

## THE IMPACTS OF THE ARAB SPRING ON THE EGYPTIAN ECONOMY

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### Abstract

This study aims to examine the impacts of the unstable and interim political situation resulted by the political changes called Arab Spring in 2011 on the Egyptian economy. President Mubarak and his 3 decade-lasting dictatorial, but stable political and economic rule was overthrown by a revolutionary movement started on 25th January 2011. This affected promptly and negatively the economy and its implications can be felt even by now. The long-lasting transition period, including the one-year rule of the president Mohammed Morsi backed by Islamists did not facilitate the economic recovery. The impressive figures of economic growth of the pre-2011 years vanished by now. Egypt faces a series of internal political crises while the national economy remains stagnant. It is a positive fact that the internal situation has not escalated to a comprehensive civil war and – thanks to the intervention of the army, and to the election of former army chief Abdel Fattah al-Sisi as the country's new president in late May 2014. It looks the visible trend of radicalization may be turned back. However, Egypt would face long and difficult period until the political and economic stabilization took place in the country.

### Key words

Egypt. Arab Spring. Socio-economic changes. Political transformation.

### Introduction

In the journalistic lingo and even in the scientific bibliography the expression of the so-called Arab Spring used with predilection, we mean the movements tending to subvert the quasi dictatorial regimes guided by the clans of those leaders on one-man direction. These were functioning during decades mainly in form of state of republic in North Africa and in the Middle East which have made a radical alteration in the political and partly in the economic situation in Tunisia, Egypt, Yemen, Libya and Syria, starting from the beginning of 2011. The characteristics of the process /perhaps not accidentally/ is that the events – except the demonstrations being lesser and lasting for a short time passed off in Bahrain did not spread over to the Arabian countries functioning in monarchical form of state. In the latter ones, presumably, partly the large-scale and unconditional respect felt towards the rulers' personage, partly the high living standards in the majority of these countries could be the main factors which prevented the appearance and spread of these processes.

However in Egypt, president Mubarak respectively, the thirty years' dictatorial regime hall-marked by his name which was stable from the aspect of home politics and economics, the transformation swept away practically during a couple of days however under the pressure of turn-about a stable regime being viable from the aspect of politics and economics could not come into existence.

### Materials and methods

The paper was based on secondary research founded on the descriptive-analytical exploration of the political, economic and social factors and processes which could be found in the background of the phenomenon called Arab Spring since early 2011. The examinations were based on the available international and partially Hungarian bibliography, and databases in this field. In addition it may be pointed out that the author worked in Egypt for two years

(2009-2011) and could be an eye-witness of the commencement of the turmoil and ambivalent changes brought about by the so-called Arab Spring. The author has already published several papers related to this field (Neszmélyi 2010, 2013, 2014) which also contributed to the results of this paper.

### **Egypt before the Turmoil of the Year 2011**

The crisis of the year 2011 (which has been named in Egypt as "Revolution of 25th January") in certain countries of the Arab World was supported for a short time. Since 1981 after the violent death of former President Anwar Sadat by the leadership of Mohammad Hosni Mubarak, the former vice-president mostly, to the "veteran" military leaders' circle of the 1973 war, respectively building on the National Democratic Party (NDP) functioning as a quasi state party, a strong presidential regime was in power in the country. The quasi dictatorial regime was operating beside the conditions of the so-called emergency state from the beginning to the end. In the maintenance of the regime, the police authorities and the secret services had a key importance. The human rights were strongly limited however the regime, from the beginning to the end, strictly arose against political and religious extremities. The presence and activity of the above before 2011 could be experienced rarely in Egypt.

The secular political system rendered possible the relatively peaceful coexistence of the moderate Muslim majority and the practically 10% of the Christian minority. Although the constitution determined the Sharia as a fundamental source of law, it was practically applied in cases of a family law only concerning the Muslim inhabitants. As a part of the social provisions of the Mubarak regime, among others the foodstuffs and energy price level were kept low. This was a matter of life and death – and it is even today – for more than 10 million social strata of the local population having low income. Otherwise the state of emergency and the general, almost a control of a police-state, was not particularly disturbing for the foreign tourists and businessmen. Due to the prices kept low, respectively the increased control, the measures of the public security both for the foreign tourists and businessmen arriving to the country could enjoy it as peculiar, positive externalities.

