Egypt is expected to have the second largest working population, after Saudi Arabia, by year 2050. As per capita Income increases fertility rates are likely to fall, and health is likely to improve, so will mortality rates and life expectancy rates. Therefore, net change is unlikely to affect projections of the working population. The table below (Table 1) summarizes the many more changes to follow.

**Table 1.
List of Many More Changes to follow**

| | |
|----------|--|
| 1 | Economic Governance |
| 1.1 | Government Size |
| 1.2 | Government of the “Youth” |
| 1.3 | Government Guidance (management) of the Economy |
| 1.4 | Societalism: A Regulated Market Economy. Yes, but with a Social Conscience |
| 1.5 | Long-Term Economic Strategy |
| 1.6 | The Military Economic Segment |
| 1.7 | Establishing the “Egyptian Sovereign Investment Fund” (ESIF) |
| 1.8 | A New Fiscal Policy Strategy |
| 1.9 | A New Monetary Policy Strategy |
| 1.10 | Regulation and Ombudsmen |
| 1.11 | Maximizing the economics of Pivotalism |
| 1.12 | Recovering Smuggled Corrupt Wealth |
| 1.13 | Strengthening the Rule of Law |
| 1.14 | Societalizing the Publicly-owned Media |
| 1.15 | Consolidating Egypt’s Compassionate Society and sustaining Patriotic Zeal |
| 2 | Human Capital and Demographic Factors |
| 2.1 | The “Black Market” in Education Must Stop |
| 2.2 | The Commercialization of Private Education must, also, stop |
| 2.3 | A New Modern Education Strategy |
| 2.4 | Expatriate Egyptians Have a Special Duty |
| 2.5 | Per Capita Income has fallen in 2011 |
| 2.6 | Demographic Factors |

Assuming the above proposed, or similar, actions/programs have been pursued, will New Egypt become Prosperous? The answer is “Yes”, and if so, when will the BRICS become the EBRICS? These questions are addressed in the next sections.

“There can be no happiness if the things we believe in are different from the things we do” Freya Stark, Explorer.

IV

Prosperous New Egypt on the Horizon: Yes, but With Goals Realized Adopting a New Policy Approach.

In section I, a Dream was outlined, partly emotionally. It envisaged a New Egypt with a mindful society, borrowing Sachs term and definition, and a modern, civic, democratic, and pivotal and prosperous system. Focussing on the economic dimension, primarily, and acknowledging the interaction between the economic and the non-economic dimensions, section II reviewed theoretical frameworks of growth and investments. Projections were obtained from these frameworks for, Egypt, among other countries. This was followed, in section III, by outlining changes that took place since the 25th January 2011 Revolution, and changes that should follow over the long-term, which, if materialized, would maximize the possibility of a New Egypt becoming a prosperous country, and, could potentially join the BRICS group.

The rest of this paper will focus on those two questions: a prosperous New Egypt, and the potential of joining the BRICS. Given the changes outlined in section III, attention is turned to a plan of action, which is based on the assumption that those previously outlined desired changes have been accepted, and are to be translated into reality. Other projections will, then, be reviewed, and another would be added. Putting all of the various parts of the paper altogether, the question of joining the BRICS group would then be addressed, followed by a conclusion.

1- Proposed Plan of Action: Goals & Timelines 2012-2020: In what follows a short list of goals would be discussed, briefly. As to the timelines, these goals would cover the period from the present up to 2020; as to go beyond it in a changing world would be highly speculative.

Projections would be made up to the year 2050. The goals and timelines are discussed below, as follows:

- **Goal 1: Patriotic, Objective, Peaceful and Consensus-Based Management of the Remainder of the Transitional Stage.** This should involve completing the first part of the Transitional Stage of the election of the Two Houses of Parliament, and the election of a President. At the end of this part of the Transitional Stage, power would be transferred from the military to civil institutions. This should be followed by starting with the establishment of a ‘Constitutional Committee,’ representing all the significant different points of views, and political and non-political relevant movements

A New Constitution would be drafted, put to a referendum, and, if approved, should become the New Permanent Constitution. On the basis of this, a New Parliament and a New President would be elected. This would mark the start of what might be called the “Second Republic”.