The national economy of Egypt, till the beginning of the changes, stood on specifically firm bases. The structure of national economy on the basis of the contribution to the annual GDP in 2010, in the last full year of the Mubarak regime, was the following, according to the major branches: agriculture: 14 %, industry: 38 %, services: 48 %. From the aspect of employment the proportion of the agrarian respectively the industrial branch was essentially different from the latter, almost inverse: agriculture: 32%, industry: 17 %, services: 51 %. The hydrocarbon reserves of the country, the amounts rolled in, from the usage of the Suez Canal and the annual 10-12 Billion USD income deriving from the potential of tourism created stable bases for the development of the economy. All these increased the growing performance of other branches e.g. of the textile industry and the agricultural export, further the foreign direct investments still increased more.

Just for that and due to the economic reform process which had started from 2004, hallmarked by the name of Prime Minister Dr. Ahmed Nazif, the country survived years of 2008-2009 of the world crisis without considerable losses. In 2010 the GDP nominal value was 218.5 Billion USD the PPP – the purchasing power parity – was approximately 500 Billion USD. Projecting to the 83 million of inhabitants the volume of per capita mounted up to cc. 6000 USD. The growth of the gross domestic product in the preceding 10 years reached 7-8 % in average, and it was reduced only by 2-3% on the effect of the international economic crisis that broke out in the autumn of 2008.

The most important export articles of Egypt in 2010 approximately, with a 51 % proportion were the hydrocarbon derivatives, industrial finished products representing 38 % (textile, clothes, footwear), further cotton and other agricultural products. Its major imported products were: machines and mechanical equipment, foodstuffs, chemical substances, wooden products, fuels. In the Egyptian economy - besides the export of goods - the incomes of tourism, the tolls paid by using the Suez Canal and the foreign remittances (mainly the transfers of the Egyptian guest workers) meant the main sources of incomes. The latter ones created cc. 20 % of the GDP in the earlier years.

Before the revolution – besides the poverty affecting the predominating part of the population negative phenomena could be observed mostly in two fields. On one hand the employment on the other hand the relatively high (more than 10%) unemployment and otherwise the significant recession of the active foreign capital investments. During the fiscal year of 2009/2010, the gross FDI inflow was 11.0 Billion USD. This was already from the outset 40 % lower than two years earlier. However, at the same time, from European aspect, it was positive that it reached (2009/2010) FDI participation from the EU member-states to Egypt, while this proportion was, all in all, 35%. The European Union promoted as the most important trading partner of Egypt (among the EU-members Italy was the most important partner).

### **The "25th January Revolution" and its consequences**

In case of Egypt, in other big cities of the country (Suez, Alexandria) – for the first time during the rule of Mubarak such demonstrations of great importance arose which contradicting the earlier ones, the police forces could not keep under control anymore. The direct calling forth was the rise of the prices of foodstuffs, the planned suspension of consumer price subsidies for bread and other basic commodities. However in the background several motives could be retractable: unemployment, low minimum wages, holding out of poor prospects, especially among the members of the young generation. However the claims of the mass passing in the street almost immediately overgrew the merely economic issues. The first place was given to the president and his clan for leaving, further on the basis of the above the extorted of setting aside the profound political reforms.

The subsidy system of consumers' prices is one of the biggest item in Egyptian budget as it took (and event does till now) around 13% of the GDP. Even during the fiscal year lasted from 01.07.2011 to 30.06.2012 the subsidy for foodstuffs and energy was 18 Billion USD. (Rohác, D. 2013.)

In addition there were a number of factors of social tensions like unemployment, low minimal wages, lack of prospectives especially among the members of the young generation. Doaa and Zaazou in their study point out that the public opinion considers around 40% of the Egyptian population living under the threshold of poverty (under 2 USD per day income), However, the World Development Indicator – based on data of the year 2011 and other sources - considered this level „only” 17.5 – 23% between 2005-2010 but shows increasing trend and extends to around 20 million people (Doaa S. Abdou, Z. Zaazou, 2013).

The claims of the masses of people who went to demonstrate to the streets were first economic-oriented, but soon extended towards radical political demands, like the prompt resignation and leave of President Mubarak which should be followed by thorough political reforms. The police endeavoured with excessive forces to subdue and to extinguish the demonstrations to such an extent that due to the rough infringements done during their

appearance President Mubarak disbanded the police forces, then the defence of the public buildings and establishments for public purposes were taken over by the army. Still at the end of January a partial reshuffle of the government was implemented. However, this was not considered as sufficient change neither for the society nor for the sober international opinions. By the effect of the further continuing the demonstrations Mubarak renounced on the 11th February 2011, the power was temporarily taken over by the army.

In the provisional period, started after the takeover of Cairo the Supreme Council of the Armed Forces (SCAF) got to the centre of the power. Field Marshall Mohammed Hussein Tantawi, Minister of defence and military industry, came to the fore of the nineteen persons' corporate body which had a key position in Mubarak's deprival and earlier it stood under the guidance of the head of state. The General provisionally took over the capacity of the head of state as well (Gazdik, 2012).

Tantawi dissolved both of the houses of the Parliament and respectively appointed a managing (acting) government under the leadership of Ahmed Shafik, in which several ministers of the previous system of government were having place, too. However, the slowly stabilizing situation was changed in the summer of 2012. During the relatively fair presidential election on the 16-17th June 2012 Mohamed Morsi won - with 51,7 % of votes - as the candidate of the Muslim Brotherhood group which represented the Islamist line.

During the presidency of Morsi which lasted nearly one full year he was not able, perhaps he did not endeavour to preserve the unity of the Egyptian nation. The inhabitants of Egypt above all revolted against the regime of President Mubarak with the aim of obtaining human rights and better living. The revolt was not organized for reaching the moderate Islamic majority and for about 10 million Coptic Christians' minority living previously together peacefully serving as a base however the secularized social arrangement the always strengthening based on Islam should have been changed by a newer dictatorship. Morsi's international acceptance was generally negative too in spite of the fact that he reached the power by democratic elections. To the gaining ground of the radical Islam to inner division even to the possibility of eventual revision of Camp David treaty, not only the international community and the Christian minority but even the moderate Muslim inhabitants of the country too looked at it as a risk factor of a grave destabilization. A great many of people considered that today a grave consequence bearing international cases (e.g. Iran, Pakistan) a similar scenario could be taken place in Egypt. For instance Pakistan is a religious forefront, in that sense too, that since the scene and foundation (1947) of the Islam moderate and fighter fundamentalist lines, the country is serving unbalanced and uncertain bases. However, the first president Muhammad Ali Jinnah and his followers from the intelligentsia dreamed of such a secular state where the country is laying on democratic piers, where Islam is not a political but a cultural factor. But gradually we could witness the Islamization of the country. Comparing the fundamentalist wings to the number of inhabitants it got much bigger political role and weight to such an extent that quite a number of persons inquire the secular statehood of Pakistan. (Nadicsán J. 2013).

The demonstrations against President Morsi- respectively against the Moslim Brotherhood- became more and more frequent and far-reaching. On 30th June 2013 – on the first anniversary of Morsi's taking office – 14 million people in total proceeded in the streets all over Egypt – reclaiming the immediate demission of the president. The demonstration was peaceful at the beginning, later it became hard-boiled reclaiming numerous deadly victims. In parallel with the above, in certain parts of Cairo, demonstrations for Morsi's party took place which also led to violence. After Morsi's communication that he was not willing to resign from his office this beyond the inhabitants' - however that time the leadership of the army – the events were continuing and escalated. On the 1st July 2013 the number one leader of the

army, General Abdul Fatah Al-Sissy claimed Morsi in an ultimatum to renounce. After the deadline of the ultimatum had passed, Morsi was relieved and placed to custody, and later he was even jailed. He and his responsibility will be investigated by the court (the first trial of his case was held in November 2013 but it was postponed to the beginning of 2014). In parallel with all the above several other leaders of the Muslim Brotherhood were arrested too. The army suspended the constitution of the country. Further it entrusted Adly Mansur the Head of the Supreme Court to temporarily take over the presidency until the Egyptian people will decide about the new president in the forthcoming new elections (which are to be announced soon).