As stated in the heading of this item, this process should be implemented on the “Patriotic” basis of “Egypt First, Egypt First & Egypt Always”, and in a peaceful and objective way. And most importantly, it should be consensus-based, rather than majority-based. As to the timeline for completing this stage, it has already started, is continuing, but should be completed no later than the end of 2013.

- **Goal 2: Governance Re-Structuring:** To begin with, this should involve, the establishment of an “Egyptian Supreme National Security Council” (ESNSC), an “Egyptian Supreme Economic Council” (ESEC), and an “Egyptian Sovereign Investment Fund” (ESIF). In parallel, the size of the Government should be reduced and, as explained above, a new Ministry of Business should be created. But, most importantly, the new Government should be a “Youth Government”, with a maximum age of about 45 years old. The newly established Youth Government could opt for forming up a “Consultative Committee” from experts to provide “advice” to the Cabinet, with no age restrictions.

As to the timeline, although it is not possible to be precise about the specific starting date, this process should end no later than the middle of 2014.

- **Goal 3: New Economic & National Security Strategies:** The new Egyptian Supreme Economic Council (ESEC) and the new Egyptian National Security Council (ESNSC), should proceed with the drawing up of new strategies in their respective fields of responsibilities. This should be accomplished in consultation with the Youth Government, and perhaps with the Consultative Committee. The new Economic Strategy should be based on a Mixed Economy with the triple objectives of: efficiency, fairness and sustainability.

The new National Security Strategy should be based on the assured protection of Egypt's borders, and an explicit recognition of Egypt's Pivotal status, regionally and internationally. Given the interactive, and integrated nature between defence and domestic security, on one hand, and on the other hand, economic stability and growth, the new National Security Strategy should include, but not limited to, restructuring domestic security and internal and external security services. This should observe international standards of human rights.

As to the timelines, these should commence upon the establishment of the supreme councils, and end no later than the middle of 2014.

- **Goal 4: Poverty, Illiteracy, and Health Radical Reform**
Program: Egypt has been, sadly, amongst the group of countries with the highest poverty rates, the highest illiteracy rate, and the poorest health standards (in terms of sufficiency and quality). The magnitude of the problems in these three areas is one that government cannot totally deal with alone. What is realistically needed is to regard these areas amongst those that are best pursued by public-private partnerships. The latter is not confined to the private corporate sector only, but it includes civil organizations, as well as individuals. Expatriate Egyptians should bear a prime responsibility, both financially and expertise-wise.

These programs should not be confined to national institutions and individuals only, but, also, assistance should be sought and accepted from international entities, provided there are no unreasonable conditions attached. A percentage of the government budgets should be allocated to these areas, which are currently amongst the poorest in the world, and should be adjusted upwards, obviously within the framework of government constraint.

This goal should entail aiming to reduce the percentage of those living below the poverty line by 50%, at least by 2020. The same applies to illiteracy rate. Child labour is still used and many of their families do not send them to school. With respect to health, a detailed plan should be included in the New Economic Strategy, ensuring that the role of the private sector (as broadly defined above) should be made clear.

In the poor areas, in particular, some immediate measures are required. For example, modern well-equipped clinics should be established without delay. The main purpose would be to give assistance and advice to needy families in baby and childcare,

Transparency and accountability should be high on the agenda, to avoid repeating the gross mistakes of the past from corruption to misuse of funds.

The timeline stretches to the end of 2020.

- **Goal 5: Address Youth and Chronic Disguised Long-Term Unemployment:** Again, this is an area where public and private partnership is vital. Burying heads in the sand by the private sector and placing the full responsibility of dealing with this chronic problem on the government is simply illogical and impractical. From an economic theory point of view, and practically, there can be no free (regulated) market economy while the responsibility of employment/unemployment is solely that of government.