A significant part of the Egyptian inhabitants respectively the business circles gave a warm response to the step of the army. The legitimacy of the new situation was helped by the fact that the measures of the army were supported in a declaration by Ahmed el-Tayyeb, the Grand Sheikh of Al-Azhar (the highest Muslim leader of Egypt and of the Sunni-branch of Islam), Tavrados II Coptic orthodox pope, further Mohamed El-Baradei the internationally well-known politician of opposition, too. The inner situation of Egypt due to the military takeover the power in a sense of public law became stabilized, however the massive demonstrations followed – first of all from Morsi's devotees – they got continuous following all over the country. The attacks on the Christian communities living in Egypt became the butts.

By his own account the Muslim Brotherhood, having approximately one million members, was prohibited in September 2013 with the motivation of having instigated Mohamed Morsi's devotees for violence as he had been elected as its candidate then such an overthrown head of state who was turned down by the army. Following this – just till now – the circumstances seem to get stabilized again. In the last week of September 2013 the previously suspended international charter flights were launched again and today it can be witnessed that the foreign tourism into Egypt has been rising although to a moderate extent.

It is worth to mention that the way of removal of Morsi and the Muslim Brotherhood from the power was judged negatively by a part of the international community. For instance in November 2013 a tension emerged between Cairo and Ankara which resulted in the mutual expelling of ambassadors. The direct reason of this were the series of declarations of Turkish Prime Minister Recep Tayyip Erdogan who sharply criticized the dismissal of President Mohamed Morsi and the oppressive measures against Islamists. He added that he could not respect those who grabbed the power by coup and claimed that Morsi should be released. He underlined that he did not speak against the Egyptian people but for the democracy, however the spokesman of the Egyptian foreign ministry declared the words of the Turkish prime minister as interference to the domestic affairs of Egypt which in addition „provokes the people and supports such forces which would undermine the institutions of democratic Egypt” (Euronews 2013).

A new chapter may start in the Egyptian political and social life with the fact that at the presidential election (held between 26<sup>th</sup> to 28<sup>th</sup> May 2014) the majority of voters elected – with a ratio of 96.91% - General Abdel Fattah al-Sisi, the former head of the armed forces as the new and legal head of state of Egypt. However the official turnout was only 47.45 %, far less than Sisi expected before. Therefore it is still difficult to judge and estimate the real social acceptance and legitimacy of the new president-elect.

The election and its outcome was sharply criticized by the The Muslim Brotherhood denounced the election calling it "the election of blood" and liberal and secular activists, including the April 6 movement, dismissed the polling. The United States and Britain said they look forward to working with Sisi, though the United States expressed concern over the

"restrictive political environment" in which polling was held and urged the new president to carry out human rights reforms. However Sisi, right after his election claimed that "it was now time to work" ... [Sisi Declared Winner ... (2014)] .. but the programme is still not clear by which the new president wants to lead out the Egyptian society and economy from the recent three years' stalemate.

### **The State of the Egyptian economy during and after the Revolution**

Following President Mubarak's period of three decades passed about three years were strongly damaged by the national economy. Hisham Ramez the vice-governor of that time of the Central Bank of Egypt (CBE) declared at the beginning of June 2011 that the foreign exchange reserves of Egypt decreased to 27,2 Billion USD (in December 2010 it was 36 Billion USD). According to Ramez the pace of the decrease was the fastest in February and March of 2011, that time the decrease was 3 – 3 Billion USD, while in April it was "only" 2 Billion, while during May the above-mentioned decrease was 772 Million USD. That means that the foreign exchange reserves following the events almost immediately started to decline considerably – since for weeks, in certain parts for months the production was impeded, and the formation of the internal lack of goods /shop-shortage/ could be warding off by increasing imports. In the first part of 2011 roughly by 8 Billion USD declines the country's foreign exchange reserves however this decrease kept on continuing. According to the information descended from CBE, by the end of February 2013 the country's foreign exchange reserves dwindled to 13.5 Billion USD. However in the past months this started to rise slowly although this was due to the life-belt packages offered by the Gulf countries. According to press information of October 2013, referring to the governor of CBE the foreign exchange reserves of Egypt rose to 18.9 Billion USD reaching by this slightly more than half of the level before the revolution.

As a consequence of the events the foreign tourism meaning one of the most important sources of income (in 2010 nearly 13 Billion USD) in the first quarter of the year was reduced almost to zero and even till now could not grow to the pre-revolution level. The sabotage actions committed several times one after the other in the Sinai Peninsula paralysed Egypt's natural gas export to Israel further to Jordan for a long time (respectively through them to other countries). The production was ceased to work for weeks due to workers' unrest and strikes with the view of demanding their wages to be raised.

The breakdown of the Cairo Stock Exchange could only be impeded by closing it for about two months. According to the estimation of the Egyptian National Planning Institute made by the end of May 2011 the Egyptian national economy since the revolution of 25th January – that means in a term of four months – totally about 70 Billion EGP (cc. 8 Billion EUR) suffered losses, it means the processing industry, foreign tourism, construction industry and other branches, further the recession of the incomes deriving from the usage of the Suez Canal. The remits of Egyptians living abroad of the year 2011 were estimated by 7 Billion USD less than during the previous years. Samir Radwan, Minister of Finance of that time underlined that the difficulties of the central budget were increased by the maintenance of the subsidy system of goods as well at a monthly value of 3 Billion USD.

To close a hole of the budgetary deficit which was more negative than any of the previous periods the government issued treasury bonds several times in high sums, for instance, in the first days 6 Billion EGP (cc. one Billion USD) value. The state provisionally prohibited the transportation of gold abroad in any form further it started a diplomatic rally on one hand to achieve the reduction (or a partial abolishment) of the foreign debts of Egypt, and on the other hand to obtain new financial resources.

Contrary to the "classical therapies" the national currency (Egyptian Pounds – EGP) has not been devalued in a considerable extent and in connection or with this we could not witness the break loose of inflation either which remained around 10% in the course of 2013. The bank of issue (CBE) and the government all the time did not follow a hesitant attitude. One of the top leaders of CBE just shortly after the beginning of the revolution declared that the bank of issue did not have the intention to devalue the national currency the rate of which was supposed to be adjusted by the demand and supply and added that the bank of issue would intervene only when they perceived external intervention either on the demand or on the supply side. The Egyptian economic leadership was consequent in this issue and the Egyptian currency lost its value in a lesser extent than it could have happened due to the unfavourable economic trends of the past three years. And even this change could be felt primarily against the Euro (by all means due to the strengthening of the common European currency) while the rate of EGP against US dollars just changed in a very slight extent.

In spite of the conscious, quasi forced maintenance of stability of the national currency the economic performance of Egypt – which could be classified as really good – became almost annihilated. The FDI inflow dwindled to less than its half. (In 2010 a sum of 1.361 Billion USD, in 2011 2.245 Billion USD and in 2012 only 1.892 Billion USD FDI flew into Egypt). (Data of HITA). The industrial production and the export performance too – like tourism – significantly decreased. Only the performance of the primary sectors of the national economy (petrol and natural gas and the agriculture) and the incomes after the use of the Suez Canal remained nearly at their previous levels. Sources of CIA estimate Egypt's GDP in 2012 – on the basis of the official exchange rates - 256.7 Billion USD. The sector-based composition of GDP was as follows: agriculture 14.5%, industry 36.9 %, services 48.6%. (CIA The World Factbook)

### 1. Table. Main Economic Indicators of Egypt (2009 – 2013)

		2008	2009	2010	2011	2012	2013 (a)
<b>GDP (current prices)</b>	Billion USD	162.4	188.6	218.5	235.6	256.7	264.7
<b>GDP (PPP)</b>	Billion USD	443.8	468.6	499.3	519.0	540.0	559.8
<b>Per capita GDP (current prices)</b>	USD/head	2.160	2.453	2.776	2.930	3.112	3.146
<b>Per capita GDP (PPP)</b>	USD/head	5.901	6.093	6.344	6.455	6.545	6.653
<b>Rate of unemployment</b>	%	n.a.	9.4	9.0	12.2	12.5	n.a.
<b>Balance of Budget</b>	In % of GDP	n.a.	-6.8	-8.1	-10.6	-10.4	n.a.
<b>National debt (end of the year)</b>	In % of GDP	n.a.	75.6	81.4	85.7	85.0	n.a.
<b>GDP growth (real)</b>	%	7.2	4.7	5.1	1.8	2.2	2.0
<b>Balance of current account</b>	In % of GDP	0.5	-2.3	-2.0	-2.6	-3.1	-2.1
<b>Inflation (CPI)</b>	%	11.7	16.2	11.7	11.1	8.6	8.2