Although the average annual percentage rate of unemployment between 1995-2009 might not seem that high at 9.7 (The Economist Pocket World in Figures, 2012, page 142), we should bear in mind that this figure refers to ‘structural unemployment’ only and does not include other non-structural unemployment. Also it does not include a significant number of disguised unemployment, with negative productivity and most of which is in the public sector.

Dealing with market distortions would be absolutely necessary, these prevail in almost all sectors of the economy. In addition to labour market reforms to boost employment many innovative schemes could be pursued. Provided that sufficient investment, both private and public, does flow into the economy, unhindered, it

should be possible to reduce structural unemployment to 5% by 2017. This does not mean ignoring the other forms of unemployment or not improving the quality of work life.

- **Goal 6: A New Education Strategy:** Achieving a high level of sustainable growth, boosting jobs, raising per capita income, and, thus, reducing inequality is best achieved by investment in human capital. Improving the quality of and access to education represents the best form of investment in human capital. As stated before, the Egyptian education system has passed the stage of just reform. It desperately and urgently requires a radical structural change, in addition to the urgent short-term problems referred to before.

To develop a new Education Strategy, a Committee should be established from experts, government and private, national and international. Expatriate Egyptians have an important role and duty to contribute, not only in designing the new strategy, but also to make themselves available to assist in implementation and sustainability.

As to the timeline, the New Strategy should be available for implementation by, latest, the end of 2015.

- **Goal 7: The Egyptian Sovereign Investment Fund (ESIF) should Lead the way:** The EISF should sponsor at least four grand-scale development projects, through establishing four investment holding companies. One could focus on the further development of the Suez Canal area, maximizing the benefits from the Suez Canal's pivotal location. A management agreement between the investment holding company and the Suez Canal Authority should be considered as a high priority, given the latter's impressive management record. A second should be in advanced technology, and communication. The third should be in agriculture, with a focus on self-sufficiency in food, while the fourth should be a financial holding company aiming to support small manufacturing enterprises.

Funding could primarily be from Expatriate Egyptians, providing them with attractive novel investment instruments, which should compete advantageously with similar investment instruments available in the market place.

In addition to establishing these four holding companies, it should act as an investment entity, offering other investment opportunities. In this connection, as stated before, it should enter into agreements with specialist investment entities, national and international, to cooperate with the Egyptian Central Bank, and through it, with the Egyptian banking sector.

Offers could be made to non-expatriate Egyptians, and, possibly, to foreign investors, including specially, but not limited to, other Sovereign Investment Funds, particularly the ones which the Arab Governments own. The starting nominal capital should be no less than one billion Dollars, and the aim should be to invest approximately 5 Billion US Dollars up to the year 2020.

- **Goal 8: The Business Ministry's Regulatory and Advisory Role:** As mentioned before, the Ministry of Business should be established, replacing several existing ministries, which have had the mandate to assist the various sectors of the economy for a long time, such as commerce, industry, agriculture, tourism, international cooperation, planning, and associated authorities. The Ministry of Business would play two principle roles. One is to provide advice to the cabinet on business-related matters and to the business sector to include both the public and private sector, on the one hand. To this extent, it forms part of the trio-economic-policy-making; namely, The Ministry of Finance, the Central Bank and the Ministry of Business, under the guidance of the Egyptian Supreme Economic Council. The other is to play a part in the Regulatory and Ombudsmen structure, in coordination with the Ministry of Justice.

It should be emphasized that the Military Economic segment would be included with the other sectors of the economy in so far as the mandate of the Ministry of Business and other regulatory bodies are concerned. As mentioned before, it could remain under the military provided they comply with the conditions of efficiency, transparency and accountability.