Sources: Country and region fact sheets of the Ministry of Foreign Affairs and Trade of Australia (2013.); Information of HITA (Hungarian Investment and Trade Agency) (2013.)

(b) forecast

The biggest part of GDP is originated from the services sector, and within this the wholesale and retail trade, transport and telecommunication, the financial, the insurance, the real estate sectors and the tourism are the most significant. Roughly one-third of the GDP comes from the industry the most important branches of which are the cement-, the iron and steel industry, the road vehicle manufacturing, the drug, then textile industry and the production of pesticides and fertilizers. In the agriculture the main products are fruits, vegetables, olive-oil, and oily seeds and various spice-plants. The cereal production and the animal husbandry cannot cover the growing needs of the population therefore Egypt needs to

import them Besides all these branches the energy sector is also very important, the oil, natural gas and electricity production. The balance of foreign trade of Egypt deteriorated, in 2012 the deficit of trade rose nearly to the double of the value of 2009. Even though the exports grew in a certain extent according to the statistical data the imports rose in a much higher volume. The most important trade partner of Egypt was the European Union, and from among the EU member states Italy was the most significant.

The research institute of the Hungarian Chamber of Trade and Industry listed Egypt's most important export-partners as follows: USA (8.2%), India (7.0%), Italy (6.7%), Saudi-Arabia (6.3%), Germany (4.4%), France (4.2%), and import-partners: China (11.9%), USA (8.0%), Turkey (5.3%), Italy (5.1%), Germany (4.6%), Russia (4.4%), India (4.1%). The same study listed the most important export goods of Egypt as follows: crude oil and oil-products, cotton, textiles, metal products, chemicals, processed foodstuffs, while the main imported products were machinery and equipment, foodstuffs, chemicals, products of wood-industry and fuels. (MKIK-GVI, 2013)

## 2. Table. Foreign Trade Turnover of Egypt (2009-2012)

(Million USD)

	2009	2010	2011	2012
<b>Balance of trade of goods</b>	-16.8	-26.5	-29.4	-32.9
<b>Exports</b>	23.1	25.0	28.0	26.8
<b>Imports</b>	39.9	51.5	57.4	59.7

Source: Hungarian Investment and Trade Agency (2013)

The foreign trade balance of Egypt deteriorated too. The deficit of balance increased almost to the double of that of the year 2009, in 2012. Although the export grew in a small extent, on the basis of the data the increase of the import exceeded considerably the export growth. The most important trading partner of Egypt is the European Union and from among the member states Italy is the number one.

The serious internal economic and social problems were intensified further by the blowing over and long lasting conflict in the neighbouring Libya. As a consequence of these the majority of almost 1.5 million Egyptian guest workers had to leave and return home to Egypt. This caused disturbance also at the Egyptian labour market which was striving with unemployment at a rate of 12 % in the spring of 2011 and it grew further to 13,5 % till the autumn of 2013. In normal case it would have been able to absorb 6-700 thousand new workers who appear yearly in the country at or above a rate of 7% annual economic growth. Beside all these the regular remittances of these people were also ceased as they had to give up their jobs and bases of living rapidly because of the critical situation which emerged in Libya. The latter used to be one of the most important external financial sources for the Egyptian national economy.