As to the timeline, it should be in place no later than the end of 2014, and does not have to await the dissolution of the other Ministries. In fact, it should be established before, so that the transfer of responsibility could take place in an orderly manner.

- **Goal 9: Balancing the Budget and Rationalizing the Foreign Debt:** The budget deficit has been increasing for the last few years at an alarming rate, so has the foreign and national debt as a percentage of GDP. A number of policy ideas were put forward in item 1.8. These included, but are not limited to, rationalizing both Government Expenditure and Government Revenue. They represented only examples of how fiscal policy can be reformed. While complying with an agreed New Economic Strategy, the aim should be to take long-term measures to balance the budget over time.

Dealing with foreign debt, as mentioned before, the Egyptian Sovereign Investment Fund could play a dual role of: substituting existing foreign debt with an alternative debt based on expatriate capital formation, and, the other is to assist in any new funding required in the process of balancing the budget.

As to the timeline, achieving this target of balancing the budget and rationalizing foreign debt, this could be extended to approximately 2019, as hurrying in this matter could result in damaging the economy in the short term.

- **Goal 10: Strengthening Anti-Corruption and Anti-Discrimination Laws and Radical Reform of the Media.** These are urgent requirements that cannot wait until the end of the Transitional Stage. Anti-discrimination, explicit and implicit, against the Egyptian Copts has been escalating since July 1952. If no serious action is taken without delay, the outcome could be disastrous. Similarly, discrimination against women is no longer tolerable. Certain provisions must be introduced in the relevant laws to avoid the shameful repeat of the results of the recent election, where women are hardly represented. Last, but not least, in order to ensure the freedom of the press, there should be no publicly owned media. As to the timeline, implementation of this goal should start immediately, where new legislations can be enacted by the newly elected parliament.
- **Goal 11: Participation of Expatriate Egyptians:** In the recent election Egyptian Expatriates were given the opportunity to participate. Although, it was perceived by some as a major give-away gift, for which they should celebrate, the right to vote in any country is guaranteed as long as the voter has not lost his nationality, reached a certain age, and does not have serious criminal record. Those who participated were only a very small

percentage of the approximately 8-10 million Egyptians residing abroad.

One of the main reasons was that the system upon which they were to vote in the National Assembly election did not provide any incentives to encourage participation. They were made to vote for candidates in constituencies in Egypt, whom they could not get to know, and would not be able to represent their wishes, neither would they be accountable for their contribution to their motherland.

The new constitution should include more practical provisions, similar to the ones adopted recently in the Tunisian election. Overseas constituencies are defined; expatriate candidates are allowed to stand for election in these constituencies. The elected candidates would be both answerable and accountable for their actions.

Such a system would provide strong incentives for expatriates to participate. It would strengthen their link with their motherland.

As to the timeline, the new constitution should include provisions, such as the ones referred to above, prior to the next post-new-constitution parliamentary election.

Goal 12: Environmental Issues Must be Attended To: No real gain would be achieved in relation to growth and welfare if no attention is given to environmental and natural resources concerns. It is true that Egypt needs to overhaul its antiquated and dilapidated infrastructure, such as roads, bridges, sewerage and water systems and others. But we should bear in mind that we need to invest in smart and sustainable energy use, and the transition to a low-carbon economy. In summary, a safe environment must no longer be ignored, but should be considered as a determining factor in considering every single project. These matters suffered gross neglect for a long time. Action is urgently needed, and the timeline starts immediately and should continue indefinitely.

Finally these goals should be seen as aiming to achieve the ultimate objective of greater life satisfaction, both today and in the future. Life satisfaction should go beyond “mere market income to include leisure, good health, a safe environment, and safety and trust within society.” (Sachs, p.189).

The table (Table 2.) below summarises the above outlined goals and time lines.

**Table 2.
Summary of Goals**

| Goal | Action | Period |
|-------------|--|--|
| Goal 1 | Patriotic, Objective, Peaceful and Consensus-Based Management of the Remainder of the Transitional Stage | Already started. Finished no later than 2013 |
| Goal 2 | Governance Re-Structuring | To end no later than middle 2014 |
| Goal 3 | New Economic & National Security Strategies | To end no later than middle 2014 |
| Goal 4 | Poverty, Illiteracy, and Health Radical Reform Program | Reduce at least 50% by 2020 |
| Goal 5 | Address Youth and chronic Disguised Long-Term Unemployment | Reduce to 5% by 2017 |
| Goal 6 | A New Education Strategy | Latest by end of 2015 |
| Goal 7 | The Egyptian Sovereign Investment Fund (ESIF) should Lead the way | No later than 2014 |
| Goal 8 | The Business Ministry's Regulatory and Advisory Role | No later than 2014 |
| Goal 9 | Balancing the Budget and Rationalizing the Foreign Debt | Could be extended to approx. 2019 |
| Goal 10 | Strengthening Anti-Corruption and Anti-Discrimination Laws and Radical Reform of the Media | Start immediately and in acted by the newly elected parliament |
| Goal 11 | Participation of Expatriate Egyptians | Start now and continue |
| Goal 12 | Environmental Issues Must be Attended | Action urgently needed, time line starts immediately |

2- A new Policy Approach For the Implementation of the Goals:

Adopting the conventional policy approach of a Five-Year Plan and the like, approving the plan by parliament - in quasi-democracies - and passing on the approved plan for a complicated bureaucratic system to implement, has proved time and time again to be a waste. A new

approach is required. One, which stands on two pillars: government and markets. High level objectives are the trio referred to before for a mixed economy; namely, efficiency, fairness and sustainability. There should be a longer-term view towards investments and structural change, with “policy innovations introduced simultaneously across several sectors of the economy.” (Sachs). This would be a subject for another detailed paper.

3- Revising Ward’s Infrastructure Assumptions:

Before a new projection is made for New Egypt 2050, a general assumption has to be made, followed by specific assumptions.

- **The general assumption relates to the 12 set of goals** specified above, and it also implicitly takes into consideration the changes that have already taken place and the additional changes proposed in section III. Thus, for the purpose of projection, it is assumed that all the above stated goals would have been satisfied by the year 2020, too. This implies that most of the changes proposed in section III would have all taken place by the year 2020, or at least the majority.
- Of course, it is appreciated that this assumption of the total fulfilment of all goals and changes during a period as short as eight years only might be relatively optimistic, particularly if one takes into account the criticality and the highly uncertain Transitional Stage. Added uncertainties that have not been included in the analysis, or even referred to, relate to external factors, in general, and regional factors, in particular.
- General external factors relate to the high probability of a significant deterioration in the world economic climate, and, in particular, the possibility of a second world recession, or at least in Europe, or, even, a depression. All possibilities remain open until the chronic structural crisis in the European zone is sorted out satisfactorily. Regionally, the scene is very worrying, given the spread of violence associated with the so-called Arab Spring, together with the rising ambiguities, to say the least, relating to the Palestinian-Israeli scene. There is no doubt that these factors might have an adverse impact on Egypt.
- **The specific assumptions relate to the Infrastructure data used in the Ward-Barro Model (Ward, Table 21) for Egypt.** Based on the general assumption above that all desirable goals and

changes would have been satisfied by the year 2020, changes in the infrastructure data for Egypt are assumed to have changed, as per the following table (Table 3.):

Table 3.
Revised Infrastructure Economic Data for Egypt

| Variables/Data | Ward Data | Revised | % Change | Result |
|------------------------|------------------|----------------|-----------------|---------------|
| Income per capita | 3022 (34) | 2743(36) | - 9.2 | Worse |
| Av. Y/s male Schooling | 8.76(31) | 10.3(17) | +17.6 | Better |
| Life Expectancy | 70(36) | 73(29) | +4.3 | Better |
| Fertility Rate% | 2.8(3) | 2.5(7) | -10.7 | Better |
| Rule of Law Index | 0.58(31) | 0.75(22) | +30.3 | Better |
| Gov. Consum. Ratio | 20(36) | 16.9(22) | -15.5 | Better |
| Democracy Index | 0.17(34) | 0.83(22) | +388 | Better |
| Inflation Rate % | 13(3) | 8.48(7) | 35 | Better |