## 3. Table. The impacts of the Arab Spring on the future of Egypt (SWOT analysis)

Strengths	Weaknesses
<p><i>a) Political points</i> - Due to her geo-strategic position Egypt is</p>	<p><i>a) Political points</i> - The relatively peaceful coexistence among</p>



<p>still a key actor.</p> <ul style="list-style-type: none"> <li>- The foreign political orientation of Egypt has not changed considerably (not even during the presidency of Morsi).</li> <li>- The army has traditionally important role in the life of the country. It has a stabilizing impact and enjoys firm support from the society</li> </ul> <p><b>b)Economic points</b></p> <ul style="list-style-type: none"> <li>- Egypt has a considerable wealth of natural resources (energy carriers, favourable climatic and geographic conditions for tourism and agriculture)</li> <li>- Posses with huge amount of human resources (labour).</li> <li>- Egypt went through economic reforms even before the Revolution which improved the country's ability to adopt to the changes in the global economy and contributed to the economic growth. Therefore Egypt had relatively stable economic position.</li> <li>- Economic reforms towards market-oriented economy, decomposition of distorting factors like price subsidy system.</li> <li>- There is still a way to devalue the national currency (EGP) as it used to be overvalued up to now, and it can give an impetus to the export-potential of Egypt.</li> </ul> <p>- If the formerly launched agricultural and urban development projects continued it would solve the accommodation and job problems for considerable masses of the population.</p>	<p>the religious communities became more fragile.</p> <ul style="list-style-type: none"> <li>- A big part of the population has neither stable political ideas and goals nor any view about democracy.</li> <li>- The Arab Spring has not brought meaningful and positive changes in the leadership of Egypt, the army and an army-backed provisional government and head of state rules the country up to now.</li> <li>- There is no appropriate rule of law.</li> <li>- The critical scenario of 2012 may be repeated, as still there is a chance that antidemocratic forces may win and get the power as a result of democratic elections.</li> <li>- The political and/or religious tensions may be fuelled and they can escalate into violence more frequently or even into civil war.</li> </ul> <p><b>b)Economic points</b></p> <ul style="list-style-type: none"> <li>- Around half of the Egyptian population live in deep poverty and the unemployment is high.</li> <li>- The central budget still has to bear the burden of the price subsidy system for elementary necessities for the population and also the military expenditures are high.</li> <li>- Radical decrease in the economic growth indicators and also in the foreign exchange reserves.</li> <li>- Considerable and long-term recession in those economic sectors (e.g. tourism) which had key importance in the foreign exchange incomes of Egypt.</li> <li>- Egypt – due to its geographic situation - is in an exposed situation from the point of water supply. It puts a limit not only to the drinking water supply but also to the capacity of the agricultural production. Therefore Egypt needs to import major foodstuffs (like cereals) in a long run.</li> <li>- Many people in Egypt expected a change or improvement of his/her own life from the Arab Spring and as this desire has not come true in most cases the public disappointment is getting stronger.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<b>a) Political points</b>	<b>a) Political points</b>

<p>- There has been a positive approach from the US and the EU towards the Egyptian reforms and it can give an impetus to the co-operation and foreign trade.</p> <p>- In 2014, the upcoming elections in Egypt as a result of which – in a favourable scenario – stable legislation and government can be set up, which would be free of extremist forces and it would enjoy the support of the Egyptian society.</p> <p>- In 2014 a new constitution can be adopted which assures the secular model of society in Egypt with full respect to the human rights and to the development towards the pluralistic democracy.</p> <p><b>b)Economic points</b></p> <p>- When the restrictions of the financial and economic relieved Egypt may reach the same or better economic position than had before.</p>	<p>- The difficulties of other Arab countries or even the Palestinian – Israeli reconciliation process has impacts on Egypt.</p> <p>- The radical Islamist forces – after the Muslim Brotherhood was officially banned – may be re-organized in different form and may try to acquire the power again. If so, the secular system of the Egyptian society can be jeopardized and the situation of around ten-million Christian people can be deteriorated.</p> <p><b>b)Economic points</b></p> <p>- There is a considerable decrease in the indicators of the economic growth, and the slowdown of the FDI inflow can amplify this trend.</p> <p>- There is chance that the confidence of the foreign investors (and tourists) would not be restored due to the long-lasting instability and this can induce a negative spiral in the economy. If this happens there will be very difficult to find a way out.</p> <p>- The unemployment is increasing, the chances of the young generation entering the labour market looks to be worsening, and this can lead to increasing social tension or even explosion.</p>
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Source: Neszmélyi Gy. (2013)