With reference to the above table of revised Economic Infrastructure, the following observations are to be noted:

- In describing the result of the change as “better” means that the change is likely to have a favourable impact on the predicted per capita income growth. There is one exception, where the description is referred to as “worse”. In this one case the description refers to the negative sign, but not to the predicted impact on growth prediction, which is, also, favourable. These impacts are based on the hypothesis of the Barro model
- The revised data was based on the ones for a group of countries. To avoid the impact of religion, all the countries chosen were Muslim countries, with three exceptions only. Turkey’s data was adopted for: Rule of Law Index and Inflation Ratio. Saudi Arabia’s data was adopted for: Av. Years Male Schooling, Life Expectancy and Fertility Rate. For the fall in Egypt’s Per Capita Income, as a result of the post-Revolution circumstances, Thailand’s data was used.

For the Ratio of Government Expenditure, Russia's data was adopted. For the Democracy Index, South Africa's Index was used.

- It is to be noted that most of the countries whose data was used in the Egypt's projection are in the lower half of the thirty countries specified in the ranking table, which adds an assuring element of homogeneity.
- In choosing this data and assuming its applicability to the case of New Egypt, a serious attempt was made to be as objective as possible and scientific as one can be, given the technical limitations, and other limitations, which were encountered in completing this work in a very short period of time, and,
- Thus, they are to be regarded as partly subjective and tentative, so would the projections to be presented later on. Given this partial subjectivity, together with the fact that some important variables are not included in the Barro/Ward Model, particularly the omission of natural resources, all the results have to be regarded with a great deal of caution.

4- Revised Egypt's Economy and Ranking:

Turning now to the projection for New Egypt, the above scenario produces for Egypt's year 2050 a prediction:

- For per Capita Income, the revised estimate is approximately (in constant 2000 US Dollar) of 11898.76, compared with Ward's prediction of 8996 for the year 2050, representing an improved estimate of almost 24%.. This revised estimate produces an average annual growth rate of 10.8%, compared with an average of 8.2% according to Ward's prediction,
- Using the same UN estimate for Egypt's Population in 2050 of 130 million, and putting things together, this produces an estimate of Egypt's Size (in terms of Total GDP) of the Economy (Bn. Constant 2000 USD) of 1546, instead of 1165 according to Ward's estimate. This is represents an improved estimate of almost 33%.
- These results show the importance of the demographic factor in the case of Egypt. UN estimates show that Egypt comes second after Saudi Arabia, in terms of the expected growth in working population, of 70% and 63% respectively. However, it should be noted that although in our revised predicted fertility rate is

expected to fall, but with mortality rate falling, too,, the net impact on population, and working population is likely to be minor, if any.

- Given this significant increase in Egypt’s Economy size by 2050, Ward predicted Egypt Economy ranking number is 19 amongst the 30 leading world economies. This represented 16 places ahead from the 2010 ranking of number 35. However, when our revised estimate is taken as a base, the ranking improves to somewhere above Indonesia, number 16, and Russia, number 15, representing a further advance of more than 3 places, but
- Again this ranking estimate should be taken with a great deal of caution. On the positive side there is Egypt’s relative advantage on at least one of the omitted variables; namely resources. On the negative side, some of the changes we made to the Economic Infrastructure could be regarded as unduly optimistic. However, the predicted ranking for Egypt did not take into consideration an important factor. That is, amongst the leading 30 economies, some, if not many, might pursue some unanticipated structural reforms, which could result in their economies advancing faster than assumed in the Barro-Ward Model.

“Smile at each other”, Mother Teresa, 11, December 1979.

V

When would the BRICS Become The EBRICS?

BRICS is “an international or political organization of leading emerging economies, arising out of the inclusion of South Africa into the BRIC group in 2010. Its five members are Brazil, Russia, China, India and South Africa. With the possible exception of Russia, the BRICS members are all developing or newly industrialized countries. But they are distinguished by their large economies and significant influence on regional and global affairs” (BRICS-Wikipedia). Jim O’Neill (whom I am proud to have supervised his Ph.D. some thirty years ago) coined the grouping acronym BRIC, in a paper in 2001 and has since come into widespread use.

One might wonder as to why the title of this section, and the sub-title of the paper, raised the question of ‘when’, rather than ‘would’, with reference to Egypt joining the group. The answer is very simple: based on fundamentals, and based on O’Neill’s thesis, Egypt has all the qualification to become a member:

- If the criteria of membership is based on the ‘Potential’, and not on the actual now, then there can be no doubt that Egypt is highly qualified to become a member without delay. With ample resources, a large area and population, and its pivotal regional and international status, the BRICS, would have its influential status enhanced with Egypt as a member,
- However, if it is based only on the ‘actual at present’ economic structure and performance, the question of membership becomes debatable. Some would argue that despite the potential, and the pivotal regional status, the economy suffers from many distortions that would prevent it from outperforming others more qualified such as Mexico and South Korea. Under these circumstances, it would be a hindrance to the group rather than an added asset,
- Others might argue that membership does not require satisfying all the socioeconomic and geopolitical requirements. After all, it was Jim O’Neill, no less, who expressed surprise at the possibility of South Africa joining, and also when it joined. O’Neill argued that the population of South Africa is relatively small, 49 million only. In this respect, one should note that the population of Egypt is currently in excess of 82 million, and is expected to reach 130 million by 2050, with the second highest growth of working population and more than 45% are under the age of 35,
- In August 2010, it was, also, O’Neill who argued that “Africa could be considered the next BRIC” (O’Neill, 2010). Is not Egypt the largest country in Africa, population-wise?, and have not rival banks, to Goldman Sachs, suggested another grouping, the CIVET’s, which includes “ Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa?”
- Probably based on ‘potential’, Goldman Sachs used Incremental Nominal GDP and ranked Egypt as: number 21 from 2006 to 2020, number 19 from 2020 to 2035, and number 12 from 2035 to 2050- ahead of many advanced economies such as the UK, and

- Last, but not least, the projection in this paper provided clear evidence in support of New Egypt, not Mubarak’s Egypt, heading towards prosperity.

What more evidence is needed? My guess is that the BRICS Group, as a political organization at least, is likely to invite New Egypt to become a member, defying, hopefully, once again banking advice, as was the case with South Africa.

“The Lord Almighty will bless them and say “ I will bless you: Egypt My People” (Isaiah 19; 25).

VI

**Conclusion: “Tremble all ye oppressors of the world”,
Richard Price, 4th November 1789.**

Now I say enough economics, enough econometrics, enough politics, and back, as we started, with genuine human feelings. As I started with New Egypt emotionally, I end with my beloved Egypt in the same way, and recite:

- The blessed land of Egypt will never be forsaken: God loved her, and loves her, Moses is buried in her sacred soil, Jesus and Mary do, still, remember her, and will, one day, come back to save her, and Mohamed prayed for her, and asked us to protect her.
- My deep irreplaceable, adorable, beautiful, fertile, ethical, rich, unique, and long-lasting land and people of Egypt: you will overcome all,
- You will never be conquered, you will never be demoralized, you will never lose hope,
- You will stand up high again, as always, with dignity and pride,
- You will smile again, as always, with genuine joy and true happiness,
- O’ My people do not give up, you will make it.

El-Mokadem 27th November 2011

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