### Conclusion, Summary and Outlook: The Hard Road of the Future

During the past three years Egypt has been passing through a long-lasting transitory state from which it could hope to get out only on the long run. However the present situation is still not favourable. It is a positive issue itself that Egypt still has not fallen under the domination of radical Islamists thanks to the intervention of the army. However the fact is that behind Morsi and the recently banned Muslim Brotherhood there are very considerable masses standing even now therefore it cannot be guaranteed that during the following case on the run of the democratic elections the turn, similar to the year of 2012 would not be repeated. Naturally it is a fact, although from the aspect of economy it is far not efficient that the large-scale demonstrations did not lead to general violence or armed civil war – that partly owing to the most important Egyptian Islamic leaders' restrained attitude – the sometimes sharp disagreements between the Muslim and Christian communities did not become a long lasting and general conflicts.

It is worth to mention that the leadership preserved its previous stable face and role. Although several times, especially during the time of Morsi's administration such demonstrations could be heard that Egypt perhaps eventually denounces or considers invalidate or cancel the peace treaty of Camp David with Israel – all these remained at the level of rhetoric. The internal changes were not followed by steps in foreign policy or trade

which would be contradictory with the previous trends. Thus Egypt has a good chance to preserve its regional stabilizing role which Egypt took upon consciously. From the aspect of the very fragile stability of the Middle Eastern region Cairo's role would be of a key importance in the future too. Cairo keeps on supporting the formation of the region to a nuclear weapon-free zone (NPFZ). Although the creation of it has no chance in the Middle East which is charged by grave regional conflicts. (Gyene P., Harangozó D. 2011). Egypt in the Arab World has a prestigious opinion-leading role for a long time. It has been doing efforts to achieve reconciliation among the Palestine factions in order to improve the Palestine – Israeli relationship, and even in multi-faced contribution to solve the Libyan and Syrian civil war, from the steps of humanitarian co-operation. Therefore it is in the interest of the international community if the countries of the narrower region of the Middle East (the so-called Near East) but the larger Mediterranean region in which the interest of the EU is that Egypt's political and economic stabilization should be realized the soonest possible, without lesser obstacle.

It is very important that the branches producing the major incomes like the amelioration of situation of the foreign tourism the general economic development in Egypt which has to have an effect on the direction of diversification. To comply with these there is a need for schooling and elevation of the level of education to enable the increase of the employment like for example Syria and Saudi Arabia. These Arab countries previously offered good examples for the employment and the diversified economic development. The improvement of the food security thus the increase of food safety is an issue of basic importance thus – using the international, e.g. from the possibility of projects being supported by resources of the European Union, it is an important task to find the most efficient ways of the spreading of advanced technologies and modern methods. (Zsarnóczai J. S. 1997, 1979). In a number of countries the professional consultancy (extension) services were introduced. It is worth to mention that in Egypt in 1953 such a consultancy network was established (Kozári J. 2007) the experiences of which could certainly offer a basis to build upon it.

In the countries being concerned by the so-called Arab Spring, from the beginning of 2011 significant political and economic changes started, which in the majority of cases, escalated to a civil war causing grave devastation on the traces of military operations and also the masses of the civil inhabitants (Syria, Libya). Tunisia, respectively in the case of Egypt the violence was more restricted, but it did not bring about considerable positive metamorphosis neither in the society nor in the economy. Just the opposite: serious economic breakdown further Mubarak, Kadhafi and Assad. The dictatorial, oligarchic – but stable and secular – regimes were not followed by democratic turn but such situations which show toward chaos, anarchy and further the appearance of extreme religious groups. By the leave of Mubarak Egypt got a chance for a radical social turn however according to the signs, with this chance till the time being Egypt could not live and make adequate use of it.

The previous, impressive economic growth indicators passed away. The country is experiencing a series of crises in the domestic politics while the economy can be characterized by stagnation. The election of General Sisi as President can be a stabilizing factor, however his legitimacy and support from the majority of the Egyptian society is far not evident. Even in case of a favourable scenario long time will be necessary that the stability of Egypt could be restored as well as the international confidence vested into the country could be re-established. But this looks the only way for Egypt to put her economy to a course of growth again.

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